IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

CITIZENS AND SOUTHERN NATIONAL BANK, et al.

On Appeal from the United States District Court for the Northern District of Georgia

---

JOINT APPENDIX

INDEX

VOLUME I

	Page
Relevant Docket Entries	1
Complaint by the United States Filed November 2, 1971	9

Answer to Complaint Filed by the Defendants May 5, 1972 24

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia Commencing September 25, 1972:

Appearances [2] 45

Testimony of W. D. Padgett—
Direct examination [7] 49
Cross-examination [74] 89

Testimony of William Farr, III—
Direct examination [85] 96
Cross-examination [123] 118

Testimony of Herbert Leonard Megar—
Direct examination [131] 135
Cross-examination [161] 142
Redirect examination [171] 148

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 26, 1972:

Testimony of James A. Parker—
Direct examination [180] 151
Cross-examination [227] 178
Redirect examination [245] 188

Testimony of Charles B. Ginden—
Direct examination [256] 195
Cross-examination [296] 219
Redirect examination [309] 226

Testimony of Warren Jackson—
Direct examination [312] 228
Cross-examination [352] 251

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 27, 1972:

Testimony of Warren Woolsey—
Direct examination [361] 257
Cross-examination [408] 284
Redirect examination [424] 292

Testimony of Samuel L. Skogstad—
Direct examination [425] 293
Cross-examination [426] 294
Redirect examination [476] 322
Recross-examination [494] 333

VOLUME II

Testimony of Mills B. Lane—
Direct examination [508] 343
Cross-examination [539] 361
Redirect examination [562] 374

Transcript of Proceedings Held Before the Hon. Charles A Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 28, 1972:

Testimony of Howard S. Starks—
Direct examination [582] 386
Cross-examination [604] 400
Redirect examination [633] 417

Testimony of Joseph Hall—
Direct examination [637] 420
Cross-examination [683] 445
Redirect examination [744] 481

Testimony of Robert Daniel Handley, Jr.—
Direct examination [747] 483
Cross-examination [765] 494
Redirect examination [774] 499
Recross-examination [774] 500

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 29, 1972:

Testimony of Warren L. Berry—
Direct examination [777] 501
Cross-examination [784] 505
Redirect examination [802] 516

Testimony of Roy B. Holland—
Direct examination [802] 517
Cross-examination [805] 519

Testimony of Hubert Harris—
Direct examination [808] 521
Cross-examination [812] 523

Testimony of Lewis C. Beasley—
Direct examination [815] 524
Cross-examination [821] 528

Testimony of Joseph M. Ream—
Direct examination [824] 530

Testimony of Henry T. Collingsworth, Jr.—
Direct examination [830] 534
Cross-examination [837] 538

Testimony of Gordon B. Trulock, Jr.—
Direct examination [842] 542
Cross-examination [853] 548

Testimony of Ben C. Cook—
Direct examination [854] 548
Cross-examination [859] 552

Testimony of Merrill Autry, Jr.—
Direct examination [862] 554
Cross-examination [865] 555

Testimony of L. R. Gellerstedt, Jr.—
Direct examination [873] 559
Cross-examination [881] 564

Testimony of King Cleveland—
Direct examination [888] 569
Cross-examination [892] 571

Testimony of W. M. Jackson—
Direct examination [895] 573
Cross-examination [905] 579

Testimony of Evans Bruner—
Direct examination [932] 594
Cross-examination [940] 599

VOLUME III

Testimony of J. Mack Robinson—
Direct examination [942] 601
Cross-examination [946] 603

Testimony of Walter Eaves—
Direct examination [953] 607
Cross-examination [956] 609

Testimony of E. D. Dunn—
Direct examination [960] 611

Testimony of Nevins Dennis Baxter—
Direct examination [974] 619
Cross-examination [1004] 636

Depositions:

Warren Lanham Berry—
(GX-198) 671

Dr. William M. Cason—
(GX-199) 4.1-6.13 739

Gus Lockett Connelly—
(GX-200) 4-29.3; 53.13-54.22 741

Thomas E. Cook—
(GX-201) 4-26.4 760

Edward E. Elson—
(GX-202) 10.23-12.7 774

Louis J. Fortuna—
(GX-204) 19.6-22.3 775

Hubert L. Harris—
(GX-206) 4-28.7 778

T. Robert Hazelrig—
(GX-207) 4-28.13 793

Dr. W. Andrew Irvin—
(GX-208) 12.4-12.21; 18.10-18.24 811

Hugh F. Lane—
(GX-209) 812

Alva G. Maxwell—
(GX-211) 4-6.13 848

Dalton F. Scott—
(GX-215) 34.24-36.3 851

Economic Report (Excerpts):

Volume 1—[5-14]
[83-84]
[114 "E"-130 "B"]
[139-147] 852

Volume 2—Exhibits 20, 28, 29, 53, 54, 55, 69 877

Government Exhibits:

GX-33 B E-1
GX-33 C E-5
GX-33 D E-7
GX-33 E E-10
GX-35 ..... E-13
GX-36 ..... E-24
GX-37 ..... E-28
GX-38 ..... E-38
GX-104 ..... E-57
GX-105 ..... E-89
GX-106 A E-115
GX-107 ..... E-121
GX-108 ..... E-122
GX-109 ..... E-123
GX-110 ..... E-124
GX-111 ..... E-125
GX-112 ..... E-126
GX-113 ..... E-127
GX-114 ..... E-128
GX-115 ..... E-132
GX-116 ..... E-133
GX-117 ..... E-134
GX-118 ..... E-135
GX-119 ..... E-137
GX-120 ..... E-139

GX-121 ..... E-140
GX-122 ..... E-141
GX-123 ..... E-142
GX-124 ..... E-143
GX-125 ..... E-145
GX-126 ..... E-146
GX-127 ..... E-147
GX-128 ..... E-148
GX-134 ..... E-153
GX-136 ..... E-155
GX-138 ..... E-156
GX-139 ..... E-158
GX-140 ..... E-160
GX-142 ..... E-161
GX-148 ..... E-162
GX-151 ..... E-164
GX-153 ..... E-165
GX-162 ..... E-166
GX-163 ..... E-172
GX-164 ..... E-198
GX-166 ..... E-204
GX-169 ..... E-206
GX-170 ..... E-215
GX-177 [1-15.6] E-217
GX-177 B E-232
GX-177 D E-235

GX-188 ..... E-240
GX-189 ..... E-241
GX-190 ..... E-242
GX-191 ..... E-243
GX-192 ..... E-249
GX-193 [1-6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 28] ... E-251
GX-194 ..... E-268
GX-216 ..... E-269

Defendants' Exhibits:

DX-94 ..... E-305
DX-113 ..... E-329
DX-125 ..... E-330
DX-152 ..... E-331
DX-266 ..... E-337
DX-267 ..... E-460
DX-268 ..... E-502-2
DX-269 (Sections A, D, F, K and V) E-572
DX-270—Vol. I, GOG 9.27 and GOG 9.6 ..... E-692
Vol. II, GOG 26.01 and 26.011 ..... E-699
DX-277 ..... E-703
DX-278 ..... E-705
DX-300 ..... E-706
DX-301 ..... E-835
DX-302 ..... E-840
DX-310 ..... E-860

DX-311 ..... E-1024
DX-313 ..... E-1717
DX-316 ..... E-1804
DX-317 ..... E-1816
DX-318 ..... E-1822
DX-320 ..... E-1826

Notice of Appeal filed March 25, 1973 ..... E-1841
Order Noting Probable Jurisdiction dated October 29, 1974 ..... E-1842

UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF GEORGIA
RELEVANT DOCKET ENTRIES

Date	Filings
1971	
Nov. 2	Complaint filed. Summons issued and delivered to U.S. Marshal.
1972	
Jan. 4	Order filed that parties may file with the Clk. certain affidavits in support of and in response to the Motion to Lift the Stay, etc. (see order) Counsel shall mark documents as "Confidential Information" and the Clerk shall know that they are documents not to be maintained in the public records of this Ct., Directing Clk. to maintain them under seal to be made available only to the Ct. and Ct. personnel, and to counsel in this case, until further ordered (see order for details). Copy to counsel.
Jan. 6	Defendants' memorandum in support of motion to lift the statutory stay, with attachments, filed. Sealed in Vault.
Jan. 20	Case Reassigned to Judge Moye.
Feb. 2	Submitted on Defendants' Motion to Lift Statutory Stay and Defendants' Motion for Protective Order (Filed 12/30/71)
Feb. 10	Affidavits of William B. Camp, Joseph A. Hall, III, W. M. Jackson and Angus Parker. Sealed in Vault.

Feb. 11 Hearing on Defendants' Motion to Lift Stay Had: The Court took the motion under advisement, ruling not to be made for 10 days. Motion of defendants to dismiss and to strike allegations that defendants have violated Section 1 of the Sherman Act filed. To CAM.

Brief in support of defendants' motions to strike and to dismiss filed. To CAM.

Mar. 3 Order filed Denying defendants' motion to lift the statutory stay. Copy to Counsel.

Mar. 17 Plaintiff's brief in opposition to defendants' motion to dismiss and to strike allegations etc., filed.

Mar. 20 Submitted to CAM on Defendants' Motion to Dismiss and to Strike.

Mar. 22 Supplement to Plaintiff's brief in opposition to defendants' motion to dismiss and to strike, with Exhs. 1 and 2, filed. To CAM.

Apr. 10 Plaintiff's memorandum in response to defendants' reply brief in support of their motion to dismiss filed. To CAM.

Apr. 20 Order pursuant to Rule 12(a) of F.R.C.P., the court postpones until the trial on the merits the disposition of defendants' motion to dismiss and strike allegations that defendants have violated Sec. 1 of the Sherman Act served and filed 2/11/72, filed. (c. to counsel)

May 5 Answer of defendants filed.

May 8 Consent Protective Order that "that portion of the FDIC Summary of Deposits 1970 Bank and Branch Offices by County, State," which relates to deposits

held by branch offices in Atlanta Standard Metropolitan Statistical Areas, shall be used by defendants solely to prepare for and at trial of this case and any appeals thereof, and for no other purpose filed. Copy to counsel.

June 16 Protective Order Re: Answer to Interrogatories and other documents filed. Copies to counsel.

July 13 Defendant's Fulton National Bank of Atlanta, motion for protective order and Order granting same. Clerk of this Court shall maintain under seal all information which is designated by the Movant Bank as Confidential Information; all documents or materials furnished by The Movant Bank shall be promptly returned to the Movant Bank at the conclusion of this proceeding, filed. (Copies furn.)

Defendant's, The Trust Co. of Georgia, motion for protective order and Order granting same, Clerk of this Ct. shall maintain under seal all information which is designated by the Movant Bank as Confidential Information; all documents or materials furnished by the Movant Bank shall be promptly returned to the Movant Bank at the conclusion of this proceeding, filed. (Copies furn.)

Defendant's, First National Bank of Atlanta & The Peachtree Bank and Trust Co. motions for protective orders and Orders granting same, Clerk of this Ct. shall maintain under seal all information which is designated by the Movant Banks as Confidential Information; all documents or materials furnished by the Movant Banks shall be promptly returned to the Movant Banks at the conclusion of this proceeding, filed. (Copies furn.)

July 21 Defendant's, National Bank of Ga. & Robert P. Guyton, withdrawal of their motion to quash sub-

poena & for protective order filed 6/26/72, filed. Defendant's National Bank of Ga. & Robert P. Guyton, motion for protective order and Order granting same, Clerk of this Ct. shall maintain under seal all information which is designated by the Movants as Confidential Information; all documents or materials furnished by the Movants shall be promptly returned to the Movants at the conclusion of this proceeding, filed. (Copies furn.)

Aug. 8 Depositions of Dalton F. Scott, Gerald M. Powell, Frank Berry & Alva G. Maxwell filed.

Aug. 10 Deposition of Edward E. Elson filed.

Aug. 18 Deposition of Dr. W. Andrew Irvin filed.

Aug. 25 Deposition of Churchill P. Goree, III filed.

Sept. 5 Deposition of James H. Aldredge filed.

Sept. 7 Deposition of Hugh F. Lane filed.

Sept. 11 Deposition of Thomas E. Cook filed.

Sept. 19 Deposition of Louis J. Fortuna filed.

Deposition of Hubert L. Harris filed.

Sept. 21 Deposition of W. J. Fortenberry filed.

Deposition of Dr. William M. Cason filed.

Deposition of Archie Lee Lindsey filed.

Deposition of Gus Lockett Connelly filed.

Deposition of Marcus M. Morris filed.

Deposition of Warren Lanham Berry filed.

Defendants' pre-trial brief, with Appendix, filed.

Plaintiff's pre-trial brief filed.

Sept. 25 Plaintiff's Objections to the Admission into evidence of certain documents offered by defendants and plaintiff's understanding of certain agreements with defense counsel filed.

Non-Jury Trial: Defendants' withdrawal of notice to take deposition filed; Defendants' objection to government exhibits filed; Exhibits admitted.

Deposition of T. Robert Hazelrig filed.

Sept. 26 Non-Jury Trial:

Sept. 27 Non-Jury Trial: Exhibits admitted.

Sept. 28 Non-Jury Trial:

Sept. 29 Non-Jury Trial:

Oct. 2 Non-Jury Trial: Case proceeded upon introduction of evidence by the defendants' witnesses. Exhibits Admitted. Court directed that briefs be filed as follows: Plaintiff's Preliminary Brief due 11-6-72; Defendant's Preliminary & Rebuttal Brief due 11-22-72; Plaintiff's Rebuttal Brief due 11-30-72; Both Parties Proposed Findings of Fact & Conclusions of Law due 12-15-72. Case taken under advisement by Court.

Oct. 4 Steno-type notes of trial proceedings filed.

Oct. 13 Deposition of Morris B. Pierce filed.

Nov. 7 Plaintiff's post-trial brief filed.

Nov. 22 Defendant's post-trial brief filed.

Nov. 30 Plaintiff's Reply to defendant's post trial brief filed.

Dec. 5 Defendants' response to plaintiff's reply brief filed.

Dec. 15 Plaintiff's proposed findings of fact and conclusions of law filed. Duplicate to CAM by counsel.

Defendants' findings of fact & conclusions of law filed. Duplicate to CAM.

Dec. 18 Submitted Pursuant to Entry of 10/2/72.

1973

Jan. 25 Order filed directing parties to advise the Court of their specific objections to the findings of fact made by the opposing party by 2/15/73. Copy to counsel.

Feb. 15 Defendants' objections to plaintiff's proposed findings of fact filed. Dup to CAM.

Feb. 16 Plaintiff's objections to defendants' proposed findings of fact filed. Dup CAM.

Submitted Pursuant to Order of 1/25/73.

Mar. 16 Motion of Independent Bankers Association of Georgia, Inc. to file brief amicus curiae, with amicus curiae brief & attachments filed. To CAM.

Mar. 23 Reply of defendants to Amicus Curiae brief on behalf of the Independent Bankers Association of Georgia, Inc. filed. Dup. to CAM.

Apr. 4 Submitted on Motion of Independent Bankers Association of Georgia, Inc. to file Brief Amicus Curiae.

May 9 Defendants' letter brief with attachment filed (Dup to CAM)

June 12 Order that motion of the Independent Bankers Association of Ga., Inc. to file a brief amicus curiae is hereby granted, filed. (c. counsel)

Amicus Curiae Brief on Behalf of Independent Bankers Association of Ga., Inc., filed.

June 15 Supplement to Amicus Curiae Brief on behalf of Independent Bankers Association of Georgia, Inc., filed. Dup. to CAM.

July 12 Defendants' tender of supplemental evidence, filed. Copy sent to Amicus Curiae. Dup. to CAM.

July 25 Second supplement to amicus curiae brief on behalf of Independent Bankers Association of Ga., Inc., filed. Dup. to CAM.

Aug. 1 Affidavit of Joseph A. Hall, III, filed. Dup. to CAM. Defendants' supplemental findings of fact & conclusion of law, filed. Dup. to CAM.

Aug. 27 Third Supplement to Amicus Curiae Brief on behalf of Independent Bankers Assoc. of Ga., Inc. filed (Dup to CAM)

Plaintiff's Response to supplemental findings of fact proposed by defendants filed. (1 Dup. to CAM.)

Nov. 16 Defendants' memorandum regarding effect of the Citizens & Southern National Bank, et al. v. Independent Bankers Association of Ga. (Supreme Court of Georgia, November 15, 1973, with attachments filed. Dup. to CAM.

Nov. 21 Fourth supplement to amicus curiae brief on behalf of Independent Bankers Association of Ga., Inc. filed. Dup. to CAM.

Dec. 4 Plaintiff's reply to defendants' memorandum regarding effect of the C&S Bank, et al. v. Independent Bankers Assoc., filed.

1974

Jan. 25 Order finding for the defendant & against the plaintiffs, the statutory stay in effect against the effectua-

tion of the proposed mergers shall expire upon the Govt's. failure to appeal from this Order within time permitted by law; otherwise the proposed mergers shall not be effectuated until the completion of any appeal taken by the Govt., filed. C. counsel.

Judgment filed and entered finding for the defendants & against the plaintiff; that the defendants Citizens and Southern National Bank, Citizens and Southern Holding Company, Citizens and Southern Emory Bank, Citizens and Southern Bank of East Point, Citizens and Southern Bank of Chamblee, Citizens and Southern Park National Bank, Citizens and Southern South DeKalb Bank, Citizens and Southern Bank of Tucker, Citizens and Southern Bank of North Fulton and Citizens and Southern Bank of Sandy Springs recover of the plaintiff United States of America their costs of action. C. counsel.

Feb. 22 Defendants' Bill of Costs in the amount of $4,709.72 filed. (Counsel notified 2/25)

Mar. 8 Plaintiff's letter in regard to agreement with defendant as to taxation of cost filed.

Mar. 25 Plaintiff's Notice of Appeal filed. (copy to counsel & USSC w/docket sheet)

June 5 Order that the Court amends *nunc pro tunc* its "Findings of Fact, Conclusions of Law and Order" dated 1/25/74 as follows (see order), filed. (c. counsel)

June 24 Defendants' motion to lift stay, with memorandum in support of second motion to lift the statutory stay filed.

June 25 Order denying defendants' motion to vacate stay, filed. (copies furnished)

Oct. 29 Certified Copy of Order from Supreme Court noting probable jurisdiction filed. (Copy Counsel 10/30)

Nov. 18 Record on Appeal to USSC, RRR. (6 boxes) (ACK transmittal letter).

United States District Court
For the Northern District of Georgia
Atlanta Division

United States of America, Plaintiff, v. Citizens and Southern National Bank, Citizens and Southern Holding Company, Citizens and Southern Emory Bank, Citizens and Southern Bank of East Point, Citizens and Southern Bank of Chamblee, Citizens and Southern Park National Bank, Citizens and Southern South DeKalb Bank, Citizens and Southern Bank of Tucker, Citizens and Southern Bank of North Fulton, and Citizens and Southern Bank of Sandy Springs, Defendants.	Civil Action No. 15823

COMPLAINT

(Filed November 2, 1971)

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United

States, brings this civil action to obtain equitable relief against the above named defendants, and complains and alleges as follows:

I

Jurisdiction and Venue

1. This complaint is filed and this action is instituted under Section 15 of the Act of Congress of October 15, 1914, as amended (15 U.S.C. Section 25), commonly known as the Clayton Act, and under Section 4 of the Act of Congress of July 2, 1890, as amended (15 U.S.C. Section 4), commonly known as the Sherman Act, in order to prevent and restrain continuing violations by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act, as amended (15 U.S.C. Section 18) and of Section 1 of the Sherman Act (15 U.S.C. Section 1).

2. Each of the defendants transacts business and is found within the Northern District of Georgia.

II

The Defendants

3. Citizens and Southern National Bank (hereinafter referred to as "C&S National") is made a defendant herein. C&S National is a banking association organized and existing under the laws of the United States of America. C&S National has its home office in Savannah, Georgia and its principal executive office in Atlanta, Georgia.

4. Citizens and Southern Holding Company (hereinafter referred to as "C&S Holding") is made a defendant herein. C&S Holding is a registered bank holding company organized and existing under the laws of the State of Georgia. C&S Holding

has its home office in Atlanta, Georgia. C&S Holding is a wholly-owned subsidiary of C&S National.

5. Citizens and Southern Emory Bank (hereinafter referred to as "C&S Emory") is made a defendant herein. C&S Emory is a banking association organized and existing under the laws of the State of Georgia, and has its principal place of business in DeKalb County, Georgia. C&S Holding owns approximately 95 percent of the stock of C&S Emory.

6. Citizens and Southern Bank of East Point (hereinafter referred to as "C&S East Point") is made a defendant herein. C&S East Point is a banking association organized and existing under the laws of the State of Georgia, and has its principal place of business in Fulton County, Georgia. C&S Holding owns approximately 90 percent of the stock of C&S East Point.

7. Citizens and Southern Bank of Chamblee (hereinafter referred to as "C&S Chamblee") is made a defendant herein. C&S Chamblee is a banking association organized and existing under the laws of the State of Georgia, and has its principal place of business in DeKalb County, Georgia. C&S Holding owns 5 percent of the stock of C&S Chamblee.

8. Citizens and Southern Park National Bank (hereinafter referred to as "C&S Park National") is made a defendant herein. C&S Park National is a banking association organized and existing under the laws of the United States of America, and has its principal place of business in DeKalb County, Georgia. C&S Holding owns 5 percent of the stock of C&S Park National.

9. Citizens and Southern South DeKalb Bank (hereinafter referred to as "C&S South DeKalb") is made a defendant herein. C&S South DeKalb is a banking association organized and existing under the laws of the State of Georgia, and has its principal place of business in DeKalb County, Georgia. C&S Holding owns 5 percent of the stock of C&S South DeKalb.

10. Citizens and Southern Bank of Tucker (hereinafter referred to as "C&S Tucker") is made a defendant herein. C&S Tucker is a banking association organized and existing under the laws of the State of Georgia, and has its principal place of business in DeKalb County, Georgia. C&S Holding owns 5 percent of the stock of C&S Tucker.

11. Citizens and Southern Bank of North Fulton (hereinafter referred to as "C&S North Fulton") is made a defendant herein. C&S North Fulton is a banking association organized and existing under the laws of the State of Georgia, and has its principal place of business in Fulton County, Georgia. C&S Holding owns 5 percent of the stock of C&S North Fulton.

12. Citizens and Southern Bank of Sandy Springs (hereinafter referred to as "C&S Sandy Springs") is a banking association organized and existing under the laws of the State of Georgia, and has its principal place of business in Fulton County, Georgia. C&S Holding owns 5 percent of the stock of C&S Sandy Springs.

13. Various persons not made defendants herein have combined with the defendants in violations hereinafter alleged, and have performed acts and otherwise contributed to the furtherance thereof.

III

Definitions

14. As used in this complaint, the term "Atlanta Area" means the area comprising DeKalb and Fulton Counties, Georgia.

15. As used in this complaint, the term "North Fulton County" means that part of Fulton County situated north of the Atlanta city limits.

16. As used in this complaint, the term "C&S System" means the combination of C&S National, C&S Holding, C&S Emory, Citizens and Southern DeKalb Bank and C&S East Point.

IV

Trade and Commerce

17. Commercial banks fill an essential and unique role in the Nation's economy. Their principal functions are the acceptance of deposits for safekeeping and convenience in making payments by checks, the granting of loans or advances of funds to individuals and business firms, and the creation through demand deposits of net additions to the supply of money. Most money payments in the United States are made through checks drawn against demand deposits, and the creation and holding of such deposits is a function peculiar to commercial banks and one which makes them to a great extent the administrator of the Nation's check payment system. Through the making of loans to individuals and business firms, commercial banks supply a significant part of the credit requirements of the Nation's economy. Commercial banks also accept time deposits from various types of depositors and provide a wide variety of other financial services, including personal and corporate trust accounts, the collection of drafts, bills, and other commercial instruments, the acceptance of bills of exchange, the issuance of letters of credit, the sale of cashier's checks and drafts on correspondent banks, the purchase or sale of securities for customers, the sale of foreign exchange, and the renting of safety deposit boxes. This combination of services is unduplicated by other financial institutions.

18. C&S National is the largest banking organization providing commercial banking services in the Atlanta Area. It operates at least thirty banking offices in Fulton County and one

banking office in DeKalb County. As of December 31, 1970, it had total assets of $1.7 billion, total deposits of $1.4 billion, and net loans and discounts of $1.1 billion. As of June 30, 1970, its offices in Fulton County had total deposits of about $706 million, accounting for approximately 27 percent of total county deposits. Also, as of the same date, its office in DeKalb County had total deposits of about $13 million, accounting for approximately 4.4 percent of total county deposits. C&S National, through its wholly-owned subsidiary C&S Holding, controls about 94 percent of the stock of Citizens and Southern DeKalb Bank (hereinafter referred to as "C&S DeKalb") which operates two offices in DeKalb County. As of June 30, 1970, C&S DeKalb had total deposits of about $23 million, accounting for approximately 8 percent of total county deposits.

19. C&S Emory operates three banking offices in DeKalb County. As of December 31, 1970, it had total assets of $42.3 million, total deposits of $35.4 million, and net loans and discounts of $28.5 million. As of June 30, 1970, its total deposits accounted for approximately 13 percent of total DeKalb County deposits.

20. Combined, C&S National, C&S DeKalb, and C&S Emory represent the largest banking organization in DeKalb County. As of June 30, 1970, their combined deposits of about $73 million accounted for approximately 25 percent of total DeKalb County deposits.

21. C&S Chamblee operates two banking offices in DeKalb County. As of December 31, 1970, it had total assets of $21.1 million, total deposits of $18.7 million, and net loans and discounts of $10.7 million. As of June 30, 1970, its deposits accounted for approximately 6 percent of total DeKalb County deposits.

22. C&S Park National operates a single banking office in DeKalb County. As of December 31, 1970, it had total assets

of $11.1 million, total deposits of $9.8 million, and net loans and discounts of $3.5 million. As of June 30, 1970, its deposits accounted for approximately 3 percent of total DeKalb County deposits.

23. C&S South DeKalb operates a single banking office in DeKalb County. As of December 31, 1970, it had total assets of $5.1 million, total deposits of $4.3 million, and net loans and discounts of $2.1 million. As of June 30, 1970, its deposits accounted for about 1 percent of total DeKalb County deposits.

24. C&S Tucker operates two banking offices in DeKalb County. As of December 31, 1970, it had total assets of $26.5 million, total deposits of $23 million, and net loans and discounts of $14.8 million. As of June 30, 1971, its deposits accounted for about 7 percent of total DeKalb County deposits.

25. The predominant share of the business banking offices in DeKalb County receive is derived from DeKalb County. DeKalb County is a concentrated banking market. As of June 30, 1970, the four largest banking organizations in DeKalb County held over 65 percent of total county deposits. If C&S Chamblee, C&S Park National, and C&S South DeKalb were merged into the C&S System, it would account for 35 percent of total county deposits, and the four largest banking organizations would account for about 75 percent of total county deposits.

26. C&S East Point operates three banking offices in Fulton County. As of December 31, 1970, it had total assets of $28.4 million, total deposits of $23.3 million, and net loans and discounts of $22.9 million. As of June 30, 1970, C&S National and C&S East Point combined had total deposits of about $732 million and represented the largest banking organization in Fulton County, accounting for approximately 28 percent of total Fulton County deposits.

27. C&S North Fulton operates a single banking office in North Fulton County. As of December 31, 1970, it had total assets of $7.7 million, total deposits of $6.3 million, and net loans and discounts of $5.6 million.

28. C&S Sandy Springs operates a single banking office in North Fulton County. As of December 31, 1970, it had total assets of $22 million, total deposits of $19 million, and net loans and discounts of $11.7 million.

29. The predominant share of the business banking offices in North Fulton County receive is derived from that area. North Fulton County is a concentrated banking market. As of June 30, 1970, five commercial banks operated banking offices there. As of that date, C&S North Fulton and C&S Sandy Springs accounted for about 46 percent of the total deposits held by all banking offices located in North Fulton County. C&S East Point has recently opened a single banking office in North Fulton County.

30. Fulton County is also a concentrated banking market. As of June 30, 1970, the four largest banking organizations accounted for about 85 percent of total Fulton County deposits. C&S National presently holds about 27 per cent; its subsidiary, C&S East Point, holds about 1 percent. Thus, the C&S System holds over 28 percent, the largest share held by any banking organization. Combined, C&S Sandy Springs and C&S North Fulton hold about 1 percent.

31. The Atlanta Area is also a concentrated banking market. As of June 30, 1970, the four largest banking organizations accounted for about 85 percent of total Atlanta Area deposits. The C&S System holds over 29 percent, the largest share held by any organization. Combined, C&S Chamblee, C&S Park National, C&S South DeKalb, C&S North Fulton, and C&S Sandy Springs hold about 2 percent of Atlanta Area deposits.

32. Customers of C&S National, C&S Emory, C&S East Point, C&S Chamblee, C&S Park National, C&S South DeKalb, C&S Tucker, C&S North Fulton, and C&S Sandy Springs regularly utilize interstate communications including the mails, telephone and telegraph, to carry on their business with, and apply for and obtain the services provided by these banks. Each of the defendant banks regularly utilizes interstate communications including the mails, telephone, and telegraph, and conducts business with, and provides services to, customers, institutions, and other banks located in States other than Georgia. Each of the defendant banks is engaged in interstate commerce.

33. Prior to 1971, Georgia law prohibited banks from branching outside the cities in which they were located. This restricted the ability of the major Atlanta banks to open branches in Fulton and DeKalb Counties. Since 1960, Georgia law has prohibited bank holding companies from owning more than 5 percent of the outstanding shares of two or more banks. In response to these prohibitions against geographic expansion, the major Atlanta banks, C&S National among them, developed various relationships with suburban banks in the Atlanta area.

34. The C&S System and each of C&S Chamblee, C&S Park National, C&S South DeKalb, C&S North Fulton, and C&S Sandy Springs have had, among others, the following relationships: (1) C&S National and various persons associated with it contributed to the initial organization of each bank; (2) C&S Holding acquired 5 percent of the outstanding shares of each bank; (3) C&S National and various persons associated with it assisted in the sale of the remainder of the stock; (4) C&S National provided mutually beneficial correspondent services to each bank; (5) C&S National allowed each bank to use the C&S logogram, which resulted in joint identification; (6) the C&S System provided each bank, in varying degrees, with personnel, management and operational assistance; and (7) C&S National and each bank have, in many instances, jointly de-

termined the competitive strategy to be followed in conducting the business of each bank. Consequently, a close working relationship between each bank and the C&S System was established at the time of each bank's formation and has continued to the present time.

35. C&S Tucker was organized in 1919 and was operated as an independent bank until 1965. In February 1965, C&S National acquired 80 percent of the outstanding shares of C&S Tucker. Subsequently, C&S Holding acquired 5 percent of the outstanding shares, and the remaining 75 percent was acquired by other persons. Following these acquisitions, the C&S System and C&S Tucker had, among others, the relationships described in subsections (4), (5), (6), and (7) of paragraph 34, which have continued to the present time.

36. C&S Sandy Springs, C&S Chamblee, C&S North Fulton, C&S Park National, and C&S South DeKalb were organized in 1959, 1960, 1967, and 1969, respectively. These banks were organized at a time when the areas of DeKalb County and North Fulton County were experiencing a period of significant growth and development. DeKalb County's 1970 population of 414,000 represents a 62 percent increase since 1960. This population increase has been accompanied by an even larger growth in the number and size of commercial and industrial firms located in the area. Although the population center of Fulton County remains the City of Atlanta, that portion of the county's population located in North Fulton County has increased from 3.3 percent in 1950 to 9.2 percent in 1970. North Fulton County has also experienced significant growth and development since 1960.

37. As of January 1, 1971, Georgia law was changed to permit banks to branch throughout the counties in which they maintained banking offices. Because the C&S System maintained banking offices in DeKalb and Fulton Counties as of

January 1, 1971, it could then legally branch and maintain banking offices throughout both counties. In 1970, C&S Emory applied to the Federal Deposit Insurance Corporation to merge C&S Chamblee, C&S Park National, C&S South DeKalb and C&S Tucker into it. Excepting the application to merge C&S Tucker, which was denied, these merger proposals received approval on October 4, 1971. Also in 1970, C&S East Point applied to the Federal Deposit Insurance Corporation to merge C&S Sandy Springs and C&S North Fulton. These merger proposals were also approved on October 4, 1971.

V

Offenses Alleged

38. Beginning in 1959, the exact date being unknown to plaintiff, and continuing thereafter up to and including the date of the filing of this complaint, defendants C&S National, C&S Holding, and various other persons entered into a combination with C&S Sandy Springs and various other persons to do those things described in paragraph 34.

39. Beginning in 1960, the exact date being unknown to plaintiff, and continuing thereafter up to and including the date of the filing of this complaint, defendants C&S National, C&S Holding, and various other persons entered into a combination with C&S Chamblee and various other persons to do those things described in paragraph 34.

40. Beginning in 1965, the exact date being unknown to plaintiff, and continuing thereafter up to and including the date of the filing of this complaint, defendants C&S National, C&S Holding, and various other persons entered into a combination with C&S Tucker and various other persons to do those things described in paragraph 35.

41. Beginning in 1967, the exact date being unknown to plaintiff, and continuing thereafter up to and including the date of filing of this complaint, defendants C&S National, C&S Holding, and various other persons entered into a combination with C&S North Fulton and various other persons to do those things described in paragraph 34.

42. Beginning in 1967, the exact date being unknown to plaintiff, and continuing thereafter up to and including the date of filing of this complaint, defendants C&S National, C&S Holding, and various other persons entered into a combination with C&S Park National and various other persons to do those things described in paragraph 34.

43. Beginning in 1969, the exact date being unknown to plaintiff, and continuing thereafter up to and including the date of the filing of this complaint, defendants C&S National, C&S Holding, and various other persons entered into a combination with C&S South DeKalb and various other persons to do those things described in paragraph 34.

44. The aforesaid combinations described in paragraphs 38, 39, 40, 41, 42, and 43 have been and are jointly and severally, in unreasonable restraint of the above described interstate trade and commerce in violation of Section 1 of the Sherman Act.

45. Pursuant to the aforesaid unlawful combinations the defendants have done, among others, those things described in paragraph 34 and 35 above.

46. Each of the defendants C&S Chamblee, C&S Park National, and C&S South DeKalb have entered into agreements with C&S Emory which, if carried out, will result in the merger of C&S Chamblee, C&S Park National and C&S South DeKalb into C&S Emory. Each of the defendants C&S Sandy Springs and C&S North Fulton have entered into agreements with C&S East Point, which if carried out, will result in

the merger of C&S Sandy Springs and C&S North Fulton into C&S East Point. The Board of Directors of the Federal Deposit Insurance Corporation approved these proposed mergers on October 4, 1971.

47. The joint and several effects of the aforesaid agreements to merge may be substantially to lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act.

VI

Effects

48. The effects of the offenses alleged in paragraphs 38 through 47 of this complaint are, among others, the following:

(a) Actual competition and the potential for increased competition between and among the defendant commercial banks have been and will be eliminated and unreasonably restrained;

(b) Competition generally in commercial banking in DeKalb County, Fulton County, North Fulton County, and the Atlanta Area has been and will be substantially lessened; and

(c) Concentration in commercial banking in DeKalb County, Fulton County, North Fulton County, and the Atlanta Area will be substantially increased.

PRAYER

Wherefore plaintiff prays

1. That the aforesaid combinations described in paragraphs 38 through 43 of this complaint be adjudged to be unlawful and in violation of Section 1 of the Sherman Act.

2. That the defendants, their successors, assignees, and transferees, and their officers, directors, agents, and employees thereof, and all other persons acting or claiming to act on behalf thereof, be perpetually enjoined and restrained from, in any manner, directly or indirectly, continuing, maintaining, or renewing the aforesaid offenses, and from engaging in other combinations, conspiracies, contracts, agreements, understandings or concerts of action having similar purposes or effects, and from adopting or following any practices, plans, or programs having similar purposes or effects.

3. That the aforesaid mergers described in paragraph 46 of this complaint, pursuant to the agreements described therein, be adjudged to be unlawful and in violation of Section 7 of the Clayton Act.

4. That the defendants and all persons acting on their behalf be enjoined from carrying out the aforesaid mergers, or any similar plans or agreements, the effect of which would be in any way to merge, consolidate, or in any other way combine the businesses of the defendants.

5. That defendants C&S National, C&S Holding, C&S Emory, C&S East Point, and all persons controlled either directly or indirectly by C&S National be enjoined for a period of ten years from the date of judgment in this action from acquiring control over or merging, consolidating, or combining with any other commercial banking organizations operating in the Atlanta Area.

6. That the plaintiff have such other and further relief as the Court may deem just and proper.

7. That the plaintiff recover the costs of this suit.

/s/ DONALD A. KINKAID
/s/ JOE SIMS
/s/ TIMOTHY BURKE
/s/ KENNETH D. STERN
/s/ CURTIS L. FRISBIE, JR.
Attorneys, Department of Justice
Antitrust Division
1776 Peachtree Street, N.W.
Suite 420
Atlanta, Georgia 30309
Telephone: 526-3828

/s/ JOHN N. MITCHELL
Attorney General

/s/ RICHARD W. McLAREN
Assistant Attorney General

/s/ BADDIA J. RASHID
/s/ ROBERT B. HUMMEL
/s/ WILLIAM E. SWOPE
Attorneys, Department of Justice

/s/ JOHN W. STOKES, JR.
United States Attorney

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

ANSWER OF DEFENDANTS

(Filed May 5, 1972)

Number and Title omitted.

Come now The Citizens and Southern National Bank ("C&S National"), Citizens and Southern Holding Company ("C&S Holding"). The Citizens and Southern Emory Bank ("C&S Emory"). The Citizens and Southern Bank of East Point ("C&S East Point"), The Citizens and Southern Bank of Chamblee ("C&S Chamblee"), The Citizens and Southern Park National Bank ("C&S Park National"), The Citizens and Southern South DeKalb Bank ("C&S South DeKalb"), The Citizens and Southern Bank of Tucker ("C&S Tucker"), The Citizens and Southern Bank of North Fulton ("C&S North Fulton"), and The Citizens and Southern Bank of Sandy Springs ("C&S Sandy Springs"), defendants in the above-styled lawsuit, and file this, their Answer to the Complaint heretofore served upon them.

First Defense

In answer to the numbered paragraphs of the Complaint, defendants show the following:

1

Defendants admit that this Court has jurisdiction of this action under Section 15 of the Clayton Act, but defendants deny that this Court has jurisdiction of this action under Section 4 of the Act of Congress of July 2, 1890, as amended (15 U.S.C. § 4),

commonly known as the Sherman Act. By way of further answer, defendants deny that they or any of them have violated any of the statutes cited in paragraph 1 of the Complaint or that they or any of them would, by consummating the mergers alleged in the Complaint, violate any of those statutes.

2

Defendants admit the allegations contained in paragraph 2 of the Complaint.

3

Defendants admit the allegations contained in paragraph 3 of the Complaint, but show that C&S National was established in Savannah, Georgia, in the Southern District of Georgia. Defendants show further that C&S National, as the sole owner of C&S Holding, is a registered bank holding company under the laws of the United States.

4

Defendants admit the allegations contained in paragraph 4 of the Complaint.

5

Defendants admit the allegations contained in paragraph 5 of the Complaint.

6

Defendants admit the allegations contained in paragraph 6 of the Complaint.

7

Defendants admit the allegations contained in paragraph 7 of the Complaint.

8

Defendants admit the allegations contained in paragraph 8 of the Complaint.

9

Defendants admit the allegations contained in paragraph 9 of the Complaint.

10

Defendants admit the allegations contained in paragraph 10 of the Complaint.

11

Defendants admit the allegations contained in paragraph 11 of the Complaint.

12

Defendants admit the allegations contained in paragraph 12 of the Complaint.

13

Defendants deny the allegations contained in paragraph 13 of the Complaint.

14

Defendants admit that paragraph 14 of the Complaint uses the term "Atlanta Area" to mean the area comprising DeKalb and Fulton Counties, Georgia, but defendants deny the relevance of that term to this cause of action.

15

Defendants admit that paragraph 15 of the Complaint uses the term "North Fulton County" to mean that part of Fulton County situated north of the Atlanta city limits, but defendants deny the relevance of that term to this cause of action.

16

Defendants deny the accuracy and completeness of the definition in paragraph 16 of the Complaint but note its use by plaintiff in the Complaint.

17

Answering paragraph 17 of the Complaint, defendants admit that commercial banks play an important role in the nation's economy and that many commercial banks perform some or all of the functions described in paragraph 17 of the Complaint. Defendants deny that all of the functions described in paragraph 17 of the Complaint are performed by all commercial banks, and defendants assert that many financial institutions generally perform the same or similar functions as do commercial banks in the geographic areas relevant in this case and are therefore in direct and actual competition with defendants. Defendants therefore expressly deny the last sentence of paragraph 17 and generally deny any and all other allegations contained in paragraph 17, except for those expressly admitted herein.

18

Defendants admit that the figures alleged in paragraph 18 of the Complaint are roughly accurate, but defendants show that the figures alleged for C&S National's total assets, total deposits, and net loans and discounts as of December 31, 1970, include C&S National's banking offices in six cities in Georgia as well as C&S National's eight majority-owned banking affiliates. By way of further answer, defendants expressly deny any implication to the effect that the "Atlanta Area" constitutes a relevant market area or an appropriate geographical region or section of the country within the purview of either Section 7 of the Clayton Act or Section 1 of the Sherman Act with respect to the business or activities of the defendants or any of them.

19

Defendants admit that the figures alleged in paragraph 19 of the Complaint are roughly accurate, but defendants expressly deny any implication to the effect that DeKalb County constitutes a relevant market area or an appropriate geographic region or section of the country within the purview of either Section 7 of the Clayton Act or Section 1 of the Sherman Act with respect to the business or activities of the defendants or any of them.

20

Defendants admit the figures alleged in paragraph 20 of the Complaint are roughly accurate, but defendants expressly deny any implication to the effect that DeKalb County constitutes a relevant market area or an appropriate geographical region or section of the country within the purview of either Section 7 of the Clayton Act or Section 1 of the Sherman Act with respect to the business or activities of the defendants or any of them.

21

Defendants admit that the figures alleged in paragraph 21 of the Complaint are roughly accurate, but defendants expressly deny any implication to the effect that DeKalb County constitutes a relevant market area or an appropriate geographical region or section of the country within the purview of either Section 7 of the Clayton Act or Section 1 of the Sherman Act with respect to the business or activities of the defendants or any of them.

22

Defendants admit that the figures alleged in paragraph 22 of the Complaint are roughly accurate, but defendants expressly deny any implication to the effect that DeKalb County constitutes a relevant market area or an appropriate geographical region or section of the country within the purview of either Section 7 of the Clayton Act or Section 1 of the Sherman Act with respect to the business or activities of the defendants or any of them.

23

Defendants admit that the figures alleged in paragraph 23 of the Complaint are roughly accurate, but defendants expressly deny any implication to the effect that DeKalb County constitutes a relevant market area or an appropriate geographical region or section of the country within the purview of either Section 7 of the Clayton Act or Section 1 of the Sherman Act with respect to the business or activities of the defendants or any of them.

24

Defendants admit that the figures alleged in paragraph 24 of the Complaint are roughly accurate, but defendants expressly

deny any implication to the effect that DeKalb County constitutes a relevant market area or an appropriate geographical region or section of the country within the purview of either Section 7 of the Clayton Act or Section 1 of the Sherman Act with respect to the business or activities of the defendants or any of them.

25

Answering paragraph 25 of the Complaint, defendants deny that DeKalb County constitutes a concentrated banking market, and deny further that the term "concentrated" as used by plaintiff throughout the Complaint has any meaning whatsoever. Defendants are without knowledge or information sufficient to form a belief as to the truth of the figures alleged in paragraph 25 of the Complaint, but defendants deny that figures such as those alleged in said paragraph 25 give a complete and accurate description of competition in the relevant line of commerce in the relevant geographic market. To the extent not expressly admitted, defendants deny the remaining allegations of paragraph 25 of the Complaint.

26

Defendants admit that the figures alleged in paragraph 26 of the Complaint are roughly accurate, except that defendants expressly deny that "Fulton County" constitutes a relevant market area or an appropriate geographical region or section of the country within the purview of either Section 7 of the Clayton Act or Section 1 of the Sherman Act with respect to the business or activities of the defendants or any of them.

27

Defendants admit that the figures alleged in paragraph 27 of the Complaint are roughly accurate, except that defendants expressly deny that "North Fulton County" constitutes a rele-

vant market area or an appropriate geographical region or section of the country within the purview of either Section 7 of the Clayton Act or Section 1 of the Sherman Act with respect to the business or activities of the defendants or any of them.

28

Defendants admit that the figures alleged in paragraph 28 of the Complaint are roughly accurate, except that defendants expressly deny that "North Fulton County" constitutes a relevant market area or an appropriate geographical region or section of the country within the purview of either Section 7 of the Clayton Act or Section 1 of the Sherman Act with respect to the business or activities of the defendants or any of them.

29

Answering paragraph 29 of the Complaint, defendants deny that "North Fulton County" constitutes a concentrated banking market. Defendants are without knowledge or information sufficient to form a belief as to the truth of the figures alleged in paragraph 29 of the Complaint, but defendants deny that figures such as those alleged in said paragraph 29 give a complete and accurate description of competition in the relevant line of commerce in the relevant geographic market. To the extent not expressly admitted, defendants deny the remaining allegations of paragraph 29 of the Complaint.

30

Answering paragraph 30 of the Complaint, defendants deny that Fulton County constitutes a concentrated banking market. Defendants are without knowledge or information sufficient to form a belief as to the truth of the figures alleged in paragraph 30 of the Complaint, but defendants deny that figures such as those alleged in said paragraph 30 give a complete and accurate

description of competition in the relevant line of commerce in the relevant geographic market. To the extent not expressly admitted, defendants deny the remaining allegations of paragraph 30 of the Complaint.

31

Answering paragraph 31 of the Complaint, defendants deny that the "Atlanta Area" constitutes a concentrated banking market. Defendants are without knowledge or information sufficient to form a belief as to the truth of the figures alleged in paragraph 31 of the Complaint, but defendants deny that figures such as those alleged in said paragraph 31 give a complete and accurate description of competition in the relevant line of commerce in the relevant geographic market. To the extent not expressly admitted, defendants deny the remaining allegations of paragraph 31 of the Complaint.

32

Answering paragraph 32 of the Complaint, defendants admit that they are engaged in interstate commerce, but deny the remaining allegations of said paragraph.

33

The allegations contained in paragraph 33 of the Complaint allege a partial but incomplete history of the anti-competitive Georgia laws which have sought to restrict the growth and expansion of all banks and bank holding companies in the state, including the major banks in Atlanta. Beginning in 1960, C&S sought to, and did, extend the pro-competitive benefits of C&S banking to residents and businesses located in suburban areas surrounding the city limits of Atlanta, Augusta and Savannah, through the vehicle of organizing and establishing the "correspondent Associate" banks, which remained in full com-

pliance with the artificial restrictions of Georgia law. Other banks in Atlanta and throughout the state did likewise. Defendants deny that Georgia law since 1960 has prohibited Bank holding companies from owning more than 5% of the outstanding shares of two or more banks, but show instead that Georgia law has prevented bank holding companies from **thereafter** acquiring or holding direct or indirect ownership of more than 5% of the voting shares of any bank. [Ga. Code Ann. §13-207]. Defendants deny the inference that C&S National responded to these state law restrictions by developing relationships with existing suburban banks in the Atlanta area. By way of further answer, defendants show that C&S National responded to these state law restrictions by helping establish and organize new banks and, in the case of C&S Tucker, by reorganizing an existing, dormant bank, all with the permission of state and federal bank regulatory agencies.

34

Answering paragraph 34 of the Complaint, defendants deny the allegations of subparagraph (7) thereof, but admit the remaining allegations contained in said paragraph 34.

35

Answering paragraph 35 of the Complaint, defendants admit the allegations of the first sentence, deny the allegations of the second sentence, and admit the allegations of the third sentence. Defendants admit that after C&S Holding acquired 5% of the outstanding shares of C&S Tucker, the C&S System and C&S Tucker had the relationships described in subsections (4), (5), and (6) of paragraph 34 of the Complaint, but defendants deny that the C&S System and C&S Tucker engaged in the relationships described in subsection (7) of paragraph 34 of the Complaint.

36

Defendants admit the allegations contained in paragraph 36 of the Complaint.

37

Defendants admit the allegations contained in paragraph 37 of the Complaint.

38

Answering paragraph 38 of the Complaint, defendants admit that C&S National, C&S Holding, and C&S Sandy Springs have engaged in the relationships described in subsections (1), (2), (3), (4), (5), and (6) of paragraph 34 of the Complaint, but deny that C&S National, C&S Holding, and C&S Sandy Springs have engaged in the relationships described in subsection (7) of paragraph 34 of the Complaint. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations that various other persons, who are not named by the Complaint, have been involved in the relationships described in paragraph 34 of the Complaint.

39

Answering paragraph 39 of the Complaint, defendants admit that C&S National, C&S Holding, and C&S Chamblee have engaged in the relationships described in subsections (1), (2), (3) (4), (5), and (6) of paragraph 34 of the Complaint, but deny that C&S National, C&S Holding, and C&S Chamblee have engaged in the relationships described in subsection (7) of paragraph 34 of the Complaint. Defendants are without knowledge or information sufficient to form a belief as to the truth of the alegations that various other persons, who are not named by the Complaint, have been involved in the relationships described in paragraph 34 of the Complaint.

40

Answering paragraph 40 of the Complaint, defendants admit the C&S National, C&S Holding, and C&S Tucker have engaged in the relationships described in subsections (4), (5), and (6) of paragraph 34 of the Complaint, but deny that C&S National, C&S Holding, and C&S Tucker have engaged in the relationships described in subsection (7) of paragraph 34 of the Complaint. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations that various other persons, who are not named by the Complaint, have been involved in the relationships described in paragraph 34 of the Complaint.

41

Answering paragraph 41 of the Complaint, defendants admit that C&S National, C&S Holding, and C&S North Fulton have engaged in the relationships described in subsections (1), (2), (3), (4), (5), and (6) of paragraph 34 of the Complaint, but deny that C&S National, C&S Holding, and C&S North Fulton have engaged in the relationships described in subsection (7) of paragraph 34 of the Complaint. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations that various other persons, who are not named by the Complaint, have been involved in the relationships described in paragraph 34 of the Complaint.

42

Answering paragraph 42 of the Complaint, defendants admit that C&S National, C&S Holding, and C&S Park National have engaged in the relationships described in subsections (1), (2), (3), (4), (5), and (6) of paragraph 34 of the Complaint, but deny that C&S National, C&S Holding, and C&S Park Na-

tional have engaged in the relationships described in subsection (7) of paragraph 34 of the Complaint. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations that various other persons, who are not named by the Complaint, have been involved in the relationships described in paragraph 34 of the Complaint.

43

Answering paragraph 43 of the Complaint, defendants admit that C&S National, C&S Holding, and C&S South DeKalb have engaged in the relationships described in subsections (1), (2), (3), (4), (5), and (6) of paragraph 34 of the Complaint, but deny that C&S National, C&S Holding, and C&S South DeKalb have engaged in the relationships described in subsection (7) of paragraph 34 of the Complaint. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations that various other persons, who are not named by the Complaint, have been involved in the relationships described in paragraph 34 of the Complaint.

44

Defendants deny the allegations contained in paragraph 44 of the Complaint. By way of further answer, defendants assert that the relationships described in subsections (1), (2), (3), (4), (5), and (6) of paragraph 34 were established with the consent or knowledge of the state and federal bank regulatory agencies and have, from their very initiation, encouraged and enhanced competition and have promoted trade and commerce in the relevant geographic markets by introducing and expanding banking services therein. These relationships, therefore, have met the banking convenience and needs of the communities served by the defendants.

45

Answering paragraph 45 of the Complaint, defendants admit that they have engaged in the relationships described in paragraphs 34 and 35 of the Complaint, with the exception of the relationships described in subsection (7) of paragraph 34 of the Complaint. Defendants deny that these relationships constitute unlawful combinations.

46

Defendants admit the allegations contained in paragraph 46 of the Complaint.

47

Defendants deny the allegations contained in paragraph 47 of the Complaint. Further, defendants deny that the merger transactions can be judged jointly or cumulatively, but show that each transaction must be judged separately and independently of the others. By way of further answer, defendants assert that the consummation of each and every one of the agreements described in paragraph 46 of the Complaint will encourage and enhance competition in the relevant geographic and product markets by expanding banking services therein and will promote the convenience and needs of the communities served by the defendant banks.

48

Answering the subparagraphs of paragraph 48 of the Complaint, the defendants allege as follows:

(a) Defendants deny the allegations contained in subparagraph (a) of paragraph 48 of the Complaint. By way

of further answer, defendants show that the banks involved in this lawsuit are not in actual competition with one another and that there is no potential for increased competition between and among them.

(b) Defendants deny the allegations contained in subparagraph (b) of paragraph 48 of the Complaint. By way of further answer, defendants deny that DeKalb County, Fulton County, North Fulton County, and the Atlanta Area are relevant geographic markets in this lawsuit, and, in any event, defendants deny that the consummation of the agreements described in paragraph 46 of the Complaint will substantially lessen competition in those areas.

(c) Defendants deny the allegations contained in subparagraph (c) of paragraph 48 of the Complaint. By way of further answer, defendants deny that DeKalb County, Fulton County, North Fulton County, and the Atlanta Area are relevant geographic markets in this lawsuit. Defendants further deny that commercial banking is concentrated in those areas and that the consummation of the agreements described in paragraph 46 of the Complaint will substantially increase concentration in those areas.

Defendants further deny that commercial banking is the applicable product market by which to judge the allegations of the Complaint and this paragraph 48. By way of further answer, defendants show that they would not be guilty of the offenses alleged in the Complaint even if commercial banking were the applicable product market.

49

Defendants deny each and every allegation in the Complaint that has not been either expressly admitted or denied heretofore.

Second Defense

The Complaint fails to state a claim upon which relief can be granted against defendants or any of them.

Third Defense

The allegations of the Complaint based on Section 1 of the Sherman Act fail to state a claim upon which relief can be granted against defendants or any of them.

Fourth Defense

The allegations of the Complaint based on Section 7 of the Clayton Act fail to state a claim upon which relief can be granted against defendants or any of them.

Fifth Defense

The proposed mergers that resulted in the initiation of this lawsuit constitute what is essentially an internal reorganization. Five of the defendant banks, C&S Chamblee, C&S Park National, C&S South DeKalb, C&S North Fulton, and C&S Sandy Springs, were organized under C&S guidance and direction, and a sixth defendant, C&S Tucker, was reorganized under C&S guidance and direction, all at a time when Georgia law did not permit C&S National or any other Atlanta bank to branch outside the City of Atlanta. [These six defendants are hereafter referred to collectively as "C&S Correspondent Associates"]. A close working relationship has existed ever since, and a majority of the stock in each bank has been held continuously by directors, officers, and employees of C&S National, directors, officers, and employees of subsidiary banks of C&S Holding, and a number of influential customers who maintain significant banking relationships with one or more such banks.

The remaining stock is well dispersed, with no significant blocks held independently of the C&S System. The management of each of the C&S Correspondent Associates has been drawn from the C&S System, C&S National has hired their employees, and these employees participate fully in the various employee benefits provided by the C&S System. C&S National provides credit services, investment advice, and numerous other services to the C&S Correspondent Associates in much the same manner as it does for its own branches and subsidiary banks. Like the other banks in the C&S System, the C&S Correspondent Associates use the C&S name and logo and advertise jointly with C&S. A significant percentage of the loan portfolio of each Correspondent Associate is made up of loans purchased from C&S National. C&S National has subscribed to capital notes of each C&S Correspondent Associate when additional capital has been needed. In short, the C&S Correspondent Associates are recognized by the public and by C&S National as C&S banks. They do not compete today and have not competed in the past. The proposed mergers have been contemplated since the C&S Correspondent Associates were organized by C&S, but the mergers were not possible when Georgia law prevented banks from branching beyond municipal boundaries. The mergers have now been made possible by a change in Georgia's branch banking law which became effective on January 1, 1971. The proposed mergers, if allowed, will not alter the existing competitive structure in any relevant geographic market, and they will not add to the concentration of banking resources in any relevant geographic market. Furthermore, there is no reasonable probability that the C&S Correspondent Associates will become disassociated from the C&S System in the future if the proposed mergers are denied.

Sixth Defense

The Board of Governors of the Federal Reserve System, not this Court, has jurisdiction under the Bank Holding Company

Act ("BHCA") [12 U.S.C. § 1841, et seq.] to determine the legality of the transactions and relationships existing between and among C&S National, C&S Holding, and their affiliates and subsidiaries.

Seventh Defense

In 1966 and 1968, the Federal Reserve Board in the exercise of its jurisdiction conducted an investigation into the legality of the C&S acquisitions and relationships, and plaintiff participated in a hearing conducted in connection with that investigation, during which the relationships alleged by plaintiff in paragraphs 34 and 35 of the Complaint to violate the Sherman Act were fully explored. The Board did not find that the acquisitions and operating relationships violated the then existing provisions of the BHCA. Plaintiff did not challenge the Board's decision or take any other action, until the filing of the Complaint in this lawsuit, to challenge the legality of the relationships attacked by the Complaint, and is therefore barred, by laches and the statute of limitations, estopped and forever foreclosed from doing so now.

Eighth Defense

Section 11(e) of the BHCA [12 U.S.C. § 1849(e)] requires that the legality of the transactions whereby C&S National and C&S Holding acquired and established continuing operating relationships with the C&S Correspondent Associates be determined by Section 3 of the BHCA rather than by Section 1 of the Sherman Act. The C&S relationships did not violate Section 3 of the BHCA at the time they were initiated, and do not now. The structure, organization and operating relationships between and among defendants are in compliance with the BHCA, sanctioned and exclusively regulated thereby, and are, therefore, not subject to attack under Section 1 of the Sherman Act in this Court.

Ninth Defense

The transactions whereby C&S National and C&S Holding acquired and established continuing operating relationships with C&S Sandy Springs, C&S Chamblee, and C&S Tucker were consummated prior to July 1, 1966, and are therefore conclusively presumed by Section 11(d) of the BHCA [12 U.S.C. § 1849 (d)] not to have been in violation of Section 1 of the Sherman Act.

Tenth Defense

The C&S Correspondent Associates are "subsidiaries" of C&S National and C&S Holding as defined by Section 2(d)(3) of the BHCA [12 U.S.C. § 1841(d)(3)]. These intra-enterprise relationships, therefore, cannot constitute a "combination . . . or conspiracy" in restraint of trade or commerce in violation of Section 1 of the Sherman Act.

Eleventh Defense

C&S National and C&S Holding caused the formation of the C&S Correspondent Associates as subsidiary corporations for the actual carrying on of their immediate lawful business, or the natural and legitimate branches or extensions thereof. C&S Holding held part of the stock of such subsidiary corporations. The effect of such formations was not to substantially lessen competition; therefore, said matters (alleged by the complaint to violate the Sherman Act and the Clayton Act) are protected by Section 7 of the Clayton Act.

Twelfth Defense

The plaintiff is not entitled to injunctive relief against the merger agreements described in paragraph 46 of the Complaint

because there is no actual competition between and among the defendants, and no competition will be eliminated by the consummation of the merger agreements. The consummation of the agreements will serve only to simplify and reorganize the intra-enterprise relationship between and among the defendants and to permit the defendants to offer better and more competitive banking services. The plaintiff is not entitled to the relief sought on the basis of the potential for future competition between the defendants. The alleged potential competition is speculative, conjectural, and cannot constitute the basis for relief under the antitrust laws.

Thirteenth Defense

As a further defense to the charges of the Complaint, defendants contend that even admitting *arguendo* that the effect of the proposed mergers would be to substantially lessen competition or to create a tendency towards a monopoly in a line of commerce in a section of the country, the anti-competitive effects are clearly outweighed in the public interest by the probable effect of the transactions in meeting the convenience and needs of the communities to be served.

Fourteenth Defense

The operating relationships between and among the defendants are now and have been since their inception designed to bring sound, safe, innovative, competitive C&S banking to suburban communities which otherwise would not have been so served. The Correspondent Associate form chosen by C&S to accomplish this goal has utilized traditional and accepted forms of correspondent banking relationships which are not and have not been in unreasonable restraint of trade.

PRAYER

Wherefore, having fully answered the Complaint, defendants and each of them pray that this action be dismissed with prejudice against the plaintiff; that they may have such other and further relief as this Court may deem just and proper; and, that they recover the costs of this action from the plaintiff.

This 5th day of May, 1972.

Respectfully submitted

/s/ DANIEL B. HODGSON
/s/ JAMES E. THOMAS
/s/ MICHAEL A. DOYLE
/s/ JOHN K. TRAIN
/s/ WALTER M. GRANT
Counsel for Defendants

Of Counsel:

ALSTON, MILLER & GAINES
1200 C&S National Bank Building
Atlanta, Georgia 30303

PHILIP L. ROACHE, JR., ESQ.
1150 17th Street, N. W.
Washington, D. C. 20036

(Certificate of Service Omitted in Printing.)

[1*] UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

(Title Omitted in Printing)

Transcript of proceedings had before The Honorable Charles A. Moye, Jr., Judge, United States District Court, on the 25th day of September, 1972, commencing at the hour of 10:00 o'clock, a.m., in Atlanta, Fulton County, Georgia.

[2] Appearances of Counsel:

For the Plaintiff: Donald A. Kinkaid, Esq., Kenneth D. Stern, Esq., Curtis L. Frisbie, Jr., Esq., Neal F. Lehman, Esq.

For the Defendants: Daniel B. Hodgson, Michael A. Doyle, Esq., Philip A. Roache, Esq., Nevins D. Baxter, Esq., Walter M. Grant, Esq.

The Court: Call the case of the United States of America against the C&S National Bank, No. 15823. Is everyone ready?

Mr. Kinkaid: Yes, Your Honor.

The Court: C&S?

Mr. Hodgson: Yes, Your Honor.

The Court: Now, have each of you submitted your list of exhibits?

Mr. Hodgson: They are submitted and admitted, I believe, Your Honor.

The Court: All right. If not, the clerk is directed to admit them and prepare an official list of them and you will reserve

---

* Numbers appearing in brackets in text indicate page numbers of original stenographic transcript of testimony.

any objections by submitting a memorandum of objections with respect to the exhibits of the opposite party.

Mr. Kinkaid: Yes, sir.

The Court: Anything further before we proceed?

[2] Appearances of Counsel:

For the Plaintiff: William E. Swope, Esq., Donald A. Kinkaid, Esq., Joe Sims, Esq., Kenneth D. Stern, Esq., Curtis L. Frisbie, Jr., Esq., Neal F. Leshman, Esq.

For the Defendants: Daniel B. Hodgson, Esq., Michael A. Doyle, Esq., Philip A. Roache, Esq., Walter M. Grant, Esq.

The Court: Call the case of the United States of America against the C&S National Bank, No. 15823. Is everyone ready?

Mr. Kinkaid: Yes, Your Honor.

The Court: C&S?

Mr. Hodgson: Yes, Your Honor.

The Court: Now, have each of you submitted your list of exhibits?

Mr. Hodgson: They are submitted and admitted, I believe, Your Honor.

The Court: All right. If not, the clerk is directed to admit them and prepare an official list of them and you will reserve any objections by submitting a memorandum of objections with respect to the exhibits of the opposite party.

Mr. Kinkaid: Yes, sir.

The Court: Anything further before we proceed?

[3] Mr. Kinkaid: Yes, sir.

The Court: Anything further before we proceed?

Mr. Kinkaid: Yes, Your Honor, before we proceed, Mr. Gladden on behalf of the Trust Company would like to bring a matter to Your Honor's attention.

The Court: All right, sir, you may proceed.

Mr. Gladden: Your Honor, my name is Joe Gladden of the firm of King and Spalding. We represent the Trust Company of Georgia, which has supplied, pursuant to a subpoena duces tecum to the plaintiff in this action, certain information having to do with origin of deposits, which upon motion of the Trust Company of Georgia, as well as several other banks, was made subject to a protective order entered by this court in July. The terms of that protective order did not cover the handling of that information in the event it was utilized at trial, for the reason that at that time neither the parties nor the banks producing the information were aware exactly how the information would be used.

We have been informed by the Government **[4]** that one of their exhibits incorporates information produced by the Trust Company of Georgia showing origin of demands and certain deposits, which was furnished pursuant to the subpoena and made subject to the protective order. We simply wish to move the Court with respect to that exhibit, and unfortunately I don't know how it has been identified in the memorandum, pre-trial memorandum, but with respect to that exhibit we wish to move the Court to make that exhibit subject to the protective order to be maintained by the Clerk under seal, pursuant to the terms of the order.

[5] The Court: I assume, would the parties have accepted the information that there is no violation of the protective order as of yet?

Mr. Gladden: No, sir.

The Court: Any objections to that direction and can it be handled?

Mr. Kinkaid: Yes, Your Honor, plaintiff would object to placing this material under a protective order for all purposes. The material involved shows the origin by zip code of demand deposits under $1,000 and I may note that we have similar exhibits for other banks which had previously been granted a protective order for pre-trial purposes. All the other banks have also been notified that exhibits similar to Trust Company exhibit will and have been offered in evidence and Trust Company is the only bank which has sought to continue the application of the order to this material at this point.

It's our feeling that the information involved would not in any way prejudice the Trust Company if it becomes a part of the public record. I do believe that the burden would be on the parties seeking the order to demonstrate that disclosure or placing this exhibit in public record would constitute serious prejudice to the parties.

[6] The Court: With respect to the relief you want, is it that the figures not be referred to or used by in respect to witnesses here during the trial or simply that at the close of the trial the exhibit be sealed?

Mr. Gladden: The latter; the latter, Your Honor.

The Court: In this case, why don't we simply defer ruling on the motion until the close of the trial. Please notify counsel when the close of the trial occurs and then we'll take up your motion at that time.

Mr. Gladden: Your Honor, if you prefer, we'll be happy to file a written motion with a brief.

The Court: Please do so. That way I'll certainly remember it better.

All right, is there anything else before we proceed?

Mr. Hodgson: In pre-trial conference in chambers last week, both of us agreed that in view of the rather extensive briefing that has been given to the Court and the number of documents

that have been presented to the Court, there'll be no need for opening statements. So far as the defendants are concerned, that is basically still the case. However, the trial briefs that were submitted, it seems to me, make it appropriate for us, when our case comes along, to suggest to the Court certain points of emphasis that may have been raised by virtue [7] of those briefs having been filed. We would like to reserve our right for that purpose.

The Court: Mr. Kinkaid, are you ready?

Mr. Kinkaid: Yes, sir.

The Court: You may proceed.

Mr. Kinkaid: Plaintiff calls Mr. Dave Padgett.

Whereupon,

W. D. PADGETT,

was called as a witness by and on behalf of the Government, and having first been duly sworn, testified as follows:

Direct Examination

By Mr. Kinkaid

Q. Would you please state your full name? A. William David Padgett.

Q. Where are you employed, Mr. Padgett? A. Trust Company of Georgia, Atlanta, Georgia.

Q. What is your position with Trust Company? A. Group vice president.

Q. Are you in charge of any department or division of Trust Company? A. The Southeastern Division of the United States Division, which handles all of our business outside the City of Atlanta, and financial institutions inside the City of Atlanta.

[8] The Court: Before you proceed, Mr. Kinkaid, let me inquire, what is the situation with respect to a transcript? It will have some bearing on the extensiveness of my notes I'm going to have to take. Is there going to be a transcript prepared prior to the final briefs or not?

Mr. Kinkaid: My understanding is, sir, that there will be a transcript prepared for each day's proceedings that will be available sometime in the evening.

The Court: But, before I have to make a decision, there will be a complete transcript?

Mr. Kinkaid: Yes, sir.

The Court: All right.

By Mr. Kinkaid

Q. Could you give us a rough idea of just what this particular department does at Trust Company? A. Well, as I said, we handle all of our commercial banking business outside of the City of Atlanta with the exception of national accounts, financial institutions inside the City of Atlanta, deals mainly with commercial, large commercial accounts, domiciled outside the City of Atlanta in the southeast, and correspondent accounts, bank accounts.

Q. Roughly how many correspondent bank accounts does Trust Company presently have? A. As I recall, 452, in that particular division that I supervise.

[9] Q. What geographic area does that division cover? A. Eight southeastern states.

Q. What are your duties and responsibilities insofar as the correspondent bank accounts are concerned? A. Well, to service those that we have and to secure others in the course of new business.

Q. How long have you been group vice president? A. Oh, approximately five years.

Q. What were you before you became group vice president? A. Vice president.

Q. Were you in the correspondent area as well at that time? A. Yes, sir.

Q. As a matter of fact, how long have you been working in the correspondence area? A. Since 1955.

Q. And has it always been with Trust Company? A. Yes.

Q. Are you familiar with the term "correspondent service"? A. Yes.

Q. Is that a term that you use in your business? A. Well, that's a pretty all-encompassing term, but, yes.

Q. Could you give us your definition or understanding **[10]** of, from your own standpoint, what is encompassed by the term "correspondent service"? A. Well, it's basically any service that they might call on us that we can supply starting from clearing items and collections right on through the latest technical service offered in the computer service and automation.

[11] Q. Is there any definition of correspondent service that, to your knowledge, is accepted generally in the industry or does it vary from bank to bank? A. I think definitely it would vary from bank to bank as to what they would do and when they would do it and how they would do it, and the charge, if any, the fee, acceptance or what.

Q. Could you tell us the basic correspondent services that Trust Company offers? A. You mean you want a list of—you want me to name the——

Q. Yes, name as many as you can think of, offhand. A. Well, of course, your main service would be the clearing of checks and collections, shipment of coin and currency, credit inquiries, over-lines, computer services, demand deposit accounting, savings, CD's accounting, monthly repayment loan, accounting on

computer, investment advice, bond services, safekeeping of securities.

The Court: You are going too fast.

A. I am sorry.

The Court: Advice?

A. Advice.

The Court: All right: What else?

A. Safekeeping of securities, services through **[12]** your various specialty departments, your international department, trust department, corporate trust department.

Q. Let's go back through these. A. Yes, sir.

Q. And take one, each one at a time, and I would ask you to give us some idea of just what each one of these services involves, insofar as Trust Company is concerned. Why don't we start with the check-clearing. A. Well, the correspondent bank will prepare what we refer to as a cash letter, in some cases, depending on the degree of the usage, it may be all of the items outside of the particular city where they are located, and send it to you for collection. You process it and send it—forward it on to the centers on which they are drawn or to the Federal Reserve Bank. It would, on the other hand, you would probably intercept their cash letter, their Fed Cash letter from the Fed Reserve Bank paying those items, or particularly, if you are doing a demand deposit and accounting on computer collection part of it, would simply mean any item that they might have in the way of a draft or bill of lading with documents attached or trade acceptance or what-have-you, that they might forward for collection, which you would, in turn, collect for them and credit their account, et cetera.

[13] The Court: Excuse me. Does your eight Southeastern states coincide with the Atlanta Federal Reserve Bank?

A. I would—rather than answer that, I would prefer to name the states that we do handle, it is North and South Carolina, Tennessee, Georgia, Florida, Alabama, Mississippi and Louisiana.

Q. You just mentioned a term "intercepting", was it a Fed cash letter? A. Yes, sir.

Q. Could you just explain that briefly? A. Well, if you are doing the demand deposit accounting, in other words, if you are doing the bookkeeping for a bank, then you can pick up their—the Federal Reserve sends them a cash letter each day of all items drawn on them, so you just shortstop it, instead of it going to you and back, you just shortstop it. It saves, in some cases, nearly a day's time.

Q. How are your check-clearing services paid for by the correspondent bank? A. Well, usually you measure their cost on an analysis basis, and it is done by balances, there is no actual charge involved. They maintain sufficient balances with you to pay for this particular service.

Q. The next item you mentioned was coin and **[14]** currency. Could you just briefly indicate what that means?. A. Well, your banks that are not members of the Federal Reserve system depend on their correspondent banks in the Reserve city to furnish them coin and currency, in most cases. It depends on their particular uses. A lot of banks even generate more coin and currency than it needs, so there's a problem of shipping it to their correspondent. Rather than shipping it to them, suppose, for example, they have a military installation in their town and have a need for a large amount of cash, say once or twice a month, they would order this; if they are not a member of Fed, they do not. They would have to order it from their correspondent bank and pay for it in that manner.

Q. I think the next item on your list was—had to do with credit. Could you explain more of what you had in mind there? A. Well, we refer to it as over-lines or any credit that would

normally exceed their legal limit. It does not necessarily have to be the case, but in most instances, it is. It could be a small bank in a small town would have a manufacturer or large customer who might need at a given time during the year credit, say, of a million or two or three million dollars, **[15]** whereas their legal limit could very well be fifty or a hundred thousand dollars. And, by very well going to a correspondent for an overline, this would enable them to maintain their primary position with their customer, and it would be done through them. And in a lot of cases, the local customer would not even know who the correspondent bank was; as far as they're concerned, their local bank is handling it. And they would handle the participation on a cost basis; it is quite common.

Q. Is there any sort of, I guess we can call it, a time factor involved, in that type of participation between the small correspondent and the large bank? A. It depends on who the bank is and how well you know them, and the relationship you have with them, and how many times you have dealt with them, in credit matters, and so you can give an answer on the telephone.

Others, you want the document sent to you, you want to talk about it and so forth and so on. It is just as quick as a telephone call or it could involve weeks of negotiations, depending on the type loan, how complex and so forth. Really, how well you know the people you are dealing with and how often you have dealt with them.

Q. To your knowledge, would there be any difference other than the differences you just noted in terms of type of loan involved? Would there be any difference **[16]** between your handling of a participation with a correspondent bank, on the one hand, and the headquarters of Trust Company processing a loan request placed at one of its branch offices that happened to be over the lending limit of the local branch manager? A. Well, I think in all fairness, I would have to say that in dealing internally from the branch to the main office, et cetera and so forth, you are dealing with really a little different level. And

if a correspondent who maintains substantial balances with you calls in, usually he is dealing direct with a man who can give a decision then and there, if necessary, whereas the other might go through a sort of a committee or require a little discussion and so forth. I would say that being the same type general credit that they would get the answer about the same time. Generally, within the same day, if at all possible, unless it was a very unusual situation.

Q. Now, insofar as your own willingness to participate on large loans from your correspondent banks, is that willingness on your part in any way affected by the money market conditions, if that—I don't know if that is the right term to use or not, but in other words, what I am getting at, is times of easy credit versus times of hard credit, if I may use those **[17]** terms. A. You are referring to the credit crunch of '66-'68, when money was tight and so forth?

Q. I would say that is a good example, yes. A. Well, yes. Money is much more readily available at this time than it was during that time, and we would be in position to give an answer a little quicker. During the credit crunches of '66-'68, there was a lot of times when you had to find the money before you could put it out, if that answers your question.

Q. Another item you have mentioned, I think, before the loan participation, if I recall correctly, had something to do with the credit information. Am I correct in that, was that one of the correspondent services you mentioned? A. Credit information.

Q. Credit information. A. As it pertains to companies, corporations and so forth, yes. That is readily available to them, should they have a customer dealing with a party or a company where they are—you know, they are not known to them and so forth, and it involves a contract or a substantial sum of money, they call and want to know if their customer can deal in full confidence with XYZ Company and so forth.

[18] Q. Is that service used frequently by your correspondent banks? A. Yes, it is. It is a service that they can render to their local customer, when they are dealing with companies that are unknown to them, where they have to—where it involves advancing of money or credit.

Q. How was that service paid for by the correspondent bank? A. Well, of course, this service is readily available to any bank, whether they are a correspondent or not. That is just in the general flow of commerce, that this is—you would give this service to any bank, whether they are a correspondent or not. Of course, a correspondent who maintains balances with you would feel a little freer to call maybe more often on things that are not as important to him as he would if he were not a correspondent.

[19] Q. I may not have asked you, is there any fee for the coin and currency service? A. Not generally, no, unless it's excessive. If you had—again, if you had a military payroll in the area that a bank had to have an excessive amount. Generally, the answer to that would be no, generally, other than an analysis charge.

Q. I'd like to go back to the data processing or computer services that you briefly mentioned earlier. Could you go through those a little slower and sort of indicate to us the various types of data processing services available from Trust Company and give us sort of an idea what each one involves? A. Well, your demand deposit, it would be that actually doing the bookkeeping for all of the banks, demand deposits or checking accounts which means that at the end of the day they would send to you all items, all of the checks drawn on that particular bank. By sorting them and running them through the computer, they would be posted to the proper accounts. You also furnish statements for them on a monthly basis which they send out.

Time deposit, it varies from savings accounts to time certificates, certificates of deposit, et cetera, that you keep an ac-

curate record of them and actually doing the accounting and computing of the interest on the computers. All of this is done for a fee.

[20] On the repayment loans or installment loans, accounting is where you do the monthly, you post it, prepare the documents for them, also post the monthly payments also on a monthly basis. That's also for a fee.

The Court: Before you called one of the items a CD item. Is that a counter-demand?

The Witness: Certificate of deposit, time.

By Mr. Kinkaid

Q. Insofar as the installment loan service that you just indicated, does that—maybe I misunderstood what you said. Does that include sending of bills, so to speak, to the installment loan customers of the correspondent banks? A. Well, you send it, you actually prepare them and send them to the bank. The bank itself sends them the monthly payment coupon book. In other words, I think, I would be safe in saying nothing is mailed directly to the bank customer. Everything goes to the bank, the bank and from the correspondent bank to their customers.

Q. Let's see if we have got everything here. We have installment loan and accounting, demand deposit accounting, savings accounts for which you would include certificates of deposit. Does that take care of all the computer services? A. Various different types of time accounts.

Q. Now, you mentioned the term bookkeeping just now. I've seen the term bookkeeping used at least, I think, two **[21]** different ways in banking. Perhaps you can help me on that. I think I have seen it used one place, something general bookkeeping. A. General ledger

Q. General ledger? A. Part of general ledger bookkeeping, which is a computer service offered to, depending on the size of the bank as to how extensive it would be. Somebody might

have 25 general ledger accounts, some might have several hundred general ledger accounts. That is a service at the present time we do not offer so, I could—some banks do. We do not at this time.

Q. Is there any other type of bookkeeping done for banks on the computers? A. You mean that we do not offer; is that what you are asking me?

Q. I was just wondering, I'm trying to clarify my own mind, perhaps. I've seen the same kind of bookkeeping referred to in two different terms. That's why I'm confused. Is there anything other than general ledger bookkeeping in banking? A. Well, now, of course, basically, using the term in its basic form, any kind of accounting or record-keeping would be bookkeeping. You're doing bookkeeping when you're doing demand deposit accounts and go one step further and post **[22]** general ledger entries, accruals, the entries to be posted and send them back to them. I can't think of anything else, unless you have some specific item.

Q. No, I'm trying to clarify the meaning of these terms in my own mind. A. It's probably the same term, two different terms really meaning the same thing.

Q. Insofar as someone using your computer services, do you at Trust Company supply the form on which information is reported or sent in to the computers? A. Yes.

Q. Is there any—excuse me, go ahead. A. Well, of course, it's less expensive to them to use the regular soft wares, as we know it. In some cases they prefer different type statements and so forth, which we do use when we draw up statements for them.

Q. That would be the statements coming out after the information has been run through the computers? A. Right, that they mail to their customers.

Q. Starting at the, I guess, what you would call maybe the input side of the computer operation, is there any necessity for the forms on which information is reported to your computer to be standardized in any way, to your knowledge? A. You're going to have to restate that. I'm not quite **[23]** sure what you are asking.

Q. Let me put it a different way. Do the banks which use your computer service, do they report information that's going onto your report, on your computer? Do they all use the same type of forms in making such reports? A. Well, I think you can, in general, yes, most of the time you pick it up off documents that they send to you and inasmuch as a check is a check, then, yes, they would use standard type information. That could be different size or different colors, or different qualities of paper, but it's generally the same type of documents that you pick this information up from. And on your monthly, generally your information can come in any way and you pick it up and put it in the necessary form to get the information on your computer.

Q. I think the next item you mentioned was investment advice. Could you tell us a little bit more about that? A. Well, I am thinking mainly of our bond department that sells Government Bonds, government agencies, municipal bonds of various types and so forth and keep in touch. It depends on how much they use, the bank uses. They may buy all of their bonds from you, may buy some, or they may on occasion buy bonds from you. And in that, other than actually selling, investment advice would come under, we have a computer service called portfolio analysis and accounting which gives them an up-to-date listing, monthly, of all their **[24]** bonds, the present market price, accruals on it and tells them what coupon, what interest is due and when, so forth. It's a combination advisory service and accounting service, bookkeeping, if you would.

Q. Is there a fee charged for the first type of advice? A. The portfolio, the PWAS service is a computer service, yes, fee in-

volved. Other than that, there is no fee involved other than the margin or mark-up on the bonds, whatever it might be, which would not be a fee itself.

Q. I think you also mentioned safekeeping. A. Safekeeping of securities. Most of our correspondent banks would prefer to have their securities held in one single location or maybe two at the outside. All the securities or the securities that they buy or purchase would be shipped to this particular bank to be placed in safekeeping. Sometimes they have one safekeeping account, sometimes two. Maybe one here and one in New York. These securities are domiciled there and processed through the collection of coupons, et cetera, and so forth, until they are either sold or they mature and this is a service that is rendered free of charge except the analysis charge, balances copy.

Q. I think the last thing you mentioned was, if I recall correctly, specialized services. I think you also mentioned international services. Could you give us an idea of the specialized services that you have in mind? **[25]** A. Well, it could be through actually any department in the bank, in a department they could have a customer interested in either importing or exporting. It could involve letter of credit, it could involve developing a market in some foreign country, it could be through your corporate trust department. It could be they have a customer who needs somebody to act as a transfer agent or registrar. It could be in the trust department they may have a customer who needs to place funds in escrow or some various fiduciary capacity of the trust department.

Q. Do you have any correspondent banks that do not have trust departments of their own? A. Quite a few. Most of your small banks do not have trust departments.

Q. Do they refer trust customers over there or customers of theirs who are, seeking trust services, are those referred to your department? A. Some of them are, yes.

Q. Do you have any correspondent bank accounts in the general Atlanta area with banks that do not have trust departments? A. Yes, sir, you're speaking of major Atlanta?

Q. Yes. A. Metropolitan?

Q. Yes. **[26]** A. Yes.

Q. Have any of those correspondent banks referred trust customers to you? A. Yes, sir.

Q. In those cases, have you sent or had someone from your trust department go out and visit with the correspondent bank's customer or is there any policy in that regard? A. Well, it depends. Sometimes they call and set up the meeting and they actually bring their client in that needs this particular service or they might set it up so one of our people might call on them. It depends on the situation. Are you saying would we call on them direct?

Q. No, would you go out to the correspondent bank to meet with his customer who is seeking trust services? A. Sure.

Q. I don't know, you have mentioned this term already, and earlier, but are you familiar with the term fed funds? A. Federal funds, yes.

Q. What does that mean? A. Well, it's really a misnomer now, but in the beginning it was where a bank who had excess reserves on deposit with the Federal Reserve Bank could sell those by the day to another bank. It's now come to mean any bank that has excess funds whether he be a member of Fed or not. They are called correspondent funds, fed funds, but it's a vehicle of **[27]** where a bank can sell excess funds by the day as compared to investing in some treasury bills for thirty days, sixty days, or two or three days, so forth. You can actually sell funds by the day. If you have $5 million in excess reserves, Federal Reserve Bank, that you do not need today, why, there is a market available where you can sell those and for a stated

rate for the one 24-hour period. They are returned to you the following day.

Q. Would your small correspondent banks be able to participate in that operation? A. Yes, sir.

Q. In what way? A. Well, we establish a market, your normal, of course, this is probably gone by the board. At one time your minimum amount was $1 million. A lot of smaller banks never at one time had this amount. So it's now, I think, the accepted minimum is probably a hundred thousand dollars which gives them the privilege of investing this amount by the day.

Q. I'm not sure if I understand just how Trust Company fits into this operation insofar as the small correspondent banks are concerned. Could you explain that? A. Well, we make a market available to the small correspondent banks. We either buy or sell fed funds or correspondent funds whichever the case may be at the going market. In other words, they may, one day sell you **[28]** $500,000 in fed funds and the next day they might turn around and buy $500,000 in fed funds, depending on their money position as of that day. It's up to us to decide what position we are going to be in. But, we either are net buyers or net sellers, depending on our position as of that day.

[29] Q. Does that mean, then, that the small bank is dealing directly with you, rather than with the Federal Reserve Board or anyone else? A. Well, they have never—the Fed-funds market has never been through the Fed Reserve Bank or the Federal Reserve Board, that is the vehicle by which you move the money from one place to the other. In other words, suppose, as an example, maybe I can explain it this way, suppose the Trust Company of Georgia, when we at noon decided on our money position we might be net sellers of say fifty million dollars in Fed funds or five million dollars in Fed funds, then we would sell it to maybe Chase in New York, and we would wire it through Fed to make it immediately available. And

when you are selling money during the day, you must deliver it promptly, and that is the vehicle you use. And you always deal either through a bank or a money broker.

Q. Does Trust Company offer any sort of credit card service to its customers? A. Yes, sir, Master Charge.

Q. Is there any service to correspondent banks which would involve the Master Charge service? A. Well, they can either become a member of the—I believe the correct name is Southeastern Bank Card [30] Group, and be a member, or they can be an agent of a member bank. And we have some correspondents who are agents of the Trust Company of Georgia and Master Charge.

Q. Could you explain what is meant by an agent of Trust Company or Master Charge? A. Well, in other words, they can offer this, they can offer this to their customers without assuming any of the risks, and the credit liability will be assumed by the party they are acting as agent for; in this particular case it would be us.

Q. Do these banks have the option, if they wish, to assume the risk of that operation as well? A. If they wanted to be a member direct, yes, they do.

Q. In the case where a small bank is acting as an agent for Trust Company with respect to Master Charge, what would a credit card obtained from the correspondent bank look like? In other words, would the credit card that a customer of the agent bank receive, would it have the agent bank's name directly on it or would it have Trust Company on it? A. It would have the agent's bank.

Q. Does Trust Company have a lock-box service available? A. Yes.

[31] Q. Could you give us sort of a brief description of just what a lock-box service is? A. Well, probably have a large, generally speaking, they are larger concerns or a concern who

has quite a few invoices, which are collected in one central point. For example, if a manufacturing concern in Miami, Florida would enter into an arrangement with an Atlanta bank to have a lock-box, which means that all of their remittances would be sent to a post-office box in Atlanta, Georgia, and it would be picked up numerous times during the day by the bank they entered into the contract with. And these items would be processed immediately, thereby saving the time that it would take to come from Atlanta to Miami and back in to process. In other words, probably cut off two days' flow in the meantime on that. You just intercept checks and put them back into the systems at a more rapid pace.

Q. Would such a service be available in any way to customers of a correspondent bank? A. Well, to the extent, yes, we would—any bank would set up a lock-box plan for a client of the correspondent bank. In that case, of course, you would set one up for anybody, under normal circumstances, but the flow of funds, instead of coming into the correspondent would probably come into the Trust **[32]** Company of Georgia for the credit and advice of the correspondent bank, where it happened to be located.

Q. In that type of situation, first of all, would there be a fee involved, and second of all, how would it be paid or by whom would it be paid? A. Well, normally there is no fee involved in this. You are paid by balances, but that would depend entirely upon the setup that the correspondent bank wanted to have. In other words, if the company would maintain sufficient balance with them to pay for it, and they, in turn, could maintain sufficient balances with you to pay for it, then it would be just an analysis charge. Then, if the volume built up and it got to cost more, then, maybe you would have to ask for more balances to cover that, both ways, both from the bank and the bank from the corporate client. There could be a fee arrangement there, there could be an arrangement where they would prefer a fee rather than balances. In other words, if they

couldn't maintain sufficient balances, they would agree to pay a fee or a maintenance charge on this. It could be either way.

Q. Does Trust Company offer any pension and profit-sharing plans to corporate customers? A. Yes, we do, through our trust department.

Q. Could you, again, give us just a brief idea **[33]** of just what type of plans would be offered and how they would be offered? A. Well, suppose that a correspondent bank wanted a pension and profit-sharing or retirement plan, a pension plan or maybe a profit-sharing plan; then, our trust department would —with an actuary, would work out a plan for them, and they would have to contribute X number of dollars per year in order to service or fund this particular plan, and it would be a contract arrangement or fee involved in it. And the money would then be invested, in order to assure that as of a certain date, there would be enough money for X number of employees that would be retiring at that time. And your profit-sharing plan would be the same thing, except it would be worked on probably a percentage basis. In that, again, the money would be invested for them. All of this is on a fee basis through the trust department.

Q. Are any of these pension and profit-sharing plans, have any of them been made available to correspondent banks as such? A. Yes, each plan is tailored for that particular bank or that correspondent bank's client.

Q. Excuse me. In other words, when you say client, you mean customer of this—a corporate customer **[34]** of a correspondent bank? A. Could be anybody.

Q. Does Trust Company have any service which would involve the preparing of payrolls for corporate customers or business customers generally, let's say? A. There is a computer service that does this, and they furnish you the information, either the number of—hourly employees or salaried employees, et cetera and so forth. And you prepare either the checks for

them or you credit the account for them, and so forth, prepare their withholding forms, et cetera, that type of thing. Yes, sir, it is done on a fee basis.

Q. Are any of your correspondent banks using that service for their own employees? A. Some for their own employees, some for the employees of clients and customers.

Q. Is Trust Company in the factoring business? A. Yes, sir, we are.

Q. Could you briefly describe what is basically involved in factoring? A. Well, generally, factoring is done in two steps. First, the factor, in this case, as the Trust Company of Georgia, would pre-approve any credit or shipment of goods, and then secondly, would purchase the invoice for cash, assume the credit risk involved. **[35]** In other words, if it is a manufacturing company, and they say we would like to ship $20,000 worth of whatever they are shipping to ABC Corporation in New York, we say, "Fine, we will accept the credit, ship the goods". And we would, in turn, purchase the invoice for cash and we would wait until the normal business terms, maybe 30, net 10, before we received our money from ABC Corporation.

It is a purchase of accounts receivable is what it amounts to. There are various ways, there's other alternatives you can take on that, but basically it is a purchase of accounts receivable.

Q. Are any customers of your correspondent banks presently using the factoring service that you just described? A. Yes, they are.

Q. I think you just indicated that when you purchased the receivables, you would then pay cash to the factoring client? A. Right.

Q. How would that money be routed back to the factoring customer himself? A. Well, if he is a direct customer of ours, we would just merely credit his account with the Trust Company. If he were a customer of a correspondent bank, **[36]** then

we would credit the correspondent bank's account for the credit and advice of the factoring customer.

Q. Mr. Padgett, I would like to hand you Government's Exhibit 193, the very last one here.

Your Honor, this is the booklet entitled "Trust Company of Georgia Correspondent Banking Services." It is our very last exhibit.

The Court: The amended set?

Mr. Kinkaid: Excuse me, sir.

The Court: In your amended set?

Mr. Kinkaid: Yes, sir.

The Court: All right.

Q. Mr. Padgett, do you have any idea of roughly when this particular booklet was written? A. There's no printer's date on here, but it looks like it was about ten years ago, about 1961 or '62.

Q. Who actually wrote this booklet, can you recall? A. Well, it was prepared by a man in our organization by the name of Luke Fink, who talked to everybody concerned and put it together, and actually it is, in effect, his language, I guess is what you would say.

[37] Q. Were you personally consulted with respect to this? A. Yes, sir.

Q. Have you had a chance to read this particular booklet recently? A. When I gave it to you, yes.

Q. All right. So far as you are concerned, are the services described in this booklet, are they accurately described? A. All of them are, they have been. The only change has been really, an up-dating as far as automation is concerned, computers involving some of them. There has been one we show here, we show an industrial development department or refer

to it. We no longer have a department known as business and industrial development. It's done possibly by the officers in the national division rather than being departmentalized.

Q. What do these officers do today? Would it be the same as described in here for the previous department when it was in existence? A. Originally, yes.

Q. Would those be the only corrections you would be making in this as of today? A. I would think so, other than some of the nomenclature might have changed, but virtually it is the same.

Q. Could you please turn to page 7 of that exhibit? A. Yes, sir.

[38] Q. About the middle of the page there is a notation, "Trustee," under pension, profit sharing, thrift and other employee benefit plans. Could you tell us what the thrift plan would be? A. I'm sorry, I'm afraid I'm not—I think I know, but I would rather—I'm not sure.

Q. Are there any other employee benefit plans that you know of at the moment that would be covered under this particular service? I've got to rephrase that, that's confusing. When you say Trust Company acts as a trustee under pension, profit sharing, thrift and other employee benefit plans, my question really should be, can you give us an example of other employee benefit plans referred to? A. Well, I think one might be the plan which the professional men, doctors and attorneys, use, it's called what, the Keough Bill; is that right? It could be that, where professional people ask to set aside a certain amount of money each year for their own profit sharing or pension, if you will, so forth. It could be a plan like that or specially devised plan for an individual or group rather than corporations, et cetera.

Q. Would that plan you just mentioned, for professional people, would that be available to professional people, customers

of your correspondent banks? A. Sure, anybody. It's on a fee basis.

[39] Q. Now, could you turn to page 19. Now, in the first paragraph on that page there are several different things. It emphasized some which I believe we have already covered this morning. I'd like to just go through these and the ones we don't seem to have covered, we would like to ask if you will just sort of spell this particular thing out a little bit more for us.

What would the term "Taxes" mean in this context? A. I think what it means were that our expertise or knowledge, if you will, and any particular change in the tax laws, and so forth. In other words, something new and different comes up, you have some question about it. They probably do not use a distinguished tax firm like we do. We would make this available to them, tell them what we are doing, this type of thing, what ought to be done, what you ought to look at or refer them to a tax expert in their given area that could help.

Q. There is one before that, "Check Processing and Bookkeeping." Would that be something more than just your computer operation? A. Well, of course, back at this time there were not as many banks using computers as there are now. Probably referring to, we would probably send in a team of operation experts to review their bookkeeping system to see if it could be helped. In other words, if they needed to change to a [40] different type of equipment, and so forth.

Q. Would that be necessary today with banks on the computer setup? A. Not really, but it could be very important to a small bank that's still using manual bookkeeping machines if they wanted to upgrade and change, and so forth. I would say you would have fewer calls now than you did then. If that answers your question.

Q. What would be in the context of this paragraph the kind of advice that you would be offering on the next item, namely installment credit? A. Would be anything from how we train

people to make installment loans, forms we use, methods we use, collection methods we use or forms we use. How we evaluate credits, the terms, 24, 36 months, et cetera, and so forth.

Q. Are you just—I think you mentioned training. Is there any kind of training available at Trust Company for employees or officers of your correspondent banks? A. Certainly.

Q. What would be some of them? A. We don't conduct formal classes per se. If a correspondent called and asked us to train a teller or someone in the personnel department, credit office, installment lending office, we would do that.

Q. One item in here is called "Audit Systems." What **[41]** would that involve in terms of offering advice to correspondent banks? A. It could mean that we could, would tell them how to, how they should conduct a director's audit, how they should trace their loans, how they should trace savings accounts, and so forth. Just as in most of your audit systems you do not actually, you know, ask for a direct confirmation on everything. But, ten loans, five, six, depending on the volume and so forth, and what is involved, internal security mainly.

Q. Now, this item, the tellers' procedure, would that be part of what you just mentioned as training tellers, or would that be something else? A. Might, might furnish them with a manual, training manual, how we train them and how we handle them, and so forth.

Q. What would be involved in giving advice on loan collection methods? A. Probably tell them the procedure we use, what we do when a loan is thirty days past due, sixty days past due. How we effect collections, what we find is necessary to convince us, to move against the collateral and so forth, repossess an automobile.

Q. How would you become involved in advising a correspondent on the purchase of new equipment and supplies? To what extent would you be involved in that sort of thing? **[42]** A. Mostly to do a feasibility study as to what type of equipment

they should use, when they should get it, whether they should purchase it or should lease it. Generally, in a full feasibility study, really, as to whether they need it, how much equipment they needed, and so forth. A lot of time there is a tendency to over-buy, when you are buying this type of thing.

Q. Does Trust Company do any leasing of equipment of this type? A. We would arrange—we would arrange to handle a lease contract for somebody. We do not lease, we do not lease the equipment per se.

Q. Right. What would be the sort of thing that would be contemplated by this term personnel assistance? **[43]** A. Well, it could be anything from helping them train personnel, helping them be sure that they are using the proper procedure in acquiring personnel. In other words, their personnel department is doing the things that is necessary to do nowadays in order to comply with the law or it could be—it could be we would assist them in finding personnel. In other words, if they needed a cashier in the bank or if they needed a lending officer in the bank or president of the bank, et cetera and so forth.

Q. Can you explain the next term, "job evaluation"? A. Oh, it mainly has to do with the classifying of a particular job, how much should you pay a branch manager and how much should you pay a monthly repayment lending officer and how much should you pay a teller, et cetera and so forth. A job, a formal job description showing what has to be done, what should be done at pay scale from the minimum to the maximum.

Q. What would be involved in offering advice on protection and insurance? A. Anything from whether they should use guards, whether they should—what their bond should be, whether they should have cameras, internal security, anything in that line.

Q. Do you have anybody available to actually **[44]** advise on securities systems? A. Well, that is not his primary job. We have a former FBI agent, who is in charge of our security. It

is just like anything else, you know, we don't have a trust man available for a particular job, but we can make him available under these circumstances, if need be. Under that case, we would make our security man available to them for that purpose.

Q. Could you turn to Page 21, please?

The last sentence of the first paragraph on that page states that: "We are always glad to share information on national and sectional accounts, and to aid our correspondents in their relations with them."

Could you expand on that for us, just how does Trust Company aid its correspondents in their relations with national or sectional accounts? A. Well, it could be that a correspondent bank would call in and say we understand that such-and-such a store would be located in our area. If this is true, we would like to have them do business with us and we would attempt to find out, first, if they were going to locate a store there; and second, recommend that they use this particular bank, and to go beyond that we would probably tell them, because we had previous experience, as to just how they go about selecting **[45]** their local bank, whether the local manager makes the decision, whether the vice-president in charge of finance makes the decision, whether the treasurer makes the decision, whether they are just actually measuring the closest bank, period. That is it. Really what they are looking for in the area and so forth.

Q. In those situations would anybody from Trust Company call on a national or a sectional account with—— A. Sure.

Q. ——someone from the correspondent bank? A. Well, that could be the case if it were important enough, but most times, if they had asked you to call on them for them, that your man would go by himself. If it were important enough, there's a chance that the president of the local bank might want to go. It really depends on what it is. If it were a chain store or a department store, he would not. If it were a manufacturing con-

cern that would employ four or five hundred people, probably the president and the entire bank board would want to go.

Mr. Kinkaid: Your Honor, would this be an appropriate point to take a little break?

The Court: All right. We will take a ten-minute recess.

(Whereupon a recess was had.)

[46] Q. Mr. Padgett, does Trust Company provide any kind of assistance with respect to correspondent banks' lending practices, as such? A. I don't quite—would you rephrase that, I don't quite understand.

Q. Well, does Trust Company help a correspondent bank in making various types of loans or in setting up procedures whereby or under which its loans are granted? A. Oh, you mean, for instance, on real-estate loans, and so forth? Your checklists, your technical procedures, yes we do that.

Q. Could you tell us just a little bit more as to the nature of that assistance, the form it would take? A. Well, generally, when there's been any change in the banking laws or any regulations by the regulatory authorities, that really change any particular receivable financing or construction loans or any technical change, why, most of your Reserve city banks will put out a memo or guideline sheet showing the changes, what should be done, this, that and the other and so on. Of course, on any specific request, we would do that on anything. If a bank had some question about making a term loan, covenants that could go in it and so forth and so on, [47] we would be glad to do that. But, as a general rule, unless it is some technical, drastical change, you wouldn't put out a white paper on it, so to speak.

Q. Have you ever gotten a call from a correspondent bank to the effect that it's gotten into or its loan procedures have sort of gotten into a mess, and could you give us a hand in straightening them out? A. Yes.

Q. Has that happened often, to your recollection? A. Not—no, it would be the exception rather than the rule.

[48] Q. If you can think, I'm not asking you for names of any banks in the situation where that has actually happened, can you recall what Trust Company did to help the correspondent? A. Well, generally, what you do would be send, say, a team of two fairly competent credit analysts to go in and help survey the loans and see what they were doing or see what they were not doing or needed to be done, and so forth.

Q. What do you mean by survey their loans; what would that involve? A. That would depend. You've got one or two loans you're having trouble on, and find you do have one or two, it could be they lost their chief executive officer of the bank and they are, you know, think that maybe he was a little too liberal in his lending policies and so forth, might want you to look at the entire note case, all of their loans, in which you would do that, or maybe just a certain type of loan you have a problem with.

Q. You just mentioned they may have lost their chief executive. Has that happened often during your experience at Trust Company? A. Where they would lose the president of the bank?

Q. (Indicating the affirmative.) A. Sure.

Q. And in those cases have you assisted the bank in any way in replacing the chief executive? **[49]** A. In some cases, yes, sir, tried to.

Q. Roughly speaking, how would you go about trying to resolve a problem like that? A. Well, most of your major banks sort of act as, I would say clearing house, that wouldn't be correct, they try to stay on top of the situation and know who is available, who is looking for a job of this type, and so forth, try to put the parties in touch or could have somebody that's been in the banking up in the east coming to this section

of the country, wanting to move to this section of the country. Local boys that's been off to school located on the west coast that want to come back, this type of thing.

Q. Going down the line somewhat, do you or have you had requests for help in situations where tellers or other employees of correspondent banks are sick or died, for one reason or another are not available, and for one reason or another a replacement is needed on a temporary basis? A. Generally not just one in cases like that. They can get by with one. Where you have a couple on vacation or something happens to a couple, so forth. There have been occasions, yes, where you would have to step in and furnish two, three people in one department.

Q. Have you had any request from correspondent banks to assist them in the financing of any expansion, for example, renovating their bank building or perhaps building a branch **[50]** building or replacing their equipment? A. Not any equipment. We have had some real estate holding companies who borrowed money to build a building or build a branch, and so forth. I don't recall whether any equipment has been involved.

Q. You mentioned the real estate holding company. How would that, a real estate holding company be involved with one of your correspondent banks? A. Well, it could be that they were up to their brick and mortar maximum as far as their capital was concerned. They were building a new building, new branch and wanted to borrow money. They would form a holding company, real estate holding company who would borrow the money secured by a lease from the bank for a period, given period of time, which would fund the loan.

Q. And again, how does—how would Trust Company enter into that particular situation? A. Either help them place the loan with an insurance company or make it yourself.

Q. To your knowledge, are there any banks headquartered outside Atlanta that are trying to, trying to sell correspondent

services of the type we have been talking about this morning to small banks in this area? A. Yes, sir.

Q. Now, could you identify some of these for us? **[51]** A. You mean by name?

Q. Yes, sir. A. Wachovia out of Charlotte, North Carolina National out of Charlotte, American National out of Chattanooga, Central Bank out of Birmingham, First National out of Birmingham. The Jacksonville Bank, Barnett, Florida National, Atlantic National. Your New York banks to a lesser extent, they call on small banks in Georgia not as active as the ones I've mentioned, but all of your New York banks call on the banks, Chase, First National City, and so forth.

Q. To your knowledge, do the banks that you refer to as the active sellers, namely the North Carolina and Tennessee, et cetera, banks, to your knowledge, do those banks offer pretty much the same range of correspondent services that your bank offers or do they offer more or less or can you categorize them that way? A. I would think most of them are pretty much the same with the exception, of course, of your computer services. You've got a mileage range in there, mileage factor that enters into it, that banks out of Chattanooga would be restricted as to the surface transportation, really, fifty, sixty miles. Other than that, it would be pretty much the same except maybe the difference could be in some policy as in regards to overlines and something like that. Basically, I would say they are pretty much the same. Some does more, **[52]** depending on the size, and some are in a position to do more of one thing than another. Basically, they would all attempt to do the same thing, I think I'd be safe in saying.

Q. During the past, say, ten years or so, can you recall any officers at Trust Company who have left Trust Company to become officers of small banks? A. Yes, sir.

Q. Have there been any that you can recall? A. Well, I don't know that we have had any more than anybody else.

We have had quite a few back over the years, particularly in the Florida area, back when a lot of banks were being authorized and opening down there. They were offering somebody attractive salaries and situations. Georgia during that period lost a lot of men to Florida.

Q. Generally speaking in those situations, were the people who left the kind of people that Trust Company would have rather had stay; in other words, were they—— A. Yes.

Q. ——caliber people? A. Yes, sir.

Q. During the time that you have been working in the—or in this correspondent area, Trust Company, has Trust Company assisted in the formation of any new banks? A. Yes, sir.

Q. Could you guess as to roughly how many Trust Company **[53]** has assisted or has helped in the formation? **[54]** A. Fifteen to twenty.

Q. Where would these banks be located? A. Mostly in Georgia and Florida. A few in other states, but the majority of them in Georgia and Florida.

Q. Just how has Trust Company assisted in the organization of these banks? Now, of course, I'm not trying to suggest that they all have been—follow the same pattern, but could you give us examples as to the type of assistance that Trust Company would provide in connection with the formation of a new bank? A. Well, I think it mainly would be in the form of counseling, really, as to what they should do, when they should do it, et cetera and so forth. That is about all anybody can do at that stage of the game.

Q. Generally speaking, is there any particular stage in the formation of the bank where you folks have become involved? A. Whoever gets in on the ground floor usually would stand the best chance of ending up with the business, once they received their charter and opened for business.

Q. Well, do you or have you become involved with the new bank, for example, at the stage where people are just getting together as organizers or is it at a later [55] stage or—— A. Well, at all stages, but as far as new business is concerned, you prefer to—the sooner the better. In other words, just generally what happens is, you have a town with, say, one bank and a group of local businessmen decide that they want to organize another bank or the community could support another bank or the need was there for another bank then, they generally let it be known that they are of this bent of mind, and those who are in position to help them is maybe the local bank uses two Atlanta banks, and that leaves two or three other Atlanta banks that are not involved, that are in a position to help them, and whoever would really do the most or offer to do the most or be of the most help at that particular stage would probably end up with the business, once they are in business.

Q. When you say business, do you mean correspondent account at that bank? A. Yeah, well, that's all it would amount to.

Q. Do you assist in preparing the application for the charter, for example? A. If need be, yes.

Q. Generally speaking, what would that sort of assistance entail? [56] A. Well, mainly, mostly things of a technical nature, most founding banks will have a local lawyer as the incorporating secretary and they need very little help. Maybe projections, you know, the first two- or three-year figures, this type of thing and so forth. But, it is in the technical sense mainly.

Q. At that particular point, would there be any assistance in terms of finding officers to run the bank or people to work in the bank? A. You have to, in applying for a new charter, either state or national, at some stage of the game, you have to list not only your directors, but your officers, and that is part of the approval. In other words, at that time they approve the chief executive officer and the top two men in the bank,

so you must have names to submit to them at that time, and that is a very important part of it.

Q. Have you assisted these to-be-formed banks in finding the chief executive officer at that time? A. Yes, sir.

Q. You mentioned that the directors have to be identified to the regulatory agency. Just how important is that? A. You mean how important——

Q. Or is that something of real importance at [57] that time? A. Oh, yes. Well, that is part of the application originally, the greater part of the application goes into the background of the directors of the bank, and their prior business connections, just general background information on them. It plays a very important part in it.

Q. Has Trust Company or have you on behalf of Trust Company assisted, been involved in any way with that particular matter, namely, the selection of directors for the new bank? A. Well, not to that extent. Most of the time you have, say, a group of ten men, which are your new nucleus, and at that stage they have all decided that they want to be directors of the new bank, and it is pretty well set at that stage. It could possibly involve some advice and counsel as to the type of business that one of them might be involved in, or the background of one of them might not be of the type that ought to be in the thing. Other than that, that would be about all you could do.

Q. Have you been asked by any of the organizers to check out the backgrounds of any of the directors for purposes of identifying them to the regulatory agencies? [58] A. Not really, because they are local—these fellows know more about themselves than you will ever find out about them, and if not really —we are talking about local banks now in small communities. Most of them know each other pretty well over a long period of time, thus the reason for the close association.

Q. Would that also be true for suburban areas of metropolitan Atlanta? A. I would think so, because to begin with, you

have to—they have to be a right close-knit group and usually over an extended period of time, and they have to be able to get along. And organizing a bank is just like anything else, you turn to those who you know and those who think like you think, and so usually they are pretty well known to each other.

Q. Have you had occasion to assist any of these new banks in selling their first stock issue? A. Well, really, selling it is no problem. They are usually over-subscribed. So you might offer to—usually they restricted it to a set amount. In other words, no one person will have over X number of shares, X number of dollars and so forth. You might offer to finance it for them over a given period of time, if necessary, but really not much of that is required, and selling it is really—hadn't been a problem. They are **[59]** usually over-subscribed, a man subscribed to a thousand shares probably ends up with maybe three or four hundred, maybe five hundred shares.

Q. Now, once the bank has its charter, what have you done or have you done anything to further assist the new bank in terms of actually opening up for business and conducting a banking business? A. Well, a lot of times you would help them pick their location. Of course, when the charter application goes in they must have the location, not picked, but under some option, so that it can be acquired. Help them decide what would be the best location, traffic patternwise, et cetera. Help them acquire and train personnel to run it, other than the top two people. Might send a man down to help them decide what they needed in the way of forms and pre-opening advertising, this type of thing and so forth. Just anything that needs to be done, really, and there's a lot to be done in opening a new bank.

Q. Have you had any of these new banks that you have assisted in forming request that you sell them any loan participations in their early days? A. Yes, because in the beginning, of course, they have deposits coming in and the loan demand is rather slow. Did you ask me—you said had we had requests?

[60] Q. Yes. A. My answer was yes.

Q. Okay. Have you had any requests from a correspondent bank that is in existence in terms of their wanting to seek approval for an additional branch office? A. About the only—well, that's really a rather simple procedure. About the only thing that they might ask, there again, would be of a technical nature. The application is pretty simple. And, if they are properly capitalized and can build the building and so forth, really, there's no great problem there other than just filling the need, or that would be about the extent of that.

Q. Incidentally, have any of the banks that you have helped get started, once they have actually started to operating, have any of them written or called you and reported on generally how they are doing? A. Well, not really. You are in pretty close contact with them, and of course, as you know, the regulatory authorities require call statements at least twice a year and more, depending on where the bank is located, the site of the bank and so forth. This is routine, that these are sent out to all of your banking friends; you are in pretty close contact with [61] them. They tell you, you know, what their deposits are and how they are doing, this, that and the other. And of course, they are right anxious to get out of the red and in the black at that stage. They keep you posted on profits, but it is an informal thing. If you don't call them they might—if you don't call them about some other matter, they might not take the trouble to inform you.

[62] Q. Generally speaking, were you at that time, in the bank's history, would you be in more frequent contact than later on when it's running smoothly, well established? A. No, in the beginning we are a little closer in contact because of the day-to-day problems. Everything is new and different, they get hit with an awful lot at one time. So, the older they are and more experience they have had, really, probably the less contact you would have with them in that respect.

Q. Have you ever had occasion to purchase any capital notes from any of your correspondent banks? A. On occasion, yes.

Q. What type of institution generally speaking, purchases such capital notes? A. Well, an institution could be insurance companies or other banks, or, of course, a lot of them sell them to individuals on the local scene.

Q. Is it difficult or has it appeared difficult for you from your experience for small banks to place capital notes of this type? A. I wouldn't say it was difficult. It depends on how hard a bargain they're trying to drive, what sort of rate they want to get. It's available. Now, as to how readily available, I would have to say as compared to what, but it is available.

[63] Q. Once the bank is in operation, have you ever gotten any requests for assisting in a promotion like trying to increase the bank's savings accounts or perhaps trying to get its demand accounts up higher? Have you been asked for any assistance with respect to those types of promotions? A. Yes, on occasion we have. It would depend on the nature of the request as to how we would comply with it, what we would do. Maybe if it was advertising, we would furnish them the mats that we would use for radio transcript and ads, so forth. If it were a new business, office call problem we would tell them how we do, what we do under the circumstances and suggest they plan on that.

Q. I guess going back to something that we discussed quite a while ago, about how many banks does Trust Company—for about how many banks does Trust Company administer pensions and profit sharing plans, if you happen to know? A. Probably more than I can recall rather hurriedly, eighteen or twenty.

Q. Is this something that has been done for banks for over a long period of time or is this something that is a more recent development? A. Some of them have been in existence for a good while. But, I think that to answer your question, I think

this has become more popular, more in general use in recent years as a tool or measure of not only paying people better [64] but holding them. True, with all fringe benefits. It's more popular now than it was ten years ago.

Q. Do Trust Company officers or other personnel ever meet with the directors of correspondent banks? A. On occasion, yes, sir.

Q. Could you give us an example of the type of occasions on which that would happen or has happened? A. Well, generally, it's when you are involved in some type of new undertaking. Portfolio accounting and advisory service, for instance, usually in smaller banks involves your directors. They might ask that you present this to the Board of Directors or might have to do with an investment program or might have to do with pension and profit sharing program that affects all of it. In other words, the Board would have to pass on it and then they will ask you to present it to the Board of Directors. It is an opportunity we welcome but we do not have very often.

Q. I'd like to go back to one area that we covered a while ago, namely, the seeking of advice by correspondent banks. I believe you did give us some examples. Could you just sort of, if you could, give us sort of a—just a general picture of the various types or the range of things on which your correspondent banks seek advice from you? A. You mean outside of the normal routine banking inquiries?

[65] Q. Well, even just taking that, what do you mean by routine? You mean that's routine? A. Well, of course, what we would consider routine a layman wouldn't consider routine. It could be anything from an overline or some question about a particular loan or problem they were having locally, locating a business or could be a tax problem, could be an investment problem, could be something entirely personal that he would ask you to do because of where you were located. It could be he'd ask you to get him hotel accommodations for the Georgia-

Georgia Tech week-end, could be anything. Some friend, his daughter is in town, needs a job. Some kid finishing school needs to be interviewed. They ask of us the same favors you would ask of your associate colleagues if you needed something in another town with some firm you were associated with and doing business with.

Q. So far as advice being sought by correspondent banks from Trust Company, is this advice always sought by the correspondents, or does the Trust Company have any type of program of proffering advice to its correspondent banks? A. We don't proffer advice nor do we advise on a continuing basis except in maybe an investment area or the Trust investment area; whereas, you enter into a contract to oversee a loan portfolio, you review them monthly, quarterly, daily, maybe daily, depending on what they are. Other than **[66]** that, why, I think, the answer to your question would be, no. We love to give advice but you can only give it when you are asked.

Q. Do you, for example, have a program for keeping your correspondent posted with respect to your own policies or practices? A. Well, we are not—our policies and practices are not a secret but we have no permanent or on-going way to put them before these people at all times. We have a correspondent-conference that used to be every year, now it's every other year, at which time we very frankly state our policies, how we feel about what is going to happen. If asked, we would tell, but you just don't pick up the telephone and say, "Joe, let me tell you what wonderful things we are doing today."

Q. Even getting more specific than just general practices and policies, how about Trust Company loan policies or loan practices? Is there any continuing program of any kind to keep your correspondents advised as to what you are doing in the lending area? A. Not really, because this is not even—what we like to do and what we want to do is not germane as far as they are concerned. When they want something and need something, that is the most important thing to them. They are

neither interested nor inclined to listen to our policies at a time like that. It's really—I mean, if they ask, "What **[67]** are you doing about so and so," we'd be glad to tell them but they don't call up and say, "What is your policy with regard to a ten-year term loan to a textile concern?" If that is what they want, they just say, "Look, here's what we need." So, we have no way of, you know, letting our policy be known on any given thing.

Q. Incidentally, is there any difference in—I can't think of the word—is there any difference among your correspondent customers in terms of the number of or types of services they take from you? For example, I've seen the term primary correspondent used, what is a primary correspondent? A. Well, most banks have at least two or more relationships. They are the one where they give their first loyalty and percentage, why, most of their balances to and so forth would be the primary correspondent. The one they use most frequently, the one they would think of calling when anything comes up, would be their primary correspondent.

The secondary would be where they maintain an account and maybe use it for investment purposes, so forth, on occasion call on you, and so forth. But, generally, they have a primary correspondent and secondary correspondent.

Q. Well, looking at just your primary correspondent, who would maintain the good balances with you that you referred to and take a great many of your services, does that relationship you have with them in any way enable Trust Company **[68]** to exercise any control over the primary correspondent? A. No, sir.

Mr. Hodgson: If Your Honor please, Mr. Kinkaid has been leading Mr. Padgett all morning. We don't have any objection to him asking what would he do, when he asked him about control, but we insist that the word be defined before the witness answers. I'd like to pose an objection.

The Court: Yes, I think the objection is well taken.

Mr. Kinkaid: Pardon, Your Honor?

The Court: I think the objection is well taken. As I understood Mr. Padgett's definition, the definition worked in the different direction from that in which you are using it. A large bank might be the primary correspondent or secondary correspondent of the smaller bank. He didn't use the term in the sense that there is a group of smaller banks which are primary correspondents of the larger or of the Trust Company. I understood his definition was the primary correspondent is the bank which the smaller bank turns to most frequently for advice. The secondary bank or correspondent is the one to which they may have an investment account and then if it needs some other advice or something, it may turn to it. It wasn't in the sense of the flow from a big bank to the little bank.

[69] Mr. Kinkaid: Right. Now, I see exactly what—yes. I had it turned around in the question.

By Mr. Kinkaid

Q. So far as those correspondents which consider you their primary—use you as their primary correspondent account, does that relationship between you and those particular banks in any way put you in a position or give you any ability to influence what those banks do in their own banking business? A. None whatsoever.

The Court: I think that is a real conclusion, if they value—if they valued the advice of the Trust Company and take it, obviously that is a method of influencing their conduct, because they asked for advice and presumably they intend their conduct to be governed by it. So, I'm not sure that you and the witness are on the same wave length on this question.

Mr. Kinkaid: Well, in terms of the advice they seek, I think you are perfectly right; they wouldn't be seeking advice if they didn't want to listen to it.

The Court: If they didn't want to [70] follow it and be influenced by it. What you are asking him, if they asked advice, do they have to take it, and I think the answer is obvious: no, they don't have to take it.

By Mr. Kinkaid

Q. Mr. Padgett, was that what you had in mind when I asked the question and you gave the answer? A. Well, in strictly referring to banking matters, financial matters, then most of the time they will—if they didn't want your advice, they wouldn't ask for it. When they do ask for it, they do take it. Now, as I understood the other part of your question, what influence I would have over them in any matter outside of banking, it is absolutely none. Because, as we all know, and whether you know or not, most of your correspondent bankers are right independent, influential, well-to-do, knowledgeable people, and they make up their own mind about whatever they want to. And, so in banking, I mean in matters pertaining to banking, usually they do accept your advice, but on other matters, they may ask your advice and then not accept it.

The Court: All the things you have been talking about this morning are banking matters, aren't they?

A. Yes, sir.

[71] Mr. Kinkaid: Your Honor, excuse me just one minute, please.

By Mr. Kinkaid

Q. Let me try, if I can, to set up a definition of control. Let me define it as the ability to dictate the policies and practices of a bank. Now, using that as the definition, would your relationship with those banks that treat you and consider you their primary correspondent, would that relationship put you in a position to exercise control, as I have just defined it?

Mr. Hodgson: If Your Honor please, I have no objection to this question if this answer is responsive only to that question,

so long as Mr. Kinkaid's definition of control is recognized as having had no substance created for it in this case, or, indeed, in any other area I know of. But, if he just wants to ask that hypothetical question, I have no objection.

The Court: All right. With that understanding, you may answer.

A. Would you repeat it now?

By Mr. Kinkaid

Q. Okay. We have got a definition of control as meaning the ability to dictate policies or practices of a bank, and the question is, using that definition, does **[72]** your relationship with those banks that use you as their primary correspondent put you in the position to exercise that kind of control? A. No.

Q. Mr. Padgett, are you familiar with recent amendments to the Bank Holding Company Act that were passed, as I recall, in late 1970? A. You would have to be more specific than that, and name them. There have been some changes.

Q. Well, for example, are you aware that there was an amendment to the Bank Holding Company Act in late 1970, which added the so-called controlling influence test to definition of subsidiary? Is that familiar to you at all? A. I have read it. If you want to ask me a question about it, ask me, and I will tell you.

Q. Only if you are aware, if you are aware of that particular amendment. A. Are you talking about Regulation Y, the look-through?

Q. I can't keep these numbers and letters straight; that does sound familiar. Well, this would be the amendment which states now that if Bank A has the power to exercise a controlling influence over the management or policies of another bank, then the second bank is or **[73]** can be found to be a subsidiary of the first bank.

Are you familiar with that? A. I am not familiar enough with it that I would want to testify under oath, I am afraid. I am sorry.

Mr. Kinkaid: Your Honor, I have no further questions.

Thank you very much, Mr. Padgett.

The Court: Are you all ready for cross-examination?

Mr. Hodgson: Sir?

The Court: Are you all going to have any cross-examination?

Mr. Hodgson: Yes, sir, indeed we are. I don't know what Your Honor's lunch plans are.

The Court: I am going to have to suspend in about two or three minutes for a three-judge hearing and I expect, in view of the time, we had better not allow you to commence at this time.

We will suspend until 2:00 p.m.

(Whereupon luncheon recess was had.)

[74] After Lunch

The Clerk: Mr. Padgett.

Cross-Examination

By Mr. Hodgson

Q. Mr. Padgett, in Trust Company's way of doing things, I believe that your branch operations are in a department or division separate from you; is this not right? A. Right.

Q. Sir? A. That's right, yes.

Q. What do you call it over there? A. Branch administration.

Q. And I believe that Trust Company Associates is your holding company; is that right? A. That's right.

Q. And its administration is likewise separate from your department or division? A. Right.

Q. And who runs that? A. Who runs which one?

Q. Who runs Trust Company Associates? A. The chairman is Bill Bowden.

Q. Who actually administers it? [75] A. Bill Bowden and the executive vice president, Evans Bruner.

Q. Evans Bruner is executive vice president? A. Right.

Q. He handles it daily, on a daily basis? A. Well, to the extent that the chairman delegates that, yes.

Q. With respect to correspondent banks with which you enjoy relationships, I believe you said there were about 452 of them; is this right? A. Yes.

[76] Q. Do you and your department routinely and systematically receive any kinds of reports from them? A. (Witness shakes head negatively.)

Q. You have to speak up, because the reporter can't take down—— A. No, sir. Can you hear that?

Q. I didn't mean to be rude, Mr. Padgett. A. No, I——

Q. You nodded your head and he can't pick that up. A. I am sorry. Somebody else complained about not being able to hear back there while ago, I will speak up.

Q. Do you get any kind of management performance reports from them routinely? A. Get any——

Q. From your correspondents? A. No, sir.

Q. Do you get any kind of reports on credit situations and past dues from them? A. Not unless we are involved in it with them. You talking about routinely?

Q. Routinely and systematically. A. Not unless we have money in it, no.

Q. You do not. Do you receive the same sorts of [77] reports then, that, I presume, your branch supervision division receives from its branches? A. Would you restate the question?

Q. You do not receive the same sorts of reports from your correspondents as your branch supervision division receives from its branches; is this right? A. That is correct. No, we do not.

Q. You don't give your correspondents, then, routinely and systematically any analyses of information comparing deposits, earnings and expense ratios, and other indices of effective performance, do you? A. Would you restate the question, please?

Q. You do not furnish to your correspondents, routinely, analyses of data and statistical information comparing deposits, earnings and expense ratios and other performance measurements, do you? A. No.

Q. Do you routinely distribute to your correspondents any operating and credit guidelines as are done for branches? A. No.

Q. Do you have any advisers who regularly sit on their boards of directors? A. On whose boards of directors?

Q. Correspondents' boards of directors. [78] A. No.

Q. Excuse me. Mr. Padgett, in these instances, I am talking about those for which you are responsible. A. I want to be sure to answer——

Q. Righto, your 452 babies. A. Right, I understand you, and the answer is no.

Q. Do you offer to your 452 correspondents or any numbers of them blanket insurance coverage for their group, this to include such things as fidelity insurance, safety-deposit insurance, extended coverage and liability insurance? A. No.

Q. Do you offer participation to your correspondents, officers and employees in your Trust Company's own pension and profit-sharing and other incentive plans? A. In our plan?

Q. Yes, sir. A. No, we do not.

Q. Do you offer to them any other variety of portable benefits to enable them to take those benefits with them when they move from one place of employment to another? A. No.

Q. Do you maintain any pool of personnel to meet your correspondents' problems caused by absences, peak **[79]** periods, illnesses, vacations and the like? A. No.

Q. Do you routinely and systematically furnish to your correspondents permanent personnel, such as presidents, cashiers and the like, to replace losses and to supply their growth needs? A. State the question there——

Q. All right, sir. Do you routinely and systematically undertake to furnish to your correspondents personnel managers, presidents and cashiers and the like, to replace their losses and to supply their growth needs from your own personnel? A. Well, now, yeah. Well, you didn't say that before. No, we do not.

Q. Do you ever provide to your correspondents a service of periodic and surprise continuing internal audits of their operating procedures to disclose fraud, to ensure that they are complying with legal requirements and the like? A. No.

Q. Do you receive from them routinely and systematically any of their budget and performance projections or goals? A. Not routinely, no.

Q. How do you ever receive such? **[80]** A. Well, there may be an occasion where someone presents this to you, or tells you about it, or hands it to you, or mails it to you, or it might be in the annual report or in general correspondence, but by routinely, do you mean do they all do this?

Q. Right. A. The answer is no.

Q. With respect to those which you do receive casually, as I suggest you answer it, do you provide a performance review of

those goals against actual performance? Let me put in a little easier and less formal terms, Mr. Padgett.

Suppose you receive casually budget and performance projections of a correspondent bank. Do you then, routinely and systematically, review their performance against those goals at a later date? A. Not routinely, no.

Q. Do you provide for your correspondents any standardized general-ledger accounting systems? A. Not at the present time, no.

Q. Do you provide routinely the same complete advices of the changes in law as, for example, let's say changes in Regulation Z in the same way as you do for your branches? A. Not routinely, no.

[81] Q. Do you prepare income-tax returns for your correspondents, their own income-tax returns? A. If asked, we would help with them; we do not——

Q. Do you allow any of your correspondents to use the name Trust Company or Trust Company Bank? A. No.

Q. Do you allow any of your correspondents to use your logogram, the blue, hollow 'T'? A. No.

Q. Do you allow any of them, in their general advertising, to advise the public that they are affiliated or connected with the Trust Company system? A. Restate that, please, sir.

Q. Do you ever allow any of them, in their general advertising, to hold themselves out as being a part of Trust Company's system? A. I don't know if it is a matter of allowing, if they wanted to run an ad and say they are a correspondent of the Trust Company of Georgia, we would have no objections to it. Is that what you are trying——

Q. Anything more than that, have you ever allowed them to do? A. Well, there is nothing more than that we could do, really.

Q. Did you allow the little bank at Sandy Springs to use your name? **[82]** A. Yes, it was a Trust Company of—I believe it was a Trust Company Bank of Sandy Springs; was that it?

Q. Yes, sir. Did that bank—was that not the bank that was subsequently merged into Trust Company? A. Right.

Q. In which this Trust Company associates—— A. Now, you asked the question while ago, you said correspondents; you didn't say anything—we were not talking about affiliate at that time.

Q. Yes, sir. If you are going—you considered Trust Company of Sandy Springs to be an affiliate? A. I believe at that time they were—we owned, I believe we owned 5% of the bank, did we not, prior to the merger?

Q. Yes, sir, I believe so.

And that was the bank which was subsequently merged into Trust Company of Georgia? A. It is now a branch, right.

Q. And is now a branch? A. Right.

Q. Do you routinely and systematically have or offer to, or even offer to staffs of your correspondent banks, the opportunity to attend training schools and programs such as officer trainee programs, credit programs, law programs, these sorts of things? **[83]** A. Other than through the—what might be conducted at the correspondent conference, no, not routinely.

Q. In other words, in the sixteen particulars I have mentioned, at least, you do not furnish the same management and assistance as you do for your branches; is this not right? A. Correct.

Q. Have you ever tried to sell your correspondent services to the Citizens and Southern National Bank or any of its branches or affiliates? A. I can't say that I have ever tried to sell our services to any C & S branch or affiliate. I have been honored to have accounts from C & S banks by virtue of merger acquisitions over an extended period of time. I can remember

two. For instance, Newnan, Georgia; for instance, Austell, Georgia, for, you know, over a period of time there after it was —became part of the system. I can't say that I have ever solicited any business from them, no, sir.

Q. Have you ever solicited any business from the Citizens and Southern Bank of Chamblee? A. No.

Q. Even when its name was the Chamblee National Bank? **[84]** A. No.

Q. Why not? A. Well, I just had better things to do. I don't mean to be facetious; I didn't think I would get any business there, and I didn't quite know how to answer that.

Q. I wish it were a facetious question, but it is not, and it is because it was a C & S bank; was it not? A. Pure and simple.

Mr. Hodgson: No further questions, Your Honor.

The Court: Redirect?

Mr. Kinkaid: Your Honor, we have no further questions for Mr. Padgett.

The Court: All right. You may come down.

Mr. Hodgson: Judge, may I express a concern at this time about duration of testimony? I hope things will go faster thus far we are through one witness in two hours and twenty minutes. I simply wish to make my position on it, because we have a good bit ourselves.

The Court: Mr. Kinkaid said he could **[85]** finish in three days, so I am not worried.

Mr. Hodgson: All right, sir.

Mr. Stern: Your Honor, at this time we would like to call William Farr, III.

WILLIAM FARR, III,
having been duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Stern

Q. Would you state your name, please. A. William Farr, III.

Q. Where are you employed, Mr. Farr? A. First National Bank of Atlanta.

Q. What is your present position? A. I am manager—excuse me, manager of what we call our Southeastern Division.

Q. And what does that division entail? A. This is the division of the bank that is responsible for our bank's business in the nine Southeastern states, with the exception of the city of Atlanta.

Q. When you say your bank's business, what did you mean by that? A. Well, account relationships, loan relationships, general banking services.

[86] Q. What is an account relationship? A. Well, let's say a checking account.

Q. All right. Now, you say except in the city of Atlanta; you do nothing then that involves anything within the city limits? A. Well, with one exception. Any correspondent banking relationships we would have in the city of Atlanta.

Q. All right. What is your—— A. Or let's say in the general Atlanta area.

Q. Okay. And your department oversees all of that within the Atlanta area? A. Yes.

Q. All right. Are you the head of that department? A. Yes.

Q. So what is your relationship then to the correspondent services provided by your bank in the Atlanta area? A. Well, they all fall in my division.

Q. All right. And you are primarily responsible for that? A. Yes.

Q. Okay. Did you mention the phrase "corporate business"? Did I hear you say that? **[87]** A. Not today.

Q. I am going to ask you whether the phrase means anything to you. A. Corporate business?

Q. Yes. A. Yes.

Q. What does it mean? A. It means business from corporations, really, we use it in the framework of corporations, partnerships, any commercial enterprise, other than individual accounts.

Q. Okay. When you use it in reference to what your department does, what does the meaning of that phrase have for you? A. Well, I would say any account relationship, loan or so forth, from a commercial enterprise, something other than a corporate bank or an individual, personal account.

[88] Q. These are dealings between your bank and corporations which are technically customers of yours? A. Yes.

Q. What types of services are primarily involved in this? A. In the corporate end, we can start with checking accounts, loan relationships, services from our trust department which we may assist in the sale of data processing services, corporate type services, registrar, transferee.

Q. And these are primary services in the corporate end? A. I think so.

Q. In regard to correspondent services, what territory did you say you cover with that? A. We have nine states, Virginia, the Carolinas, Florida, Georgia, Alabama, Mississippi and Tennessee.

Q. Now, does your bank furnish correspondent services outside this area? A. Yes.

Q. The number of accounts or total volume of business, let's say, even if a dollar volume, in terms of that, what percentage of your bank's total sales of correspondent services is done in the region you oversee? A. I really can't truthfully give you an honest percentage. Let's say the great majority.

[89] Q. All right. A. By far.

Q. Do you have a rough idea as to how many banks in Georgia you furnish correspondent services to? A. Let's say several hundred.

Q. Okay. Now, what do you do? What does your department do with respect to correspondent services in general; do you simply solicit the sale of them? Do you manage the furnishing of them, or what? A. We—as I say, we do both. We do have certain departments that do support us. In other words, we have some eleven offices in our southeastern region that are responsible for various territories. They are drawn geographically. They are responsible for the solicitation of new accounts, the solicitation of existing business. We use other staff departments such as data processing. We don't physically do data processing in our department. A separate department does that under our direction.

Q. With regard to data processing, is that a correspondent service? A. Yes.

Q. Another department of your bank would assist in the furnishing of that service? A. That's right, the same holds true in the trust department, we don't—we assist our trust department in, **[90]** say, selling trust services in the correspondent bank market as well as any other market. We don't actually, in our department, give advice on wills or corporate trust matters, things such as this.

Q. Would your bank give such advice as those? A. Yes, I think it would.

Q. Are you then personally familiar with the correspondent services which are offered and provided by your bank to other banks in the Atlanta area? By that, I mean Fulton and DeKalb Counties? A. Yes.

Q. All right. Am I correct in assuming, let me change that for Mr. Hodgson's benefit, are you personally familiar with the correspondent banking needs of small banks in the Atlanta area? A. I think generally so.

Q. And you oversee the solicitation of sales of correspondent services to those banks? A. Yes.

Q. Then, is it the nature of your job to be familiar with their correspondent needs? A. Yes, sir.

Q. To your knowledge, do you offer the basic range of all the major and basic correspondent services that other Atlanta banks offer? **[91]** A. I would presume so, we think so.

Q. All right. Now, to the best of your recollection, I don't know that you have brought anything with you, could you list as many of the major services, correspondent services as you can? A. Well, clearance of checks, loan participation, both purchase and sale. Data processing work, investment services, financing services for the bank itself, various forms of, let's say, operational and management assistance. I don't know—it's a little hard to—really, get out a list.

Q. Do you recall that I've spoken to you on a number of occasions and asked you about your operations? A. Yes, sir.

Q. Now, if I were simply to suggest that certain phrases that I believe you have stated, would you tell me whether I'm correct or incorrect in my assumptions that you provide these services, Federal funds? A. Yes, we have a Federal funds service.

Q. Okay. Financing of the small bank's expansion? A. Yes, in various ways.

Q. Pension and profit sharing plan administration? A. Yes, sir.

Q. Personnel assistance of any type? A. Yes.

Q. Portfolio management or some other phrase that **[92]** might—— A. Yes, we do some work with—if you're talking about investment portfolios of banks.

Q. Yes. A. Yes, we have a service on a fee basis.

Q. Does the phrase "Credit information" mean anything? A. Yes.

Q. In what sense? A. We exchange credit information with customers as well as competitors.

Q. Do you furnish credit information as a correspondent service? A. I suppose you could call it that. As I say, we would exchange credit information with someone who's a customer or non-customer. I think that's sort of a function of our business.

Q. Do you furnish a factoring service? A. Yes.

Q. Briefly stated, what is a factoring service? A. I think I heard Mr. Padgett cover this pretty well this morning.

Q. It's his definition, as you heard it—— A. Essentially, the purchase of receivables on a non-recourse basis for cash.

Q. Do you handle payrolls for anyone other than your **[93]** own bank? A. Yes.

Q. Do you handle them for other banks? A. You're speaking of payroll accounting, preparation of them? Yes, we do.

Q. Under a correspondent relationship? A. Yes.

Q. What mechanically do you do in the handling of somebody's payroll? A. Well, they will give us a list of their employees, the pay scale, time records, whatever we would need

as far as input. We will prepare the payroll checks for everyone or entries to use to credit someone's account, withhold the proper tax information, keep all the records where at the end of the year we would file the employee's end of the year withholding from those records. It's the same thing as a payroll department would do in any company or bank.

Q. You serve as an internal payroll department for another bank? A. In effect that's what it amounts to.

Q. Do you ever furnish payroll preparation to customers of other banks? A. We have on occasion.

Q. When requested to do so by the bank? A. Yes, sir.

[94] Q. Would you say this pretty well covers the major correspondent services? A. I think we have touched on them all.

Q. You talked about financing services for the bank itself, what did you mean by that, sir? A. Well, several things are involved here. You mentioned Federal funds, this is one form of financing for your small bank. We maintain a market in Federal funds. We purchase funds in a case where a bank has excess funds over and above their reserve requirement, we might purchase these on an overnight basis. Where a bank may need funds, they are in a short position with regard to their reserves, we would sell them overnight funds.

Q. All right. I believe Mr. Padgett described that pretty clearly. I assume there is a basic uniformity in check clearing functions as sold as a correspondent service among all major banks in Atlanta; would I be right? A. I didn't hear his testimony. I would think there is a uniformity.

Q. Could you briefly describe what check clearing involves? A. Well, first let's take a small bank in middle Georgia somewhere, deposits from all of its customers may be drawn on his bank, competitor across the street, our bank, a New York bank, anywhere in the country. He would bundle **[95]** this up into a deposit and send them to us. We would credit his account

and undertake to present those checks for payment to the Federal Reserve Bank in various places.

Q. You talked about the loan participation, could you briefly describe what that is? A. Well, this would be one bank purchasing an interest in a loan originated by another bank.

Q. And you said you involved yourself in terms of correspondent services with both the purchase and the sale of loan participation; is that correct? A. Yes.

Q. Could you first describe what is involved or under what circumstances you would normally purchase a loan? A. I think the most common circumstance would be where a small bank is entering into a loan arrangement with one of its customers and the loan is over and above his legal limits to any one customer. The bank can only lend a certain percentage of their capital structure to any one customer. We may be asked to take everything in excess of his legal limits.

Q. Do you often do that? A. Yes.

Q. Is this generally done with regard to banks that maintain a correspondent account with you? A. Yes.

Q. You rarely—would you ever do it with a bank **[96]** that does not? A. Possibly, but I would have to say rarely.

Q. Now, you say you are familiar with the selling of the correspondent services, How, to your knowledge, then does the purchase by you or your bank of a loan participation from a smaller bank that can't meet the loan, how does this benefit that small bank? What are the burdens that the small bank has to assume? What are the ones you assume? A. How do the fact that we participate in the loan, how does it benefit him?

Q. Let me withdraw that. It's pretty long. Would the bank in the absence of a participating purchaser such as your own bank, be able to make the loan at all? A. Well, you can't

legally handle the loan for the amount requested if it's more than his legal limit. The law specifies what he can lend to any one customer.

Q. This increases his lending capacity? A. In effect, yes.

Q. Now, if a small bank does—I'm sorry—when a small bank does sell you a loan participation, who handles the servicing of that loan account? A. Normally the small bank.

Q. Do you ever deal directly with the customer involved? A. On occasion we have.

Q. Generally,—— **[97]** A. In some cases our bank, for instance, might originate the loan and sell back a participation up to his legal limits, that's done.

Q. When you purchase, it is generally the originating bank that deals with the customers? A. As I say, generally that's true. In some cases where it's his customer, we may for one reason or another, originate the loan at his request and give him back whatever share he wanted to take in the loan.

Q. If a bank comes down to you under the normal circumstances, and asks you to participate in those cases when you chose to do so, do you go in these cases and deal with the customer? A. I'm not sure I understand what you are asking.

Q. Let me rephrase the question. A. Go in and deal with the customer?

Q. When a small bank originates a loan in which you buy a participation, do you try to interfere with the bank's relationship with that customer? A. No.

Q. In other words, you permit the bank to do all its direct dealings to satisfy the customer's needs with respect to that loan? A. In some cases we do have some direct dealings with the customer, for instance a small bank customer and the small **[98]** bank wants us involved.

Q. If the small bank wants you involved? A. Yes, that would be the most common case. I mean, we do, on occasion, deal with those people under certain circumstances. You are talking about negotiation of the loan, terms, payment schedules, this sort of thing?

Q. I see what you are getting at. All right, fine. In terms of the general servicing of the loan, once everything is established, the collateral made, the manner of the loan being paid, would you participate? Does the original bank nonetheless do the participating with the customer? A. Normally speaking.

Q. Did you ever refuse to purchase a loan participation? A. Yes.

Q. What are some of the reasons you might refuse? A. If the loan isn't any good.

Q. It would be normal? A. That's one.

Q. What else? A. The rate doesn't appear to be attractive, I would say pretty much the same reasons you normally turn down a loan in your own bank.

Q. I see. What about a situation where the economy is such, I don't know if you heard Mr. Padgett discuss the situation around 1968, I believe there was a tight money **[99]** market. Did this lead you to refuse to buy any participation from your correspondents? A. We would like to think not but I am sure that probably influenced some of our decisions.

Q. Some of your decisions. You didn't cut off all of your correspondents? A. No.

Q. Why, under the circumstances, especially in tight money, but generally do you buy the participation? A. Excuse me; restate that question.

Q. What do you gain from buying a participation? A. Well, this is what we gain, is largely dependent on the state

of the money market, I would say. In some cases, if we are looking for places to invest our funds and looking for loans, the fact that someone presents such a loan and that is an attractive medium for an investment, it's a good deal in itself, or if the correspondent bank were to bring you a loan and it's a customer you wanted to serve, you'd be serving your correspondent by allowing him to take care of the customer by buying the loan. I think at least in our bank we look at it from both angles. The loan for its own sake and what you're really rendering to your correspondent as a service.

Q. Okay. A. I would say in 1960, for instance, we felt we were **[100]** rendering a heck of a lot of service. Maybe over the past year somebody might have been rendering us a service by selling us some loans.

Q. Under what circumstances would you sell participation to a small bank? A. Well, there again, that's a function of the money market. We were just tickled to death to sell a loan participation about three years ago. Looks like you could make all the loans you wanted to make. We might sell them for liquidity reasons in our own bank. We might sell them as, again, an investment medium for the small bank.

Q. Would you explain that? A. Let's say a small bank has various low loan portfolios looking to build loans. He might request we sell him a participation in loans we have on the books, too, as an investment on his part.

Q. And upon such a request, have you ever done so? A. Yes, we have.

Q. Have these ever been or are these generally in regard to loans that you weren't looking to sell off? A. There again, I would have to say it depends on the market, a very tight money period we might aggressively try to sell off loans. In another money market we might have that as a service.

Q. So, a sale under those circumstances might be as an **[101]** accommodation to a small bank? A. That's rght.

Q. Now, when an officer of a small correspondent bank of yours wants to make a loan in excess of his own lending limits and he knows that he will have to sell your bank a participation before he can commit himself for the loan, how does he know whether to commit himself at all? A. Say, if he—I'd better get you again.

Q. Let me restate it this way. Let's say I'm president of a small bank and have a correspondent relationship with you. A man comes in—I'd like you to think of specific instances where this is true, not as a hypothetical—a man comes in, wants to borrow "X" dollars from me. I can lend him only forty percent of that. I call your bank to ask that you participate as you have in the past with other loans. I want to commit myself to this man as quickly as I can. How do I know whether I can? How do I know he won't walk out the door?

Mr. Doyle: I'm going to object to that question as to what's in Mr. Farr's mind as to what's in somebody else's mind as a hypothetical.

Q. (By Mr. Stern) I will withdraw the question.

How does a man, a small bank president, find out whether he can commit himself on a loan beyond his lending limits? **[102]** A. He picks up the phone and calls one of our people and asks him.

Q. Asks him what? A. He might say, I have so and so here that needs to borrow "X" dollars on this basis. Would you be interested? If one of our lending officers feels he has sufficient information to make a decision, he might say, "Yes, go ahead. We will go with you on that basis."

Q. Is this sometimes done over the phone? A. This is sometimes done, there are various ways of handling it. This might be one.

Q. If the situation is sound enough, is it possible then for the bank president of the small bank to get over-the-phone approval? A. That's done in some cases.

Q. Okay. And data processing, could you just quickly list some of the fields in which you perform this service with regard to what banking functions? A. In other words, what would be included under our data processing services in general?

Q. Right. A. Demand deposit accounting, savings accounting, installment loan accounting, certificates of deposit, payroll.

Q. Okay. Do you do accrual accounting? A. I'm not sure I know what you mean, accrual. If **[103]** you're talking about incoming expense.

Q. That sort of thing or investment accrual. A. Not at the present time.

Q. What is demand deposit accounting? A. This is, I guess, what you would say, the maintenance of the bookkeeping department for customer banking.

Q. What is involved? A. Posting of checks and deposits to each individual customer.

Q. How about savings accounts? A. The same thing except for savings customers.

Q. What about installment loan, what do you do on those? A. This would—the record keeping on installment loans, preparation of coupon booklets for the borrower, recording his payments as they are mailed in. If he doesn't mail them in, it's generated as a past-due journal, simply the bookkeeping end of the installment loan lending.

Q. You do these things with regard to customers of correspondent banks as well as your own? In other words, on an installment loan are you talking about doing the data processing with regard to installment loans of correspondent bank

customers? **[104]** (Page number 104, inadvertently omitted in typing.)

[105] A. Well, that's right, we are doing the service for the correspondent bank. We are keeping his records for him.

Q. Okay. A. In other words, we don't deal with the correspondent's customer in any way.

Q. Right. You are doing the service for the bank in regards to his customer. A. Right.

Q. Okay. Do you do anything at all with regard to helping to finance the expansion, physical expansion of a small bank? A. Yes, we have.

Q. What types of things have you done? A. Well, when you say physical expansion, I think about brick and mortar. We have financed buildings, equipment and so forth for banks.

Q. Do you ever purchase capital notes and debentures? A. We have done so on several occasions, yes.

Q. All right. With specific reference to a small correspondent bank that wants to use capital notes or debentures for its own financing, do you purchase their notes and debentures? A. Yes.

[106] Q. Okay. What is involved in investment services? A. Well, primarily, the purchase and sale of securities which would be securities in the bank's own account, anything it would own for itself, Treasury bills, municipal bonds, federal fund transactions, commercial paper, repos, just the—most any money-market instrument.

Q. All right. Very briefly, what are federal funds? A. Well, it is a—I would define them as excess reserves of banks purchased by other banks, and vice versa. Each bank has a reserve requirement that it must maintain under either federal or state regulations, and when it has more excess cash than it needs, it would sell this and get paid a fee or an interest rate to a bank that may be in a short position.

Q. I see. A. And vice versa.

Q. Okay. What do you do with respect to the administration of pension and profit-sharing plans in terms of correspondent services? A. Our trust department is in the business of administration of pensions, as well as profit-sharing plans, and we have correspondent banks among our **[107]** customers.

Q. I see. What do you do for the correspondent banks with regard to pension and profit-sharing plans? A. Well, it is primarily an investment-type function, whereby they maybe have a plan that they have approved, and we happen to be the investment medium for them, invest those funds, hopefully, in some securities that would appreciate in value and administer the portfolio for them. We have some standard funds, too, an individual or a correspondent bank or company might want to use just like a mutual fund of investments.

Q. A mutual fund? A. Well, not—that's a bad word. We are not in the mutual funds business, but let's say we call it our common trust fund. Let's say each individual trust account doesn't have a separate set of securities.

Q. Like any internal trust department operation? A. That's right.

Q. Now, have you been talking with regard to the pension and profit-sharing plan of a bank for its own employees? A. Are you saying, does our trust department have a pension and profit-sharing plan for a bank, for its employees?

Q. No, you have said you have done these things **[108]** as a correspondent service in terms of pension and profit-sharing plans when you administer pension and profit-sharing plans. Are you talking about the plan of another bank? A. Yes, I thought that is what we were talking about.

Q. Okay, fine, I just wanted to make that clear. A. Oh.

Q. Do you ever administer the pension or profit-sharing plan of the customer of another bank, say a corporate customer? A. Yes, we have.

Q. On request? A. I don't know how it would arise. We would do it, we would do it on request, yes, sir.

Q. Okay. All right. Now, when you administer the pension and profit-sharing plan of a small correspondent bank itself, do you determine how much their employees will get in terms of rate of return or are such things determined by the bank setting up the plan? A. You mean what their contribution would be and this sort of thing?

Q. Among other things, yes. A. No.

Q. Are the terms of contribution in terms of **[109]** return determined by that bank or by you? A. I think that is generally done by the customer, the bank.

Q. Okay. Now, do you ever give any assistance to a small correspondent bank that needs to fill some personnel positions? A. Yes.

Q. Could you describe how this comes up and what you do? A. Well, we deal with, as I mentioned, several hundred banks, and we come into contact with a lot of bankers and we know a lot of them that are looking for jobs, and we know a lot of them that have needs for people. So, I would like to think of ourselves as being a clearing house for personnel in some respects. In other words, we might know Bank A needs a good president, and Bank B in another area, the president might be a little unhappy with his situation and looking for an advancement or change in location. So, we might put the two together.

Q. I see. And you have done so? A. Yes.

Q. Have you done anything other than help to refer people back and forth to permanent positions? Have you ever assisted a correspondent bank that had a **[110]** temporary vacancy of some sort? A. On occasion we have. As far as letting someone

help out down there for a day or two, if they had a death in the family or we have on, let's say, rare occasions; that would be an exception more than a rule.

Q. Okay. You mentioned the phrase "management assistance". Could you tell us what that means? A. Well, this would be sort of a hodge-podge category, as far as I am concerned. We run across all sorts of problems that are presented to us really every day, and when a correspondent bank might call and say, "Well, I have got an organization problem; I don't know what to do to solve it", we might send one or two folks down there to spend the day to really look at his whole bank, see what is doing and draw him up a little report, and make some recommendations to him, which he may or may not follow.

Q. You mean the bank's whole organization, if they requested it that way? A. Yes, it is nothing on a formal basis, but we just sort of do it as requested.

Q. Okay. A. That is also done, I guess, in the operational field, if someone has a teller procedure that seems to be a little cumbersome, we might come down and say we **[111]** know of so-and-so over in Town A that is doing this way; it has been quite successful, or another branch another way. You might want to consider that. It is very informal.

Q. I see. Would you ever have occasion to scrutinize, let's say, a salary plan that they have and give suggestions on that? A. We may. I can't think of an instance where we have.

Q. All right. If requested to do so, would you give—— A. We give opinions on anything.

Q. With regard to loan policy, do you ever examine or scrutinize the loan policy of your small correspondent banks? A. Again, on request, I can think of one or two instances where people have asked us about various types of loans, and maybe they were considering going into, that they didn't handle before

and needed some assistance on, what is involved in handling a particular type of credit.

Q. I see. And did you give advice on that? A. Yes.

Q. All right. Is operational assistance substantially different from managerial assistance? **[112]** A. Well, I think they overlap. As I mentioned, sometimes a bank will have operating problems of some sort, machinery problems. They will call on us to make a little survey and we will draw upon our expertise and experience with small banks or our own bank, competitor banks, and make a recommendation to them.

Q. All right. Now, how would managerial assistance be different from this, even though—— A. Well, I think the occasion we have used this would get off into really organization of personnel. Someone may ask the question, as you suggested on salary administration.

Q. I see. Higher-level problems. A. We had a question one time of a request to do a little study on a bank's board of directors. People thought it was a little too old, and what ideas we had on speeding up the retirement of elderly directors. I mean you can get all questions; you will think you have got them all, and I betcha' we have already had a new one today.

Q. Are there services that you would not normally call correspondent services in the normal, everyday use of the term, which you tend, nonetheless, to provide with frequency to correspondent customers on request? A. No. Just about anything we do that seems to **[113]** please our customer, we want to put that in the correspondent services. I don't really know what you're getting at there.

Q. Okay, fine. A. Maybe if you can give me a for instance.

Q. All right. Let's suppose that a small bank president calls you up and says that he has got a very fine customer of considerable means, with whom he has enjoyed a long relationship as customer and bank. But, the customer would now like to have

some trust services performed, and he can't handle it; he doesn't have a trust department. Would you handle that? A. We would probably be glad to get a referral like that.

Q. Okay. Is it common for you to do so? A. We have done that on a number of occasions.

Q. All right. A. You are talking about where a bank doesn't have trust powers, doesn't choose to exercise trust powers?

Q. Uh-huh. A. Yes, we have done that.

Q. Do you, then, respect the existing bank's customer relationship or do you try to get all of his other business away or what? **[114]** A. No, we have a philosophy of respecting our correspondent's territory, so to speak. We don't make it a practice of soliciting behind his back. If he opens his door to us and refers us a piece of trust business, no, we wouldn't do that.

Q. All right. Now, generally, how are these correspondents' services financed? A. Balances; they maintain an account with them. Some of them are done on a fee basis. Let's say fees and checking-account balances.

Q. Okay. Do you ever provide any correspondent services that you don't charge for? A. Well, if you are saying don't collect a fee for, yes. In other words, we feel that we are paid in other ways.

Q. All right. Do small banks ever maintain correspondent accounts with more than one bank? A. Yes.

Q. Is it possible that a small bank in the Atlanta—let me rephrase that. Do any national banks in the Atlanta area maintain accounts with you, and at least one other bank in the Atlanta area? A. Yes.

Q. How do you know what large banks a small bank has accounts with? **[115]** A. Sometimes they will tell you. A lot of times, well, I think it is reasonably accurate to look in the

Southern Banker. Most small banks there list all their primary correspondents.

Q. This is public information as a rule? A. I consider it such.

Q. Okay. Regarding this solicitation and sale of correspondent services to small banks in the Atlanta area, what other banks would you say are your major competition for the sale of those services? A. In the Atlanta area?

Q. Yes. A. Well, I would just—let's say C&S, Trust Company, Fulton National and National Bank of Georgia.

Q. Do you call this your basic grouping? A. This is it. These are the banks that purport to be in the correspondent banking business.

Q. And you regard yourself as the competitor of each of these banks? A. We hope so.

Q. What effect does this competition have on any national bank in the Atlanta area that wants to switch from one bank to another for correspondent services? A. What effect? I am not sure I understand what you are getting at there.

[116] Q. Is it easy for a small bank in the Atlanta area to switch primary correspondent sources? A. Yes, I think so.

Q. Okay. Do you provide correspondent services to any banks with which you are in direct competition? A. Yes.

Q. Does this competitive situation have any cooling effect on your correspondent relationship? Does it inhibit you or are you perfectly willing to provide a general range of services for such a bank? A. Well, we are willing to provide, from our standpoint, I think, when you get into a market area where you both have locations, if that is what you are saying, we will have an understanding with the bank that we are not going to section off an area for him to be protected in by any means.

Q. Okay. A. No, we don't do that.

Q. Delighted to hear it. A. We will go after him. We will try to do business with him at the same time. If we are not successful, that is our general attitude.

Q. To your personal knowledge, do you know whether officers of smaller banks in any significant number used to work for larger banks? **[117]** A. Excuse me, officers of smaller banks now that used to work for larger banks? Yes.

Q. All right. Are there some in the Atlanta area? A. You mean are there some——

Q. Small bank—— A. Some bank officials in a small bank that used to be with a large Atlanta bank?

Q. Right. A. Yeah.

Q. Do you know whether personnel from your bank have ever been hired away by smaller banks? A. Yeah.

Q. Did these people hold responsible supervisory positions? A. In our bank?

Q. Yes. A. Yes.

Q. All right. Now, how do you go about establishing a correspondent relationship with a small bank? A. Well, you go out there and just figure out any way you can do it, figure out something you can do for them, cultivate him. It is, I guess, much the same as soliciting any sort of business relationship. **[118]** You have a product to sell, you have to go out and prove in his mind that you can do it better than anyone else.

[119] Q. Okay. Do you ever solicit the business of a small bank and get only one or two services perhaps when it still retains another bank for the other services? A. Yes, sir.

Q. And then do you try to cross-sell them additional services beyond that point? A. Yes, we like to have it all if we could.

Q. Have you ever assisted in the organization of a new bank? A. Yes.

Q. Would you have a rough idea as to how many times over the past, let's say, year your bank has helped? A. I would say in the past year I can think of two occasions.

Q. When that happens, who runs the new bank? Do you run it, does your bank run it? A. No. Who runs it?

Q. Yes. A. The people who organize it and the president, whoever it is that they are.

Q. What, specifically, do you do to assist in the organization of a new bank? A. I'd have to say we do pretty much what Mr. Padgett testified this morning. We'll start off, offer any assistance in the preparation of applications based on what we have **[120]** learned from previous experience, branch applications and the like. We may help in offering suggestions on the location. Pretty much anything we are asked to do, financing for stockholders, directors, who want to buy stock and don't have the full amount of the purchase price. We do a lot of financing, possibly financing of the bank's building.

Q. Okay. Why do you go to all this trouble to help a bank that is going to be independent? A. To get his account.

Q. What account? A. The correspondent account. It's going to keep you, pay for that.

Q. When one of your correspondent banks, existing banks want to open a branch office, do you ever assist in preparing a branch application? A. Yes.

Q. Do you ever assist in the construction of buildings for a branch? A. Yes.

Q. Do you ever loan out a trailer unit for the trailer unit to be used for a while? A. We have on one occasion.

Q. Do these small banks, correspondent banks that are involved in existing relationships with you ever send you any kind of continuing report, periodic reports on the performance? **[121]** A. We get whatever everybody else does.

Q. What is that? A. Usually a statement of condition which is published quarterly and semi-annually.

Q. Do they account to you in any way? Do they have to meet your approval in any other regard? A. No, this is pretty much a courtesy thing. I think most banks exchange reports, its public information. You can pick it up in a bank lobby. I think most banks have a habit of sending what is published to correspondents.

Q. Do you require anything above that to be sent to you to account to you? A. No.

Q. Do you ever do audits, perform audits of correspondent banks? A. Yes.

Q. On what occasions? A. At the moment, upon request.

Q. What type of things would you audit, what part of the operations? A. This audit service we provide is much the same as FDIC or State Banking Department would provide. It's a supplement to that.

Q. A supplement to it? A. I think so.

[122] Q. It's generally on the request of the small bank? A. Yes, we have a department that handles this for us.

Q. Okay. Do you ever provide the smaller banks with advice? A. When asked.

Q. On any particular thing, or on just about anything? A. Just about anything.

Q. Okay. Can you think of some instances other than what we have discussed where, you know, maybe with regard to the services we have discussed, where they have called in and asked your specific advice? A. You mean on the full range of correspondent services or just by an NCR Burroughs Teller Machine?

Q. Yes. A. Yes, we are asked this quite often.

Q. Do you give advice on a continuing program or generally when requested or when something comes up? A. Generally when it comes up, with the exception of one thing that we offer in the investment department, which is a continuing procedure that we sell, the investment advisory service, we report on a periodic basis where he stands with a bond portfolio, make recommendations for purchases and sales. There again he is under no obligation to take the advice. That's part of a service we sell.

Q. You say there again, am I correct, he is never under **[123]** an obligation to take your advice? A. No, you're correct in assuming he has no obligation.

Q. Okay. One moment. That's all the questions on direct we have.

Cross-Examination

By Mr. Hodgson

Q. Mr. Farr, don't be surprised if you hear the same questions that you may have heard me asking Dave Padgett. A. Okay.

Q. Because that's what I'm going to ask you. With respect to your correspondent division, do you routinely and systematically receive from your correspondents any forms or reports with respect to management performance, credit past due, or any other performance information? A. No, with the possible exception if we are participating in a loan. You are talking about just management?

Q. Right, but go ahead and expound. A. If we are participating in a loan, say, secured by accounts receivable or something, we would get reports on the status of the collateral, things like this.

Q. Of course. Do you furnish to any of your correspondents any regular analyses or statistical compilations comparing de-

posit performance, earnings and expense ratios, recommendations for improvement of their operations? A. No, I don't think so.

[124] Q. Do you distribute routinely to your correspondents any of your own operating credit guides, the same that you afford to your branches? A. No.

Q. Do you ever have advisors sitting to advise what their Board of Directors as a routine matter? A. Not as a routine matter, no.

Q. Do you offer blanket insurance coverage to any groups of your correspondents affording them fidelity insurance, safe deposit, extended coverage liability and the like? A. No, sir.

Q. Do you offer to their officers or employees or any of them participation in your own pension and profit sharing and other incentive plans? A. No, we don't.

Q. Do you ever regularly recommend—do you ever recommend salary and wage changes in accordance with service and performance records of their officers and employees? A. The question is, do we ever?

Q. Yes, sir. A. If we have, I'm not aware of an instance.

Q. Do you routinely provide a pool of personnel to meet absences in peak periods, illnesses, vacations and other personnel needs? A. No.

[125] Q. Do you voluntarily furnish their new presidents or other managing officers? A. Well, if we can find someone.

Q. From your own staff, I mean. A. From our own staff, no, we don't.

Q. Do you provide periodic surprise continuing internal audits of these banks, any of them? A. Yes, we do, within the framework of our audit service we provide with correspondent banks.

Q. This may be a surprise audit correspondent thing? A. In all cases, it is. It would be saying that they would agree to be with us and, of course, by nature of audit, it has to be a surprise.

Q. How many of your correspondents have the service? A. Right now, off the top of my head, very few, like four, five, something fairly new for us.

Q. Do you receive from your correspondents regularly any sort of budgets or performance projections for your own analyses and comment? A. Performance of budgets at their own banks, no.

Q. Projections? A. No.

Q. Do you ever review their performance against any such projections? A. Well, no.

[126] Q. Do you provide any standardized general ledger accounting system for your correspondents? A. No.

Q. Do you routinely provide them with advice on the multitude of changes in the law, say, under the wage price freeze truth in lending? A. Now, back up to that last question.

Q. All right, sir. Do you provide a standardized general ledger accounting system for your correspondents? A. No, the only possible exception under this, under one of our investment programs we do, say, attritions on bond discounts which may be a small portion of it.

Q. That would be it? A. That is under the investment portfolio. We do some investment accounting which involves general ledger entries, they would put on their general ledgers.

Q. This would relate only to performance of their investment? **[127]** A. That's right.

Q. Do you provide continually and regularly advice on substantial changes in the laws, such as in the wage-price guide-

lines and freeze, truth-in-lending and the like? A. We have no regular program, but we have advised on occasion.

Q. On request? A. Yes. I was thinking particularly with Phase I and Phase II. We were inundated with requests on that.

Q. You didn't try to answer them, did you? A. Well, we just kind of blew a little smoke up there and told them we would read it. But, no, we were called upon for services when this came out, and I guess, due to our—as I say, we had done some research on it; I don't know whether it was the right research, but we had done our best.

Q. Do you routinely prepare income-tax returns for your correspondents? A. No.

Q. Do you allow any of them to use your logogram or to otherwise identify with you generally as being anything other than a mere correspondent bank? A. Well, there's quite a few First National Banks, but as far as our logo and design of our print and so **[128]** forth, no, whatever we would have trademarked we do not allow to be used.

Q. Did you allow anything to be used by the little banks in Doraville and DeKalb which subsequently merged into your bank? A. Yes, but I didn't consider that a normal correspondent. That was not serviced under our department.

Q. That was serviced by another department? A. Yes.

Q. How was it different? A. How was what different?

Q. How was the relationship as between those two banks and your correspondent banks? A. Well, as I say, I was not privy to all the negotiations on that. That was handled in a different area, but I think, obviously, that bank merged with us, as long as the law enabled it to do so, I think the organizers of that bank probably had good intent to merge with the First National Bank of Atlanta.

Q. At the time they organized? A. Yes, they had one of our people out there managing the bank as president, one of our former officers, who is now back with us, a branch manager. That was not what I would call the normal correspondent.

[129] Q. Fine. Do you routinely or do you ever have staffs of your correspondents, as distinguished from these last two banks, Doraville and South DeKalb, have them attend any of your training programs and schools, say for officer training, credit law and that sort of thing? A. Excuse me, you are saying any of our correspondents that might——

Q. Staffs from your correspondent banks themselves attending your training programs. A. We have had people in on occasion, but as a continuing practice, no.

Q. Do any of your correspondents have a significant number of their shareholders who are officers, directors or employees of the First National Bank of Atlanta, that you know of? A. How about asking you to go over that one more time.

Q. All right, sir. Because this asks you to know more than you may know, so far as you may know. A. Are you saying any officer or employees of any one of our correspondents?

Q. No, sir, let me rephrase the question, because I don't want to confuse you. A. I misunderstood you.

[130] Q. Do you know of any shareholder list of your correspondents which include significant—a significant percentage of their shareholders of the correspondent banks, of men and women who are officers, directors or employees of the First National Bank of Atlanta? A. No. Well, there is one circumstance that I can think of. We have a bank that is, let's see, I call it an affiliate-type operation in Savannah, but——

Q. Beyond that? A. We do, let's say, bring this up, because we do wait on this bank through our correspondent banking department. In other words, when they have a need for a

currency shipment or credit information or what-have-you, they will call our department and we will ship it. Although it is not the normal correspondent bank relationship.

Q. Have you ever tried to sell your correspondent services to any C&S office or affiliate? A. Not to my knowledge.

Q. Or to any of the six little banks that are involved in this litigation, say the Citizens & Southern Bank of Chamblee, et cetera? A. No, sir.

Q. Why not? A. Well, we didn't think they were good prospects.

[131] Mr. Hodgson: We have no further questions, Your Honor.

The Court: Redirect?

Mr. Kinkaid: Your Honor, would you mind if we took a short break before redirect? We have a little problem that has come up and I would like to solve it to keep it from being a big problem.

The Court: We will take a recess for ten minutes.

Mr. Kinkaid: Thank you, Your Honor.

(Whereupon a recess was had.)

By Mr. Stern

Q. Mr. Farr, when Mr. Hodgson was asking you some questions, he went through a list of items and asked whether you regularly and routinely provide various things to correspondents. Are there any of these things, such as sending somebody out to advise the board of directors or making salary recommendations, reviewing personnel plans or anything else that Mr. Hodgson mentioned that you don't provide routinely, but will provide on request? A. Well, I don't know if you want to take specific ones. It might be a little easier for me to answer it. You mentioned—what was the first one?

[132] Q. All right. Sending somebody out to advise their board of directors on something. A. Well, I can think of one occasion or maybe twice, and it's about that many times, one of our people has been invited to attend a board meeting of a bank to make whatever comments he saw fit.

Q. You mean in general terms? A. Yeah.

Q. Without there being a specific problem necessarily? A. Yes, sir, I can think of one occasion, one of the correspondents invited our man to come down and sort of critique their board meeting, and he was invited to make some remarks on how he thought they might do a better job.

Q. As a board? A. Well, they were speaking of the bank, in that case. That is one of the instances I can think of.

Q. Can you think of any others, offhand? A. I can remember another instance where another bank invited us to a board meeting, but I don't remember whether we were asked to comment or otherwise.

Q. Are you willing to do so, if requested? A. Yes, as I say, we are willing to do most anything that is legal, moral and can get us some **[133]** business.

Q. All right, sir. Take another specific. How about making recommendations to a small bank's board as to what it ought to pay its officers or employees? A. I can't think of any instances where we have made recommendations of this sort. I may have hesitated here. I think when, you know, upon occasion, if somebody is looking for someone to hire, like a new president, a new cashier, a new loan man, they might say what do you think it will take to hire a good one like that? We might say, you are going to need to pay him X number of dollars, based on what we have seen. That's the only semblance of salary recommendations that I can ever remember any of our people making.

Q. Would you, on request, or have you, on request, ever reviewed the performance of a bank or its officials? **[134]** A. Again, I can think of an instance where we were asked to make a general study on a bank where we were asked to critique their performance, private-wise, not individual officers in the bank, just how this particular bank racked up with their competitors as we saw it.

Q. In terms of all the accounting and record keeping and other things that you have already said you do for a small correspondent, if you were asked to make out a tax return for a small bank, might you do so? A. I don't know that we have ever been asked. If we were, I would assume if we had the capability to do that and legally so, we would do it.

Q. Mr. Hodgson was questioning you with regard to First National Bank of Doraville, I believe? A. Yes.

Q. And First National Bank of South DeKalb? A. Yes.

Q. You said something to the effect, as I recall it, that these really weren't the normal correspondent relationships; is that correct? A. That's right.

Q. In what way were they different? A. Well, there again, in my opinion these things were organized with the, really, the hopes that we could become affiliated as a branch in one point of time, as it turned out, **[135]** we were. I can't really speak a whole lot of authority there as I was not in the position at the bank that handled that.

Q. Are there any other banks in the DeKalb-Fulton County area that were organized the same way which at any time enjoyed that kind of relationship? A. Not that I can think of.

Q. Any other banks—— A. Excuse me, you're talking about that we were party to?

Q. Let me restate it. Are there any other banks in DeKalb or Fulton County which at any time in the past have had a relationship with First National Bank of Atlanta which went

beyond the normal correspondent relationship such as the South DeKalb and Doraville banks did? A. I can't think of any.

Q. You mentioned the use of the name of the bank. Are there any banks in the area—you mentioned Fulton and DeKalb Counties—that also use the name First National? A. Yes.

Q. What are they? A. First National Bank, I think it's called, used to be Glenwood National, became, let's say, affiliated with that, and then unaffiliated. I think they call themselves First National Bank of DeKalb County now, I'm not sure.

Q. Were they ever First National Bank of Glenwood? **[136]** A. Yes.

Q. Is that after you were affiliated with them? A. Yes.

Q. They were known by another name before that? A. Yes.

Q. Glenwood National Bank after your affiliation and after they changed their name to First National Bank of Glenwood, did you enjoy a relationship of any sort between the two banks? A. You're saying——

Mr. Doyle: There comes a point, if the Court please, to the leading questions which require an objection. We object to him leading.

Q. All right, Mr. Doyle. Could you describe to us whatever relationship existed between First National Bank of Atlanta and First National Bank of Glenwood after it became that bank, by that name? A. I really can't since this was handled outside of my territory. We did not handle this one in our own division.

Q. Do you today furnish any services to the First National Bank of Glenwood or by whatever name it's now known? A. Yes, we do.

Q. In what capacity do you furnish services? A. As a correspondent bank.

Q. They enjoy the correspondent relationship with you? **[137]** A. Yes.

Q. To your knowledge, was it ever the intention to merge First National of Glenwood into First National Bank of Atlanta? A. Yes, I think it was probably the intent.

Q. All right. A. I'd like to have seen that happen.

Q. Was it not the—do you know whether it was the intention of the officials at First National Bank of Atlanta that this be so? A. Yes, I think we formally made petition to do so and were objected to.

Q. Are there any other banks in DeKalb or Fulton Counties where this was the case? A. First National Bank of Tucker.

Q. Do you enjoy any kind of relationship today with First National Bank of Tucker? A. Yes, we do.

Q. How would you describe that relationship? A. Correspondent bank relationship.

Q. Would you classify the correspondent bank relationship, as you call it, with the First National Bank of Tucker and First National Bank of Glenwood, whatever name it has now, as being typical of the correspondent relationship you have with other banks? A. Well, as far as we would offer them service-wise, **[138]** yes. I don't consider them, well, typical, because of the market they serve. In other words, a bank in metropolitan Atlanta is going to operate a lot different than a bank in south Georgia.

Q. Because they're in metropolitan Atlanta, they may differ from other correspondent relationships? A. Yes.

Q. Is the relationship you enjoy with those two banks in metropolitan Atlanta similar to correspondent relationships

you have with your other ordinary correspondent relationships elsewhere in metro Atlanta? A. Yes.

Q. Do you know who the president of First National Bank of Tucker now is? A. Yes.

Q. Do you know what his name is? A. Yes.

Q. Would you state it? A. Warren Jackson.

Q. Did he come to that bank from First National Bank of Atlanta? A. No.

Q. Do you know where he came from? A. Yes.

Q. Where? **[139]** A. Trust Company of Georgia.

Q. Do you know the president of First National Bank of Glenwood? A. Yes.

Q. Do you know what his name is? A. Yes.

Q. Will you state it? A. C. B. Harris.

Q. Did he come from First National Bank of Atlanta? A. No.

Q. Do you know where he came from? A. Yes.

Q. Where? A. Gainesville National, Gainesville, Georgia.

Q. To your knowledge, your own personal knowledge, has First National Bank of Tucker drawn personnel from First National Bank of Atlanta since Mr. Jackson came out there? A. Since he came? If he has, I don't know of anyone.

Q. Do you know whether it drew from First National Bank of Atlanta before he came? A. I'm not certain. We had some people formerly on our payroll who are out there. Whether or not these all returned to us or whether some remained, some people formerly our employees were in the employ of First National Bank of Tucker. I believe all of these were offered re-employment **[140]** with our bank. Whether or not all of them were re-employed, I don't know.

Q. I want to make sure I understood your answer there. You said some people who had been employed with First National Bank of Atlanta went to become employed by First National Bank of Tucker? A. That's right.

Q. Was this during the time you still hoped to merge them in? A. That's right.

Q. And you don't know whether they have all returned or not? A. No, I don't.

Q. Was a similar situation in effect out at the Glenwood Branch? A. Yes.

Q. Do you know whether they have all returned? A. I can't answer that with any authority either.

Q. Okay. Now, I just want to make this clear again. You say that the relationship you have with these two banks is substantially the same as the correspondent relationship of the other banks in metropolitan Atlanta?

Mr. Doyle: Object. It's repetitive, it's been asked and answered and it's leading.

Q. I wasn't leading. I'm asking if that's what he'd **[141]** said. All right. Do you happen to have any personal knowledge of where they obtained, these two banks I mentioned, obtained their other personnel from such as new presidents come in? A. Do you mean, for instance, who Warren Jackson has hired since he was president of First National Bank of Tucker?

Q. What his resources were. A. He brought one lady from Trust Company of Georgia to be cashier, a girl named Penny Jones. I have met her. I have not met anyone else out there. I don't know whether he has other staff.

Q. Would you consider it a sound correspondent relationship you have with his bank? A. We hope so right now.

Q. One minute, please. No further questions.

Cross-Examination

By Mr. Hodgson

Q. Was either the First National Bank of Glenwood as it has been known or First National Bank of Tucker, as it has been known, formed with the assistance of First National Bank of Atlanta? A. I'm sorry—I didn't——

Q. Was either the Glenwood or Tucker bank—— A. Were they formed with our assistance?

[142] Q. Yes. A. I think so, in the case of Tucker. Just offhand, I believe that bank must be eight, ten years. It may be a little bit older than that. I think when the people organized the First of Tucker, we were correspondent at that time. It was organized as an independent bank.

[143] Q. Was either one of them organized like the Doraville and South DeKalb banks? A. No, sir.

Q. We were talking about, as you say, with the purpose of being acquired by First National of Atlanta. A. No, sir, they were not, or Tucker was not. Glenwood, that's an old, old bank; I don't know what the history of Glenwood was.

The Court: Let me ask you a couple of questions. Correspondent services are paid for either by the maintenance of the correspondent account and the balances it had or by fees?

A. Yes, sir.

The Court: Can you give me an idea as to what the breakdown is?

A. Well, maybe I can give you an example of some of the things that we charge for when we charge fees. Pension and profit-sharing administration, our trust department has a fee schedule it charges on that. There's nothing magic about a bank; we do this for all sorts of enterprises; data-processing services, we charge fees for all of ours. This would be primarily what we charge fees for.

The Court: I take it the trust department, **[144]** for example, of either of the two banks, Glenwood or the Tucker bank that you just discussed, have trust departments?

A. I don't believe they operate actually trust departments. I am not even certain, in the case of Glenwood, I am pretty sure Tucker does not.

The Court: If they have trust business, do you handle it for them, or do they just refer you a customer who becomes a customer of the First National Bank?

A. Well, if you are saying if one of their customers comes into their bank requesting trust service——

The Court: That's right.

A. The case would be, if they desire, they might refer that to our bank.

The Court: What does happen?

A. That customer of the Glenwood Bank, say, as far as trust services are concerned, becomes a customer of our trust department.

The Court: Now, what was the situation with these two others, the Doraville and the other bank, how were they handled there?

A. I really can't answer that. I don't know how that was administered, but I can just guess it was **[145]** the same way.

The Court: I get the impression that as far as correspondent services are concerned, what you are saying is that you can, if there is enough demand and pay for it, perform for a correspondent any service that you can perform, that the First National Bank itself can perform; is that right, absent, say, some legal impediment, such as practicing law or something like that?

A. Well, I would say that we would perform anything we felt would be profitable to our correspondent bank endeavor.

The Court: Well, that must mean that there is a substantial profit then in the maintenance of correspondent balances; is that right?

A. I would say so.

The Court: Now, why is it that a correspondent bank would let you have its balances?

A. Well, they will let you have them if you are providing these services for them.

The Court: Apart from these services, would it be more profitable for the correspondent **[146]** bank itself to handle its own collections? I take it that is the primary reason for the correspondent account.

A. Well, of course, in most of the cases he has to have someone perform these for him.

The Court: Why?

A. Loan limitations. For instance, the First National Bank of Tucker has a $60,000 lending limit. That means he can't lend any more than $60,000 to any one particular customer; anyone who needs more than that doesn't obtain it from them.

The Court: If he doesn't have an account with the First, in order to handle the excess limitation, he keeps an account at the First in order to handle his check clearances, doesn't he, and collections?

A. No, Your Honor, I think you would find that——

The Court: Tell me why he does have that.

A. We would not be so receptive to buying his loans if it were not for the correspondent balance he has with us.

The Court: I understand that, but what is the mechanical reason for the account?

A. Well, mechanically, as far as the transfer of **[147]** funds, you need to have a correspondent relationship. But, when we

make a loan to a customer, no matter who it is, it is sort of based on what sort of checking account balances he is going to keep with you, versus the rate on your loan, and if you are buying a——

The Court: Let me ask you why would another bank have a checking-account balance with you anyway, apart from the buying of correspondent services?

A. Okay. In some cases where you have a non-member of the Federal Reserve Bank, he has to have an account somewhere for a reserve account. And in that case——

The Court: Is that a typical situation?

A. Yes, there are many, I would say probably most of the small banks in the state of Georgia are non-members of the Federal Reserve system.

The Court: Is that true of the situation around Atlanta?

A. I would have to stop and count. We were talking about two national banks, and they are, by definition, members of the Fed system, if they are national-chartered. But, there are a number of banks in what I would call the metro area that are non-members **[148]** of the Federal Reserve system. Theoretically, a national bank could operate with only its Fed account, I presume.

The Court: So, then, the real purpose then of keeping the account at the big correspondent bank is simply a means of providing payment for these other services; the larger the account, the more service they can get?

A. I would say that is true.

The Court: Is there anything in the word "correspondent" that excludes the idea of an ownership or equity interest? I am not sure that I am—we have used words, "affiliated banks", "correspondent banks", "associate banks". If you use the word "correspondent" alone, that doesn't imply any ownership in it?

A. No, sir.

The Court: If you use the word "affiliate", what does that mean?

A. To me, that implies some ownership interest or intent to own.

The Court: How about "associate"?

A. Same thing really.

The Court: Same as affiliate?

A. In my mind that implies ownership or intent [149] to own.

The Court: Now, what is the money which is included in the correspondent bank account, is that simply money in transit, that is, they put in checks; they deposit it into their account in your bank, and it stays there until the money is collected, and then until the correspondent bank has some need to pay out money; is that what we call it?

A. I would say generally that is true. You have situations such as this, at the end of each business day a bank has checks drawn on any number of banks that it must collect, so he would bundle these into one deposit and send them to us for deposit, and we would credit his account. By the same token, he has activity the other way; the Federal Reserve Bank sends each day what we call a cash letter. In other words, the First National Bank of Tucker every day sends it to the First National Bank of Atlanta; the First National Bank of Atlanta every day receives a batch of items from the Federal Reserve drawn on our banks, and we must pay the Federal Reserve for that. So, we are talking about the flow of funds in a correspondent account. I would define it that way. The correspondent is depositing checks drawn on other banks for clearance, [150] and generally, drawing on that account to pay for what is presented to him by the Federal Reserve Bank.

The Court: Well, then, if that is the case, then that would indicate that all the free funds from the correspondent bank are in the correspondent bank account; is that right?

A. If you are describing "free funds" as, say, operating till or whatever, that plus what he has on hand in his vault. And in the case of a national bank, what he has on deposit in the Fed.

The Court: Well, now, do you have any system to require a minimum balance with respect to correspondent accounts?

A. Yes, we have an analysis system where we look at each correspondent bank account. We analyze the activity as far as numbers of items produced for the bank each month, number of checks paid, a resume of the loan participations that we worked for him, both ways, really a summary of all services and determine what those balances are worth to us, as far as investment, and then calculate whether or not we are earning a profit or creating a loss on the account. Communicate with the correspondent what balance level we would expect him to maintain in order for us to maintain the level of **[151]** services we are providing.

The Court: Thank you. You may step down.

Mr. Kinkaid: Your Honor, the plaintiff now calls Mr. Megar.

HERBERT LEONARD MEGAR,

being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Kinkaid

Q. Would you please state your full name. A. Herbert Leonard Megar.

Q. Where are you employed, Mr. Megar? A. Fulton National Bank.

Q. What is your position there? A. I am senior vice-president.

Q. How long have you been senior vice-president at Fulton? A. Approximately three years.

Q. Where were you employed before becoming senior vice-president? A. I was with the Fulton National Bank for eleven years. You want prior employment?

Q. Just very briefly, yes. A. Well, prior to that I was with the Curtis **[152]** National Bank in Miami Springs, Florida for three years. Prior to that, the Anniston National Bank in Anniston, Alabama for approximately five years; and, the Citizens & Southern National Bank in Atlanta for approximately thirteen years.

Q. Could you give us a brief idea of just what is involved in your particular area at Fulton National? A. Well, I have just recently taken over the supervision of our loan division, which generally covers all of the lending activities of our bank in all the departments that are engaged in lending.

Q. Mr. Megar, are you generally familiar with the correspondent services offered by Fulton National? A. Yes, I am.

Q. Do you know how Fulton National defines correspondent services? A. You mean—are you referring to this list that we have of various services?

Q. Well, first of all, I would just like to ask you if you, yourself, have any particular definition of what you mean by correspondent services. A. I don't know that I have got a well-thought-out definition, but I think, as a general statement, we do practically anything they ask us to do if they carry enough balances to pay for it, that is legal.

[153] Q. Could you list what you consider the major correspondent services offered by your bank? A. I think heading the list of major services would be check-clearing.

Q. Excuse me just a moment. You have a list up there? A. Yes.

Q. Let me show this to you; would this be a copy of the list that you have? A. Yes, this is a Xerox of it.

Mr. Kinkaid: Does Your Honor have any objection to this, sir?

The Court: Why don't you put it in as an exhibit; then we have got that much behind us.

The Clerk: This would be Government Exhibit 194.

By Mr. Kinkaid

Q. All right. Since we now have this as an exhibit, why don't we just go through and perhaps you could just tell us briefly something about each one of these. You want to make sure that if whatever——

The Court: Why don't you get him to say period. Have you heard the previous two witnesses?

[154] A. I have only heard a part of the two, Your Honor.

The Court: Well, it would be more helpful, rather than confusing the Court, rather than getting slight differences between the same services, where I'm sure I can't recall the differences, if there are any substantial differences in what the Fulton considers under these headings, I would like to have that. Rather than going back over, you know, substantially the same identification or definition.

With respect to the items before that, do the services which the Fulton performs under those various headings correspond very closely or very generally to what the First National performs with respect to the same services?

A. I would assume so, but I would be glad to expand on any of them.

Mr. Kinkaid: Your Honor, may I suggest I think that some of these—the terms look very similar to the terms we have already heard from Mr. Padgett and Mr. Farr.

The Court: We have got transfer of **[155]** funds; I have heard that twice; coins and currency shipments; I understand that. Handling of collection items, participation in excess loans, investment counseling, safekeeping. I have heard that from the Trust Company, exchange of credit information, data processing, personnel training, consultation.

[156] Q. Now, some of these, Your Honor, I think——

The Court: Why don't we do this, I don't think this is an area where we need leading questions, I don't think it's critical. If you know of some differences, I don't mean substantial or big, but of some that would be significant differences, why don't you bring them out with respect to these items rather than let's going through the list again.

Mr. Kinkaid: I wasn't proposing to go through the entire list. I think you're right, but I haven't exactly sat down and analyzed the three banks to see if there were any significant differences.

The Court: Go ahead.

Mr. Kinkaid: Why don't we go through a few of these that could be more judgment things than something like a check collection, which we have pretty well cleared up, I hope.

Why don't you just tell us briefly what exchange of credit information means to Fulton National to see if there's any difference than what we have already here.

The Witness: This is a service in the context here, of service offered to the correspondent banks. They may have occasion to inquire about an out-of-town business and they may call on us as their correspondent to develop that ground information for them, which we do **[157]** as a part of our service to them. This would occur in cases of new plants and new businesses moving into an area where our correspondent serves people that they don't know and haven't dealt with before.

Q. In those situations, would anyone from Fulton call on the account with someone from the correspondent bank? A. This has been done, but generally it's more of an inquiry arrangement.

Q. Now, the item that's marked personnel training in specialized areas and placement of personnel, could you tell us what that involves from the standpoint of Fulton National? A. Well, from time to time, some of our correspondents may ask us to teach their personnel how we handle a particular type of loan or how we handle a particular type of transaction. In those instances we have actually brought them, allowed them to come into our bank and visit, spend time in the departments in which they have an interest. The placement of personnel is generally about the same as, I believe, the previous witness testified. If we hear about a job opening, we hear it from someone who is looking for a job, and we sort of tell one about the other.

Q. Now, would you go over with us the next item, the consultation on operation, procedures and forms? A. We are frequently, in performing data processing services, particularly we are frequently asked by our **[158]** correspondents to give them advice on how to handle this type of transaction or that type, and we in the data processing end of it actually send personnel to their bank to help install systems and to help monitor systems and to see that proper procedures are being carried out to make the system effective and useful, too.

Q. So far as trust services are concerned, if a customer of a correspondent bank of yours wishes to obtain trust services, would he remain a customer of the correspondent bank as to other things while becoming a trust customer of your bank? A. Yes, this would be in the correspondent's area where the correspondent bank did not have trust powers and wanted to accommodate this customer and asks us to get into the picture to assist them.

Q. Where does the referral of account fit in here, is that what you described just a few moments ago on the National? A. This would probably be a situation where perhaps an Atlanta account was opening a branch in a town where one of our correspondent banks was located and we would recommend our correspondent and put them in touch with the proper people to enable them to solicit the account.

Q. Have you heard the discussion of the Federal funds position taken by Trust Company and/or First National? **[159]** A. I heard some reference to it in the last witness' testimony.

Q. Does Fulton National take a position, if that's the right word, in the Federal funds market? A. Yes, we make a market in Federal funds daily for our correspondent banks. We buy from them any funds which they wish to sell us and we either use the funds in our own possession or we sell them in the national market.

Q. With respect to Master Charge, you have here, in parens, agent. First of all, would you tell us what that means? In other words, the term, agent. A. The Master Charge program is set up so that a bank can issue a Master Charge card and it can own and retain the receivables that were generated by the card and all the profits and revenues from that, and the losses from that that may accrue to that operation, or they may become an agent bank in which case the correspondent bank would issue its card with its name on it. But, there the Fulton would buy the receivables and run the credit risk and maintain those as their own accounts. This would be an option of the correspondent bank. In the case of an agent bank, the correspondent would only get a certain portion of these fees and not the total interest accruing from those, the charge card usage.

Q. Does your bank perform any payroll accounting for any of its correspondent banks or any of their customers? **[160]** A. Yes, we do, some of both.

Q. Now, to your knowledge, what banks, other than banks headquartered in Atlanta, are presently offering correspondent services to banks located in Atlanta? A. I think banks in Birmingham are offering services to some Georgia metropolitan area banks, perhaps some in Chattanooga, Tennessee. Those are the only two, well, that I can specifically recall.

The Court: What kind of services do they offer, I mean, a full gamut of the services?

The Witness: No, sir, it would not be quite as extensive because of the distance involved.

The Court: What is it, loan override?

The Witness: Loan override. One of the banks in Birmingham is offering a program to buy supplies at a discount, some data processing, but they couldn't offer——

The Court: Would it be principally fee services?

The Witness: Yes, sir, I think that's right, except that in many cases they can interchange fees from balances.

The Court: Is it feasible for a bank to have a principal correspondent bank at a distance of 120, 150 miles?

The Witness: Well, now, in this context, are we speaking of small banks in metropolitan Atlanta?

[161] The Court: Yes, start with them.

The Witness: Yes, sir, it's possible, but it's not very practical to do a full service job that far away because, especially in check clearing, checks that are generated in this area have to wind up in the Federal Reserve Bank of Atlanta if they are Georgia checks.

The Court: That was the point I was getting at, paying through, it through balances generally, it would seem to me

that you're sort of going around the horn to maintain your account in Birmingham or Chattanooga.

The Witness: That's correct, sir.

Mr. Kinkaid: We have no further questions.

Cross-Examination

By Mr. Doyle

Q. How frequently would you say that Fulton is asked to help a correspondent find new management, say, president? A. This is a real difficult thing to answer, three or four times a year, two or three times a year, something. We may go six months and not even be asked. It's not a daily or weekly occurrence.

Q. And on those occasions, do you actively go out and beat the bushes looking for somebody at that bank? A. Usually, no.

Q. You cross-reference these, if you have them in your file? **[162]** A. That's correct.

Q. On those occasions, do you look inside Fulton in the management ranks for a bright young man who is on the go to supply to them? A. No, sir.

Q. Now, when a correspondent bank which is being organized, do you offer, or when a new bank is being organized and they come to you for advice and the rest, do you offer advice to them on the selection of stockholders, who they should sell their stock to? A. No.

Q. Do you sell a significant amount of the stock, or place a significant amount of this stock of this correspondent, say, a majority of the stock with your officers and employees? A. No.

Q. In the normal instance, do the directors come to those banks because of the relationship that is going to exist with the Fulton? A. No.

[163] Q. Do you, as a correspondent banker at Fulton, at your initiative, provide continuous management review and advice to the correspondent bank? A. No.

Q. When Fulton is taking a large participation in dollar amount on a loan that is originated by the correspondent, do you generally want to take an active part in setting the terms and conditions of the loan? A. It would depend on the size of the loan in relationship to the size of the bank that is offering the loan to us, in their own expertise in the field and——

Q. Would it generally follow that the larger the loan, the greater your interest in terms and conditions of repayment, collateral and that sort of thing? A. Right, that's correct.

Q. Do you presently sell any umbrella pension and profit-sharing plan to correspondent banks? A. No.

Q. Now, you have had experience in the Atlanta areas as a banker for some time, Mr. Megar. Are you familiar with the C&S five-percenter correspondent associate that is involved in this lawsuit? A. Generally, yes.

Q. In your view, is that relationship the same **[164]** as the normal correspondent relationship? A. No.

Q. Would you liken it more to a franchise situation, where they have our name? A. Yes.

Q. And there is a certain amount of responsibility that follows that name? A. That's right.

Q. Do you look at a five-percenter, C&S five-percenter from a competitive standpoint any differently from your vantage point over at the Fulton, than if it were a C&S branch? A. No. In fact, we have to stop and think, I suppose, which is which.

Q. In your experience, is that the public impression as well? A. Yes.

Q. So long as the banks have the C&S name and the C&S people, do you see, from your vantage point at the Fulton, that there will be any competitive effects from merging those banks? A. No, not at the present structure of it.

Q. Do you see any benefit to the public if these banks were required to be independent of C&S? A. No, I cannot.

[165] Q. Do you have any views about problems of management or capital that independent banks will have in this area?

Mr. Kinkaid: Your Honor, this I have to question, this line. It's already gone about 3,000 miles beyond any of the subject matter which we briefly covered with Mr. Megar. I think pretty soon—I think we have already even had a touch of psychological examination here as to what Mr. Megar knows about the public view of the C&S five-percent banks. This is about as far as we can really go here.

Mr. Doyle: Well, if the Court please, Mr. Megar is talking about types and kinds of correspondent relationships.

The Court: I know, but you are talking about competitive effects.

Mr. Doyle: Beg your pardon, sir?

The Court: You were talking about competitive effects of merger, I thought. That was the significance of the last answer I got.

Mr. Doyle: Well, sir, I think competitive effects come from normal correspondent relationships, and of course, our point, that **[166]** different competitive effects come from these and——

Mr. Kinkaid: Mr. Megar didn't talk about correspondent relationships. All he talked about were the correspondent services that his bank sells to correspondent banks, period.

The Court: Well, I will direct counsel to remain—keep the cross within the scope of the direct. If he wants to go into a new area, you may recall this witness at the time of your direct case.

Mr. Doyle: If the Court please, on the plaintiff's summary of the witnesses it was going to call and subject matters they were going to testify to, Mr. Megar was also generally suggested for the subject matter of the geographic areas in which banks compete, and I think there was something akin to that on the—I will read it precisely.

The Court: I still maintain that you must keep your cross within the direct. If there is an area that counsel does not cover with this witness, and it is essential to your case, you would have the privilege of recalling this witness at the proper time.

[167] By Mr. Doyle

Q. Mr. Megar, have you, at Fulton, taken on any new correspondent banks in Fulton and DeKalb Counties since 1970, when the branching law changed? A. I am not sure that we have. The latest one that I can recall we took on was the Stone Mountain situation, and I don't know exactly whether that fell within '70 or prior, before or after.

Q. With branch banking countywide at this time in the state of Georgia, what effect on the Fulton does location of a correspondent bank have on Fulton's decision as to the location of the branch? A. Would you mind rephrasing that, please?

Q. Yes, sir.

What effect does the location of the correspondent of Fulton have on Fulton's decision as to the location of a branch? Does it have an effect? Does it enter into your decision-making at all? A. Yes, sir, it is bound to sooner or later. Until the banking law changed, permitting countywide branch banking, Fulton had its branches solely within the city of Atlanta and the city of Decatur. With this change in the banking law, we now can branch into Fulton and DeKalb Counties and the outlying areas where we have correspondent banks. Thus far, we have not **[168]** chosen to put branches in direct competition with correspondents, and this decision, sooner or later, may need to be made. And it, of course, would not be an easy one to make.

Q. I suppose the difficulty is obvious, but would you just elaborate on it enough so that it is on the record and we know what we are talking about? A. Well, we have correspondent banks where we do data processing. We maintain account balances, we have access to the confidential information generated by those banks and serving their customers. And if we would put a branch directly across the street from those banks, which we might be permitted to do under the law, then, we would have a possible ethical problem of do we continue to be their correspondent and at the same time compete with them for their own customers?

Q. In your business as a corporate banker, does the Fulton provide periodic internal audit for its banks? A. No, sir.

Q. For its correspondent banks? A. No, we do not.

Q. Does the Fulton appoint a senior officer of the Fulton to serve in a regular capacity as an advisory director on the boards of the banks? **[169]** A. No.

Q. Do you offer blanket insurance coverage to the group of your correspondent banks, that would include fidelity coverage, safety-deposit coverage, liability? A. No.

Q. Do you offer your correspondent banks participation in the Fulton's own pension and profit-sharing plans? A. No.

Q. Do you provide at Fulton a pool of personnel which is available to meet the demands caused by peak periods of work or illnesses and the like of your bank correspondent? A. No, we don't.

Q. Do you receive, on a regular sort of basis from your correspondent banks, budget and performance projections, where they are going and where they expect to go? A. No, not on a regular basis.

Q. Do you on a regular basis—then, it follows that you do not on a regular basis sit down and review performance against the projections? A. That's correct.

Q. Do you provide standardized general-ledger accounting systems to your correspondent banks? **[170]** A. No, not on—no.

Q. On a regular sort of basis, do you provide advices as to changes in law, such as wage-price, Regs. Z and that sort of thing, in the same way as you do for your branch managers? A. No.

Q. Do you prepare income-tax returns for your correspondents? A. No.

Q. Do any of your correspondents—do you allow them to use your name or corporate identification or logo? A. No.

Q. On a regular basis, do the correspondent employees and officers come to Fulton's training schools and programs which you run internally for your own employees and officers? A. Not on a regular basis, no.

Q. I suppose it goes without saying, Mr. Megar, but am I correct in assuming that as to all of the services that you offer, not all of them are accepted by all of your correspondents? A. That's correct.

Q. And it is at their initiative as to which ones they take? **[171]** A. That's correct.

Q. Very rarely do you offer them advice independent of what is asked of you? A. That's correct.

Mr. Doyle: All right, sir. That's all I have on cross.

Mr. Kinkaid: Your Honor, I would first sort of like to do a little house-cleaning, and by a motion to strike, get rid of the dialog prior to my objection that went beyond the scope. I guess we would have to go back when the transcript is available and see what portions——

The Court: I would overrule it anyway, so go ahead.

Redirect Examination

By Mr. Kinkaid

Q. In connection with competing directly with your correspondent banks, if I understood your discussion of that correctly, it seems to come primarily in the data-processing field; am I correct on that? A. Well, that's correct, and yet it comes—really covers the whole scope. It is hard to be a competitor of your customer and still maintain the customer relationship that is sort of fundamental.

[172] The Court: The intensity of that problem varies in proportion to the magnitude of the balance?

A. Yes, sir, that's correct, absolutely.

Q. Have you, with any of your correspondents, or did you indicate that you do not compete directly with any of your correspondents? A. We have not yet chosen to put new branches in close proximity to our correspondent banks, except in one particular instance. We have a branch in the Stone Mountain industrial area, which we had applied for prior to the C&S, Stone Mountain, becoming a correspondent of ours. They knew that.

Q. I think you indicated that in answer to a question about being routinely presented with projections or budgets from correspondent banks, and I think, if I recall correctly, your answer was not on a regular basis. Does that mean that you get such projections on an irregular basis or less than a regular basis? A. When we finance the controlling stock of a small bank, we sometimes, in evaluating our collateral, we ask for operating statements and earnings projections. But, it is usually in every instance only when a loan is involved on the stock of that bank.

Q. By that, do you mean that you have lent money **[173]** to individuals to purchase the stock and the stock is pledged as collateral; is that it? A. Right.

Q. Likewise, in reference to the training classes or seminars, I think the question may have been, that you indicated they were not attended by correspondent people on a regular basis. Does that, again, indicate that these are attended on an irregular basis? A. Well, I was trying to—what I was really thinking of is my previous testimony where we had personnel come in for specialized instruction on a particular thing. This would not necessarily be a training class, although it might, in a given area. But, more generally, it is individualized-type instruction. But, this is only when the correspondent asks us to do it for a specific person or a specific group of people.

Mr. Kinkaid: No further questions, Your Honor. Thank you very much, Mr. Megar.

The Court: All right, you may step down.

Mr. Hodgson: May we have just two minutes, excuse me, Your Honor; before the witness is excused, may we have just two minutes?

[174] The Court: Oh, sure. Mr. Megar, would you wait just a minute?

A. Yes, sir.

Mr. Doyle: No further questions, Your Honor.

The Court: All right, you may step down.

[175] Mr. Kinkaid: Your Honor, I have just a slight problem. It's not really a problem. This witness Mr. Meager will conclude sort of a section of our presentation. The next witness will be an entirely different, quite a different area and it's going to take, certainly a lot more time. I believe, both on direct and on cross than we have between now and 5 o'clock.

The Court: I will leave it up to you. All I'm going to keep you to, is a Wednesday, 5:00 P. M. closing.

Mr. Kinkaid: We will keep to that.

The Court: We will stand and recess, then, until 10 o'clock tomorrow.

(Whereupon, court was recessed at 4:15 o'clock P. M. to reconvene at 10:00 o'clock A. M. Tuesday, September 26, 1972.)

[177] The Court: Is everyone ready to proceed?

Mr. Kinkaid: Good morning, Your Honor. Before we start with our first witness, there was a couple of remarks we would like to address with respect to some of our exhibits.

The Court: All right.

Mr. Kinkaid: Mr. Frisbie will make those remarks because he is more familiar with the mechanical things than I am.

Mr. Frisbie: Your Honor, the defendants filed their objections to our documents yesterday, and the plaintiff has done likewise, and both are skeletal objections giving the basic grounds for objection. There has been some discussion between the plaintiff and the defendant as to plaintiff's Exhibits 42 through 75, and 76 through 101.

Now, the first are worksheets used by Dr. Scogstad, our economic expert, wherein he transferred some data from the printouts, which were submitted by the various banks in Fulton and DeKalb Counties in response to our subpoena.

These worksheets were submitted mainly to allow defendants the opportunity to check the accuracy of his figures. Now, these have not been objected to as far as the admissibility is [178] concerned, but defendants have noted in their statements of objections that the charts compare the IPC demand deposits for all the other banks in the Atlanta area with total demand deposits for the C&S National Bank and each of the defendants, and C&S DeKalb.

And, to that extent, they have noted that they are inaccurate. Okay. The same thought would have to apply to Government Exhibits 76 through 101, since these figures were also taken

from the same printouts. Now, the parties have now agreed that the figures for C&S and each of the defendants and C&S DeKalb are reasonable approximations of the IPC demand deposits for the defendant banks, and for C&S DeKalb for mid-year 1972. And, I bring this up now just to remove any cloud that might have appeared or might have been raised as to the accuracy of those figures, and whether they tend to show what the title of each chart states that they purport to show.

The Court: Is that a correct statement?

Mr. Doyle: Yes, sir, I think so.

The Court: Thank you.

Mr. Frisbie: The Government would like to call as its first witness for today **[179]** Mr. J. Angus Parker.

[180] Whereupon,

JAMES A. PARKER,

was called as a witness by and on behalf of the Government, and having been first duly sworn, testified as follows:

Direct Examination

By Mr. Frisbie

Q. Good morning.

Mr. Parker, would you state your full name, please? A. James Angus Parker.

Q. And what is your present occupation? A. Vice President, Peoples Bank, Lithonia.

Q. How long have you been employed in that position? A. Eleven months.

Q. Where did you receive your initial training in banking? A. It would be with C&S, LaGrange.

Q. And when did you start employment with the C&S Bank in LaGrange? A. 1952.

Q. Where did you go from that position? A. From LaGrange, I came to C&S DeKalb, Avondale.

[181] Q. And what position did you hold at Avondale? A. Assistant Cashier-Assistant Vice President.

Q. How long did you stay at C&S DeKalb? A. Four and a half years.

Q. When you left C&S DeKalb, where did you go? A. I went to Stone Mountain.

Q. What was the name of the bank when you started your employment? A. Bank of Stone Mountain.

Q. Could you tell us when the name of the bank changed? A. It changed March 15th, 1966.

Q. So that would have been one month after you came to Stone Mountain? A. Right.

Q. And what was your position at the C&S Bank of Stone Mountain? A. President.

Q. How did you learn that there was to be an opening at the C&S Bank of Stone Mountain? A. Mr. Starks and Mr. Hall talked with me in the fall of 1965 in regards to going to Stone Mountain for a month while Mr. Gibson was in the hospital and then to check further, further about the possibility of going there permanent.

[182] Q. Would you identify Mr. Gibson, please? A. Mr. Gibson was the President of the bank at that time. He came with the bank in 1959.

Q. And who was Mr. Starks that you referred to? A. Mr. Howard Starks was with the C&S branch supervision.

Q. And who was Mr. Hall that you referred to? A. Mr. Hall was with C&S as the Comptroller and maybe later first Vice President.

Q. And you went out there for this temporary period while the President was ill. When did you next learn that there was an opening for the Presidency of that bank? A. February, first of February.

Q. And who contacted you at that time? A. Mr. Starks and Mr. Hall had a meeting with the Board in my presence.

Q. Which board? A. The Board of the Bank of Stone Mountain.

Q. Did Mr. Hall and Mr. Starks tell you anything at that time about the relationship of the Bank of Stone Mountain and C&S Bank? A. Not really, it was a known factor that it was a five per cent bank.

Q. Are you aware of the term correspondent **[183]** associate? A. Yes, sir.

Q. Was the Bank of Stone Mountain referred to as a correspondent associate? A. Yes.

Q. When you went to—prior to the time you assumed the job as President of the Bank of Stone Mountain, were you given any instructions by anyone at C&S as to what your functions would be at that bank? A. It seemed that the earnings of the bank were not sufficient to pay the cost of the new building that they had just gotten into, maybe in the middle of '65, and my job was to go out and see if we couldn't get the earnings up.

Q. Were you given verbally any instructions on what you should do? A. Nothing other than just that statement.

Q. Who made that statement to you? A. Mr. Hall and Mr. Starks.

Q. Both of them did? A. Right.

Q. And this was all the instructions you were given; is that correct? A. Uh huh (indicating the affirmative).

[184] Q. You identified that Mr. Walt Gibson was the president before you? A. Yes.

Q. Did you personally know Mr. Gibson? A. Yes.

Q. Do you know what his prior banking experience was, his immediate prior banking experience? A. I got acquainted with Mr. Gibson after he went to Stone Mountain; I didn't know him when he was supposed to work at C&S, maybe at Tenth Street.

Q. Do you know who was the president before Mr. Gibson? A. Mr. Arthur Drew.

Q. Are you personally acquainted with Mr. Arthur Drew? A. Yes.

Q. Do you know what his prior banking experience was? A. Not really, just that he had worked for C&S and was retired.

Q. Do you know when the Bank of Stone Mountain opened for business? A. In July of '57.

Q. And was it Mr. Drew that was the first president at that time? **[185]** A. Yes.

Q. Did Mr. Drew keep any position in the bank when he stepped down from the presidency? A. He stayed on the board.

Q. Was he a full director? A. Yes.

Q. Or an advisory director? A. Full director.

Q. When you arrived at the bank, how many officers were at the bank? A. Two.

Q. Two officers. Who were these officers? A. Bob Maughon and myself.

Q. Do you know Mr. Maughon's prior banking experience? A. Yes.

Q. What was it? A. With C&S, also with the Bank America and Valley National, Phoenix.

Q. Do you know what his immediate prior banking experience was prior to going to Stone Mountain? A. In the area of maybe trust department.

Q. I mean for which bank? A. For the C&S.

Q. Mr. Parker, did you ever have occasion to **[186]** hire any new personnel while you were president of that bank? A. Yes.

Q. Did any of these personnel subsequently become officers? A. Eventually.

Q. Who were these persons? A. The one that—the only one that became an officer was Gene Lockeridge.

Q. And what was his prior banking experience? A. With the C&S.

Q. Was Mr. Lockeridge employed by the Bank of Stone Mountain at the time you came? A. No.

Q. How did you acquire Mr. Lockeridge in your employment? A. From the C&S.

Q. From the C&S Bank. Did you ever have occasion to hire employees for full time replacements? A. Yes.

Q. Where did you get replacements for your emplc ees or additions to your employees? A. From most any source that was available.

Q. Where did you usually go to, was there any particular place that you usually went to to seek **[187]** replacements for your personnel? A. In the area of female, it was more or less hired from the local area. Men, we tried to go to C&S.

Q. And who did you contact at C&S about this? A. It would be the ones that would be in supervision, branch supervision.

Q. Do you have any idea how many men personnel you obtained from C&S? A. Two.

Q. Two. How many men did you hire total? A. Three.

Q. Now, would this have been during the period of time that you were associated with the C&S National Bank that you hired three personnel, three men personnel? A. No, two, and then the third one came after the association.

Q. All right. So you hired two men personnel and both came from C&S during the period you were associated with C&S. A. Right.

Q. Then did you ever have occasion to have a need for temporary help, personnel help? A. Yes.

Q. Where did you obtain any temporary help? **[188]** A. Mostly local.

Q. Mostly local. Did you ever get any temporary help from the C&S National Bank? A. Not until after the association, and that was in the area of maybe retired C&S folks that would maybe be working part time.

Q. Did you go to C&S National Bank? A. No, they came to us.

Q. Mr. Parker, did your officers, or your employees, any of them, receive any training to develop any of their particular skills in banking while they were employed at your bank? A. Yes.

Q. Where did they receive this training? A. It would be training through C&S or schools that would be provided.

Q. Did the C&S holding company own any of your bank's stock? A. Yes.

Q. Do you know when this was bought? A. In '59.

Q. Who were your correspondents, did you have any correspondent banks while you were at the C&S Bank of Stone Mountain? A. C&S National.

[189] Q. Were they your sole correspondent? A. They were until C&S DeKalb became a correspondent in maybe 1970, latter part of '69.

Q. And what function did C&S DeKalb play in your correspondent relationship? A. It was maybe—I don't—I don't fully know.

Q. Does the term depository bank have any particular meaning to you? A. Yes.

Q. Would you explain to the court what a depository bank is. A. It would be the bank that—our bank or the bank that we would be the correspondent bank that would be using to clear our items through their system using their processing sources.

Q. Who were your depository banks? A. It would be C&S National.

Q. Was that your sole depository bank? A. Yes.

Q. Does the term depository bank have anything to do with keeping money on hand at that bank? A. Yes.

[190] Q. Could you explain that? A. It would be in the work that they do for us. There should be a compensating balance carried with the bank to enable them to process and at least break even on the job that they would be doing for you.

Q. Did the Bank of Stone Mountain or did the C&S Bank of Stone Mountain have a pension and profit sharing plan while you were President? A. Yes.

Q. Who administered this plan? A. The C&S National.

Q. Did you have any health, accident or disability plans for your employees? A. Yes.

Q. And who administered these plans? A. C&S National.

Q. Did your bank receive any publications from C&S National? A. Yes.

Q. What publications would these be? A. Be operating guides, bulletins and such.

Q. Okay. In terms of employee publications, did you receive any of these? A. Meaning personal?

Q. Did you receive any form of newspapers or—— **[191]** A. Oh, it would be—it would be the monthly newspaper that we would circulate among the system.

Q. Did you regularly and systematically receive this newspaper? A. Right.

Q. Did your employees have access to Camp C-S-ta? A. Yes.

Q. Do your employees have C&S check cashing privileges? A. Yes, sir.

Q. Did your employees have that C&S Bank Club privileges? A. Right.

Q. Was your bank ever given any manuals or guides that were published or were published by C&S? A. Yes.

Q. I would like to show you a copy of what has been marked Defendants' Exhibit 270 and ask if you can identify this? A. Yes.

Q. What is that, Mr. Parker? A. Consumer Credit operating guide.

Q. Would you look at that one more time and see if that is the correct title for those volumes?

Now, I must say that the covers on there are **[192]** not the original covers as we understand it. They are covers that we

have put on there, they are copies, they are our copies, the plaintiff's copies. A. This is Consumer Credit operating guide and this one is the general operating guide.

Q. Mr. Parker, I would like to show you what has been marked as Defendants' Exhibit 311 and see if you can identify that? A. Yes.

Q. Could you tell the Court what that is? A. It would be Operating Bulletins that would be circulated among the banks.

Q. Okay. You can put those down for a moment. Now since I do not have the original of the general operating guides there, I must ask you to explain it in a little bit—was the general operating guide a loose-leaf type manual that you could add pages to and take pages out of as changes occurred? A. Yes.

Q. Did you regularly and systematically receive changes or additions to these manuals in front of you? A. Yes, sir.

Q. Was correspondence in the form of changes or additions to these manuals addressed to your bank by name? A. Yes.

[193] Q. In the addressee portion of the correspondence, did it say——

Mr. Hodgson: If Your Honor please, he's leading the witness very precisely. I object to the form of the question.

The Court: All right, sustained.

Q. Could you explain how these were addressed to you? A. It would be addressed in the envelope that would come in, but it would be addressed to the President affiliates and President of the correspondent associates.

Q. Now the letter that you described, was that on the envelope that came in or on the document itself? A. On the document.

Q. Was this correspondence that came to you always addressed to you the way you described it, the latter part? A. Mostly, most of the time.

Q. When it was not most of the time, how did it—how did you receive it? A. It would maybe have President of associate correspondent left off.

Q. Would there be anything added to the document to show that you should be on the distribution list? A. No.

Q. Why would you get a copy of this document, **[194]** then? A. I don't know.

Q. Mr. Parker, did your bank, when it was a C&S Bank of Stone Mountain, do any of its advertising on its own? A. Not too much.

Q. Why did you not advertise your bank? A. We were part of an advertising program that would be C&S Banks in Georgia. We would use the type advertising material in the statement and such that would indicate C&S Banks in Georgia.

Q. All right. Did you feel while you were President of that bank, that your bank benefited from the use of this name? A. Yes.

Q. Did C&S National Bank do any of your work on their computers? A. Yes.

Q. What were some of the things that were on the computer that your bank had? A. It would be the DDA or savings installment loans, payroll processing.

Q. Any others? A. We handled the C&S charge card.

Q. Could you explain what DDA stands for? **[195]** A. It would be the demand deposits that they would process for us, checking accounts.

Q. Are you familiar with the term proof and transit work, the terms? A. Yes.

Q. What is proof and transit work? A. It would be work that would be between say our bank and C&S National in the processing of our work for us that would be run through our proof machines and then would come back from them the following morning, the work that they would do for us.

[196] Q. So who did your proof and transit work for your bank? A. We handled it, as far as the proof operator on the scene, but it was sent downtown for proof. Well, not for proof, but for finalization of the process.

Q. Did your bank ever have any general liability insurance? A. Yes.

Q. Did your bank ever have any fire insurance? A. Yes.

Q. Did your bank—was it a participant in a blanket bond? A. Right.

Q. Who did you contact about paying for each of these services? A. It handled through the comptroller department; that would be a blanket or umbrella type coverage.

Q. When you say the comptroller's department, which comptroller's department are you referring to? A. C&S.

Q. Mr. Parker, can you tell me, in the context of banking, what is a racehorse sheet? A. That was referred to on a sheet that would have each branch or each bank listed, and in that would **[197]** include the participation of loans that each one had, as far as for this particular month. Then, the ratio that they arrived at investments on the deposits that you had available to how you invested them in loans and return on them, would have a ratio there as to how each bank was doing.

Q. How many banks were listed on this racehorse sheet? A. Oh, it could be maybe seventy banks.

Q. And you stated that they were banks and—— A. Branches.

Q. Banks and branches. Are banks and branches—first of all, branches of what bank? A. Of the C&S.

Q. And when you say banks, can you give me an idea of what banks were covered on that list? A. It would be banks throughout the state that would be listed, the five-percenters as well as the affiliates.

Q. Was the Chamblee National Bank on that list? A. Yes.

Q. Was the Citizens National Bank of Sandy Springs on that list? A. Right.

Q. Was the C&S Bank of Tucker on that list? **[198]** A. Yes.

Q. And the Bank of Stone Mountain was on that list? A. Yes.

Q. C&S Bank of Stone Mountain. Did you say approximately how many banks were on that list? A. Oh, around seventy.

Q. Seventy. Did you say that this was a statewide listing? A. Yes.

Q. When you spoke about a ratio, can you tell me what the ratio was your bank enjoyed at the time you became president? A. Ratio was around .80.

Q. .80. And what would be—what was generally considered as an acceptable or an average ratio? A. One Hundred, 1.0 should be the minimum.

Q. I see. On the average for the period from 1966 to 1970, can you tell this Court how your bank compared with the other banks on that list? A. Down through the years there it would be maybe 1.20, 1.40, but the last—in the middle of '70 it was 2.58.

Q. Is 2.58 high or unusual? A. One of the, I say, within the top five.

Q. Did your bank ever attain the top listing, **[199]** the top bank? A. At times.

Q. At times. Would you say generally that your bank was usually in the top quarter, or bottom quarter, or middle, or half or where? A. It would be in the—usually in the first five.

Q. Usually in the first five? A. First five.

Q. Places out of seventy? A. Uh-huh, right.

Q. Were there any other banks located in Fulton or DeKalb County that also ranked high on this list? A. Yes, Chamblee, Tucker, they would usually be, one or the other, in first. I remembered them because of their position that they would usually take.

Q. Had you ever had occasion for your bank to consider opening a branch office? A. Yes.

Q. Your board of directors ever vote on this? A. This was before the countywide branch banking bill was passed. I noticed that the city limit of Stone Mountain Bank maybe twenty-five years ago had an addition to the city, and in checking this portion that had been annexed, was near Memorial Drive, and in **[200]** acquiring a piece of property maybe that would touch this newly annexed portion could be further annexed to the city, and then maybe have a branch out on Memorial Drive that would give us some access to the public. Because we were back behind the city, and at the foot of the mountain, not in view of any traffic that would be—maybe a thoroughfare. In finding this piece of property, it was for sale, and I talked to my board about purchasing it. And they agreed after a couple of chats with them to go ahead and purchase this piece of property. And that was in—maybe in the latter part of '68, I think it was. The property was closed in May of the following year.

Q. Okay. I think my question was, did your board vote on whether to—I think the question was open a branch. Okay, I will rephrase it. Did your board vote on acquiring property for a branch? A. Yes.

Q. And what was the result of that vote? A. The property was acquired. It took a few months because Adair's was mixed in with the property, so we worked on it for maybe three or four months and got it to a point of closing in May of that year.

Q. Did your bank subsequently buy this property? A. The C&S National bought the property for **[201]** us, for it to be used as a future branch site.

Q. Can you explain how this happened to come about that your bank selected a piece of property and C&S National bought it? A. C&S offered to buy this piece of property and hold it for us, to keep us from having to use the money from what the bank there was operating on, which would be separate.

[202] Q. When you say C&S offered, who was this at C&S that you talked to about this? A. Mr. McIntyre.

Q. Who is Mr. McIntyre? A. He was in branch supervision.

Q. Do you know his first name? A. John.

Q. John McIntyre. Did you ever attend any meetings that were held at the C&S National Bank, Mr. Parker? A. Yes.

Q. Can you tell me what type of meetings you attended? A. It would be Wednesday morning meetings, would be Mr. Lane's meeting and then a credit meeting or credit review meeting afterwards.

Q. Was this held every Wednesday? A. Yes.

Q. Wasn't this your day off? A. Yes.

Q. Did any of the other correspondent associate Presidents attend these meetings? A. Yes.

Q. Do you remember seeing Mr. Hazelrig at any time at these meetings? **[203]** A. Yes.

Q. Do you remember seeing Mr. Connally? A. Yes.

Q. Or Mr. Hugh Lane? A. Yes.

Q. Or Mr. Fortuna? A. Yes.

Q. Mr. Harris? A. Yes.

Q. Mr. Berry? A. Yes.

Q. Did you attend any other meetings at C&S? A. I would be subject to attending other meetings, sometimes we would have a Saturday meeting which would be maybe not regularly, but called, maybe.

Q. Mr. Parker, do you know of any meetings that were sponsored or called by C&S that other correspondent associates were invited to that you weren't? A. No.

Q. Did you participate in the Goal Post Review Program? A. Yes.

Q. Can you explain to the Court briefly what the Goal Post Review Program is? A. This would be a performance maybe that you would **[204]** project yourself for the bank in deposits, loan volume, wills, just a number of things that you would project for a quarter at a time. This would be for the year. It would be reviewed quarterly.

Q. These projections that you made, did you write them down on a piece of paper? A. Yes.

Q. Where did you get this paper from? A. From branch supervision.

Q. And you said that this was reviewed. Who did you review these projections with? A. Branch supervision.

Q. Did the review program continue not only to your projections, but an analysis of your projections? A. Yes.

Q. And were these reviews held with the same people? A. Right.

Q. Did you ever have any persons on your Board of Directors that were also officers at C&S National or one of the affiliate banks? A. Yes.

Q. Were any of these persons full Directors in the sense that they had voting powers? A. They were at one time.

[205] Q. Do you know approximately when the time was that there ceased being full voting members on your Board of Directors, those who were also C&S officers? A. I don't remember exactly what time, but maybe in '68.

Q. After that period of time, then, did you subsequently have any C&S officers on your Board of Directors in any capacity? A. In the advisory capacity.

Q. Did they have to be elected by your Board of Directors in this capacity? A. It would be appointed, maybe.

Q. Did you ever have any other C&S personnel, excluding these other people, who were advisory Directors attend any of your Board meetings on occasions? A. Yes.

Q. What would they be coming for, for example? A. It would be maybe for any information that they could impart that would help in the operation of the bank.

Q. What did you consider was the function of the advisors on your Board of Directors? A. It would be a person that I could talk with that would help in the day-by-day operations of the bank in the system that we were using.

[206] Q. What kind of help were you looking for? A. It would be supervisory, any help that they could impart.

Q. Did you, you and your Board want these advisors on your Board? A. It wasn't any sign there about wanting them or rejecting them.

Q. Are you implying that you did not want them there? A. There never was any discussion had on it.

Q. Did any of the advisory Directors or persons who were full Directors that were also C&S officers at the time, did they ever make any suggestions or advice at these Board meetings? A. Yes.

Q. Did your Board adopt any of these suggestions or advice? A. They did.

Q. Could you estimate as to whether they accepted or how much advice that your Board accepted? A. From a standpoint o the number of things that they accepted or——

Q. Correct. A. I can think of maybe the profit sharing, the pension plan.

[207] Q. Without detailing the types of things that advice was given on, just considering the advice and suggestions that they made at the meetings, could you give us an idea of what the percentage of times that their advice was accepted?

Mr. Hodgson: I object to the form of his question because the answer could only lead to conjecture because you have got to know the sort of things, exact things. Now if Mr. Frisbie wants to ask him what was rejected and what was accepted, that is an acceptable question. Otherwise, I object.

Mr. Frisbie: I don't believe that's the case. He testified they gave regular advice and suggestions to the Board meetings. We are not concerned at this point about the specifics of the thing.

The Court: I will overrule the objection. A. I would think that up to a point, more things were accepted than at a time when more things were looked at and not really acceptable.

The Court: Was that time a geographical time, or what? A. It would be that, I think that.

The Court: Chronological or just what kind of a division?

[208] A. It would be, the years that I was there, would be maybe the first three or four years, more things were accepted than they were later.

Q. And why were—do you have any idea why at this later period of time more things were not accepted? A. Not no explanation as to why they would not accept certain things.

The Court: Who is they?

A. The Board of——

The Court: Are you part of the Board? Are you a part of one who is doing the accepting or not accepting? A. Yes.

The Court: You don't know why?

A. Like this, Your Honor, the statement would be in presenting to them quarterly dividends rather than annual, would be the fact that we don't want to pay quarterly, we want it all in one lump sum, and the Board would vote to continue on the annual dividend basis. That would be the action that would be taken on that particular issue.

[209] The Court: But you have no explanation for the change in attitude?

A. Not really.

By Mr. Frisbie

Q. Mr. Parker, did your bank lease any equipment from C&S? A. Yes.

Q. What types of equipment did it lease from C&S? A. I know one particular piece was the proof machine.

Q. Did your bank utilize the central purchasing facilities of C&S? A. Yes.

Q. Did your bank utilize any of the C&S mangament training? A. Yes.

Q. In what regards? A. It would be programs that they would offer for management.

Q. Would these be held at—where would these be held? A. They would be held at CSTA mostly.

Q. At Camp CSTA? A. Yes.

[210] Q. Did your bank ever receive any audits by C&S? A. Yes.

Q. What kind of audits were these? A. It would be a full audit, credit-review audit that would be maybe held quarterly; different portions of the bank would be audited at different times, and in the course of a year it would be considered a full audit.

Q. Did you ever have any surprise audits on areas that you were not anticipating audits? A. It would always be surprise.

Q. Did your bank, the C&S Bank of Stone Mountain, ever send any information on its loans to C&S? A. Yes.

Q. How often was this done? A. Monthly, a debtors list.

Q. You sent a debtors list to C&S? A. Yes.

Q. Did you send any other loan information to C&S? A. If there was a loan, that would be maybe large enough that the bank would not want to maybe—or could not handle it, it could be reviewed at the credit review meeting and maybe participation of other **[211]** banks with you on it.

Q. So this would be a loan that your bank could not handle by itself? A. Yes.

Q. Okay. Was there any other information on your loans that were sent to C&S? A. Could be a list that we would maybe get the credit department at C&S National to help us in credit investigation on a particular loan or a customer.

Q. Were any of your loans ever reviewed by C&S? A. Yes.

Q. How often was this done? A. Could be reviewed—well, they were reviewed every month at the directors' meeting, the debtors list of, say, ten thousand or fifteen thousand and above, would be circulated to the C&S National on a monthly basis.

Q. When you say they were reviewed at the directors' meeting, which directors' meeting are you referring to? A. The Stone Mountain directors' meeting.

Q. Okay. And my question was, were any of your loans reviewed by C&S? A. Not—not really, not before commitment, prior commitment.

[212] Q. Either way? A. No.

Q. Did you ever make any joint calls with representatives of C&S to solicit new business? A. I did.

Q. Do you know, Mr. Parker, of any services at all that were provided to other correspondent associate banks in the Atlanta area, in Fulton and DeKalb Counties, that you didn't get or have access to? A. If we didn't have it, it was maybe available for us through C&S.

Q. Can you think of any specific things that you didn't have that the other correspondent associates were receiving? A. It could be the company-account analysis program that we did not have.

Q. Why did you not have a company-account analysis program at your bank? A. The board at Stone Mountain didn't want to charge the small merchant that would be maybe processing a lot of checks, and not have too much deposit money with the bank; therefore, they could pay the larger fee for their monthly processing of their account, because it was based on so many items, I mean checks that would be cleared through their account, and as opposed to [213] their balance that they would keep, average balance.

Q. Did your board ever consider adopting this company-account analysis? A. No.

Q. Was it ever brought up at any of your board meetings? A. Yes, right.

Q. Who brought it up at your board meeting? A. I did.

Q. Was it your idea and suggestion to institute a company-account analysis at your bank? A. No, it was the—the C&S

system that would be using this type of assessment on the checking accounts.

Q. Did anyone from C&S National Bank contact you relative to suggesting or bringing up this program at your board meeting? A. Yes.

Q. Who was this? A. I got literature from branch supervision and it was Don Ingram, Joe Hall.

Q. And about what time was this, Mr. Parker? A. In the fall of '69.

Q. And you stated that you did present this to your board? **[214]** A. Yes.

Q. And what was the reason for rejecting it? A. They did not want to charge a small merchant that would be subject to a greater charge than the regular cost that was being assessed.

Q. Fine. Mr. Parker, did you ever discuss your plans for branching with C&S National Bank? A. Yes, the local board wanted to acquire this or put in this branch out on Memorial Drive, or any other site that they could have at the time that —at this time they talked with Mr. Hall, the one from my board that did talk with Mr. Hall was Joe—I mean, excuse me, was Hugh Jordan, talked with Joe Hall. And at that time it was a matter of wanting to check with him to see whether or not we could get the help through them on this branching, and at that time Mr. Hall wanted to chat about maybe acquiring Stone Mountain as a branch. This was in 1970, in the first quarter of '70, I guess.

Q. And what was—did you subsequently have a meeting with Mr. Hall concerning this conversation? A. Yes.

Q. Who was in attendance at this meeting? A. It was Hugh Jordan, Kingsley Weatherley, myself, Dan Handley, Don Ingram, Joe Hall and Mr. Lane.

Q. Where was this meeting held? **[215]** A. At C&S National Bank.

Q. And do you remember the date of that meeting? A. It was the first week, week or two in May, 1970.

Q. Was there discussions held at that meeting relative to your plans for a branch? A. Yes.

Q. And what was the reaction of the representatives from C&S? A. They were wanting to acquire the bank at a later date under the plans that it would become a branch, since the countrywide branch banking had passed.

Q. Had your board ever discussed, prior to this time, a possible acquisition by C&S? A. No, not seriously.

Q. Did these statements—who made the statement that it was thought about, about making you a branch? A. Mr. Hall.

Q. Did Mr. Hall's statement come as a surprise to you at that time? A. Not to me.

Q. What was your reaction during that meeting to this plan, to their idea of making you a branch at some time in the future? A. Would be—maybe at that time I was in a **[216]** position to maybe feel like that I would either stay with Stone Mountain, if it was a disassociation, or else go somewhere else for employment. I didn't feel at that time close enough to C&S to be one that would go back with C&S from actions that had preceded this time.

Mr. Frisbie: Your Honor, with the permission of the Court, it has been about an hour. I would like to take a recess for ten minutes.

The Court: All right. We will take a ten-minute recess.

[217] Q. Mr. Parker, the meeting we were referring to before we took the recess, in that meeting—after that meeting was over, did anyone take any notes concerning what went on at that meeting? A. Yes.

Q. Have you seen these notes or a transcription of what went on at that meeting? A. I have.

Q. Did you sign those notes? A. Yes, sir.

Q. I would like to have you take a look at this document and see if these are the minutes.

Mr. Hodgson: If Your Honor please, I trust we will be allowed to see before he examines.

The Court: I am sure you will.

Q. Mr. Parker, do you agree that that is a true copy of the minutes that were transcribed after that meeting was over? A. Yes.

Q. Okay.

Your Honor, I'm not offering these in evidence at this time.

The Court: Give me some identification so I can put my notes a date or some description. All I have is the minutes of some meeting.

[218] Mr. Frisbie: These purport to be the minutes of an April 21st, 1970 meeting.

The Court: Of who?

Mr. Frisbie: That was attended by—as Mr. Parker has testified, Mr. Weatherly, Mr. Jordan, Mr. Parker and representatives from C&S, Mr. Mills Lane, Mr. Joe Hall, Mr. Don Ingram and Mr. Dan Handley.

Mr. Hodgson: I would like to help my colleague, it was a May 11th meeting, it wasn't April. It's a little unclear, it was simply notes of a meeting, not minutes of any formal body.

The Court: May the 11th and not April 21st.

Mr. Frisbie: That's correct, I stand corrected.

The Court: All right, and it involves the desire of Stone Mountain to acquire property in the name of C&S and that they want Stone Mountain to be a branch.

Mr. Frisbie: Not that they want to acquire property. I think Mr. Parker testified they wanted some advice as far as their branching plans and C&S's response.

Mr. Hodgson: I would make one or two other observations, if Your Honor please. First, we are familiar with this document from earlier proceedings **[219]** among the parties. Second, this document reflects the recollection of those who wrote it. I believe it was Mr. Weatherly and Mr. Jordan and not representatives from C&S, that is to say, it was written unilaterally and not approved by anyone from Citizens and Southern. I wish that point made clear.

The Court: You say you are not offering it?

Mr. Frisbie: No, sir.

The Court: At this time or ever?

Mr. Frisbie: We do not intend to offer this.

The Court: Why all the problem of identifying it?

Mr. Frisbie: Because we want to ask Mr. Parker some questions about this document, about a meeting that happened quite some time ago about which some detail is desired as to his memory of this.

The Court: Or maybe——

Mr. Frisbie: Refresh his recollection.

The Court: Maybe if you would ask him some questions, it would tie it in as to how it's relevant to this proceeding. It would be helpful.

Q. (By Mr. Frisbie) Mr. Parker, did you agree that this was a true copy of the notes that were transcribed after that meeting? A. Yes.

[220] Q. And do you agree at this time that all statements contained therein are your views on this matter as to what you remember? A. Right.

Q. During this meeting, did anyone from C&S make any representation to you and your group as to what would happen to your bank if you did not merge, if you did not agree to this merger? A. That we would be cut loose from the C&S system, naturally, and be subject to losing benefits that we would be enjoying at that time.

Q. What specific benefits were referred to, if any? A. Oh, I guess maybe it would be the tenure that some of us would have that would be interrupted.

Q. Tenure in what regards? A. With the C&S Bank.

Q. Were there any representations made as to the status of your employees? A. It would be a matter of them deciding whether or not they would come back to C&S or stay with Stone Mountain.

Q. Did anyone at that meeting state in one way or another that they believed one of those things you just mentioned would occur? [221] A. Could occur, yes.

[222] Q. Were there any representations made at that time as to the growth of your bank, the future growth of your bank if you did not merge? A. Possibility of the growth of the bank not enjoying in the future what we had enjoyed in the past by being an independent bank.

Q. Were there any representations made as to your personal status and how it would be affected? A. Naturally, I would—would be subject to losing tenure or benefits that I had enjoyed.

Q. Were any statements made regarding the branching of C&S National, if you did not merge? A. Could be a possibility of branches from C&S being out in that area in the future.

Q. What was the opinion of your—what was your personal opinion during this meeting as to the feasibility of going through with this merger, the possibility of a merger? A. With the board at Stone Mountain, with their feeling, I didn't think there would be a strong possibility of it being merged.

Q. Was there ever made any representations as to the obligation of your bank towards C&S because of your relationship? A. In that we had enjoyed growth and earnings **[223]** maybe because of being a part of C&S.

Q. Did you feel obligated in any way to continue through with any possibility of merger, of seeing it through? A. I felt like that under the conditions that existed between my board and C&S, that it wasn't very probable.

Q. Did you feel like you were running a C&S Bank at that time? A. I felt like that I had—I had been running a bank that was more C&S than it had ever been.

Q. Well, did you feel like you were running a C&S Bank at that time? A. I felt like that—that my board at Stone Mountain was affecting the efficiency of it being run like a C&S Bank.

Q. You stated earlier that all of your prior banking experience had been with C&S. A. Yes.

Q. Did you deviate from any of the C&S policies, to your knowledge, while you were running that bank? A. I had to at times, because of the board not agreeing with certain policies of C&S.

Q. What was the result of this meeting, this May meeting we were previously discussing? **[224]** A. A meeting by the board at Stone Mountain was held within a week of this time, in the month of May, and it was determined at that time that there would be a disassociation.

Q. Did your bank buy the stock back? A. Yes.

Q. When did this happen? A. It happened about mid-year, June, maybe.

Q. Did C&S National Bank remain your correspondent bank? A. No.

Q. Who became the next correspondent, primary correspondent for you? A. Fulton National.

Q. Did any of your officers leave your bank to go back to C&S National or any of its affiliates? A. No.

Q. For the year following your disassociation, how did your bank do in terms of growth? A. We grew approximately two and a half million in total assets, about two million in deposits.

Q. Was this a growth commensurate with the years when you were associated with C&S? A. It was.

Q. Was it higher or lower or about the same? [225] A. Each year seemed to be a little more growth in deposits and in total assets.

Q. Could you, then, when you had Fulton National Bank as your correspondent, get all the services that you needed from Fulton? A. Could not get the services from Fulton that we were getting from C&S.

Q. Such as? A. The audit review.

Q. Could you have gotten the audit review from any other bank in town? A. Not just as a correspondent bank.

[226] Q. Mr. Parker, the question I asked you was whether you could get all the services that you needed from Fulton National Bank? Does your bank—and then you said you could not get credit or did you say audits? A. The audit that we were getting from C&S.

Q. All right. Are audits available through private firms? A. Yes.

Q. Is this something that a bank needs on a regular basis, an audit? A. Yes.

Q. Were there any other services that you needed that you could not get from Fulton National Bank? A. It would be the services of maybe that only a bank that you are connected with in the fashion that we were connected with C&S, that maybe would not be available to any other bank that would be just a correspondent bank.

Q. Such as? A. Just any bank that we, at this point, as a correspondent of Fulton and First National Bank of Georgia, all of these banks, they are not in a position to give us the service that we were getting from C&S.

Q. But do you know of any specific services that you needed that you could not get from Fulton? A. The one service that we were getting that, **[227]** maybe of a major consequence, would be the audits review.

Mr. Frisbie: I have no further questions.

Mr. Hodgson: Could we have just a moment, Your Honor, only about two minutes.

Cross-Examination

By Mr. Hodgson

Q. Angus, I believe you testified at one point that the ratio of operating earnings to total assets in your bank increased from .8% to 2.58% while you were there? A. Yes.

Q. Don't you attribute a good bit of this to the fact that you brought C&S management to that bank? A. I feel like it was a matter of management that caused it because I put in a system there that would allow me to grow and at the same time, the only system I had enjoyed was C&S.

Q. You felt that this overall relationship was then necessarily beneficial to that bank, don't you? A. Yes, sir.

Q. Don't you feel then that this bank would have done better following June of 1970 had it continued as C&S Bank, than

it actually did? A. I can only say that the growth hasn't continued on the same relationship that it had in the previous years as an independent bank.

[228] Q. Don't you feel it would have done better had it remained a C&S Bank? A. From the standpoint of being with the C&S name, that would maybe attract people, that would not ordinarily come to the bank, there could be an area there that could be an increase.

Q. And Angus, as we have discussed, I guess the continuing of C&S management would have been of help, too; would it not?

Mr. Frisbie: Your Honor, we are getting into a pretty big area of speculation of what might have happened if all these things happened.

Mr. Hodgson: I believe the Government opened this up.

The Court: Let me find out if they did.

What was the purpose of putting this witness on the stand?

Mr. Frisbie: The purpose of putting the witness on the stand was to show that in all substantial respects the C&S Bank of Stone Mountain was no different than the other bank associates.

The Court: Wasn't it for the purpose of showing after this affiliation, they could get along without this affiliation with C&S?

Mr. Frisbie: That is part of it.

[229] Mr. Hodgson: I believe my question was, don't you agree then that the continued supply of C&S management and services would have been beneficial and would have increased its growth more than as an independent bank? A. Being a part of a network in the metropolitan area with C&S's name and system could be.

Q. You agree? A. Yes.

Q. And the more the Atlanta metropolitan area grows out to Stone Mountain and encompasses more of this would be so; isn't that right? A. I think so.

Q. Angus, I believe you said you came in February of 1966 to the Stone Mountain Bank? A. Yes.

Q. And soon after that, it changed its name to the Citizens and Southern Stone Mountain Bank? A. Yes.

Q. You stayed as President until October of 1971? A. Yes.

Q. And in fact, you stayed at that bank until the time of disassociation in June of 1970? A. Yes.

Q. Is that right? **[230]** A. Yes, right.

Q. Thinking back, Angus, when you went out there, you had a little difficulty even getting your qualifying shares; didn't you? A. Yes.

Q. You got criticized for this by the regulatory authorities? A. Yes.

Q. Why was it hard to get the stock? A. There wasn't any available.

Q. No one of the Directors or shareholders would make it available? A. Right, I repeatedly at each Board meeting asked for stock to, for qualifying shares.

Q. So that you could sit on the Board of Directors? A. Right.

Q. And you didn't ever get as much as the other five per-center Presidents were getting as an incentive to run those banks; did you? A. I only got qualifying shares.

Q. Yes. Angus, there were no C&S related people—by that, I mean, officers, Directors, employees of C&S, to any extent or friends of theirs, who had any shares of stock in this bank; were there? **[231]** A. Not to any great extent.

Q. Mr. Hall and Handley had their qualifying shares subsequently, I guess? A. Mr. Hall and Mr. Starks.

Q. Mr. Starks had their qualifying shares? A. Yes.

Q. Do you know of any others? A. It would be maybe Miss—the telephone supervisor at C&S had a few shares, Mr. Drew had some in his family.

Q. Incidentally, talking about Mr. Drew, he had been retired from the C&S before he went out there in the beginning; hadn't he? A. That's what I understand.

Q. And this bank began in 1967; didn't it? A. '57.

Q. I beg your pardon. In 1957, and it didn't have the assistance in its organization that Chamblee and Sandy Springs, and North Fulton and South DeKalb had; did it?

Mr. Frisbie: I object to that question. That is going back to a period of time when this bank was formed, a period of time before Mr. Parker came out there. He would have no direct knowledge of this fact.

Q. If you don't know, you can sure answer, I don't **[232]** know.

The Court: That's right.

A. I only know that the bank was organized in 1957 and C&S became a part of it in '59.

Q. Not until 1959? A. From the records of the bank.

Q. Yes, sir, and is it not true that the C&S came in at that time to help with a bad credit problem that had been discovered by the FDIC? A. Yes.

[233] Q. So these shares were all the shares that the C&S holding—and that was what the C&S holding company got, it is five percent; right? A. Yes.

Q. 1959, and that's all it or any of its friends ever got; is that not right? A. Right.

Q. And I believe that there was—you have told me that some twenty-five to thirty percent of the shares were held by the McCurdy family? A. Could be twenty-five or thirty with the relatives of the McCurdy family.

Q. Yes, sir. Now, turning from stock ownership to yourself as a manager, didn't you have some difficulty in asserting yourself as the president or chief executive officer of that bank? A. More in the area when I first went there in day-to-day operation of getting a system installed that would allow us to grow.

Q. What sort of trouble did you experience? A. The operation that was at the time, I guess, had been in existence since the bank was organized.

Q. Yes, sir. A. But, in changing the system and putting in the C&S system, I would find that it had been changed **[234]** back when I would recheck from having someone gone behind me and change it, see.

Q. So you had difficulty as a manager in installing the system that you wanted to install? A. Yes.

Q. Which is a system that was recommended by your training? A. Yes.

Q. And advice from the C&S. A. Right.

Q. And which would make C&S more able to help you; is this right? A. Yes.

Q. I believe—who was the chief executive officer of your board of directors? A. At the time that I went there, there was no chairman, but later it was Kingsley Weatherley.

Q. How did this come about? A. Oh, came about in maybe '69, by a recommendation from Mr. Hugh Jordan that he nominate him as chairman of the board, and he was elected at that meeting.

Q. Didn't Mr. Jordan tell you after disaffiliation, when you stayed with that bank, that if he had known you were one of us,

that is, that group in Stone **[235]** Mountain, he would never have voted to elect Mr. Weatherley as chairman of the board of directors? A. Yes.

Q. He told you that? A. Right.

Q. So, when you said in your earlier testimony they, that board, never felt that you were really with them, it meant that they were somewhat suspicious of what it was you were doing; did it not? A. Yes.

Q. And Mr. Bobby Maughon, who is still with them, was the gentleman who you had some difficulty with in getting your systems installed, isn't it? A. Yes.

Q. I believe you said that Mr. Maughon had been at C&S; hadn't he earlier quit the C&S before he went to Stone Mountain? A. No, he left C&S to go with Stone Mountain in '57.

Q. In '57. You talked about some things you couldn't get done earlier, Angus, like payment of quarterly dividends, and I believe a program to analyze company accounts in order to determine what charges would be made. A. Yes.

[236] Q. There was some testimony that this was not installed because it would be contrary to the best interest of some small business customers. A. Yes.

Q. Now, Angus, that program only set up a system by which you could analyze the cost of handling the account, didn't it? A. Yes.

Q. So that if a customer with relatively small balances had many transactions in his deposit account with you, each of which cost your bank money, you could determine whether or not this was a profitable account, a break-even account, or a loss account, couldn't you? A. Yes.

Q. And the system didn't say you had to charge that small merchant anything, did it? A. They just outlined a charge basis.

Q. A managerial tool which would allow you to know how

well you are doing with that particular account that was being analyzed; right? A. Right.

Q. So you didn't have to make the charge to the small business customer if you didn't want to later, did you? **[237]** A. It was determined by the board that we would not.

Q. It was determined by the board you wouldn't even put in the system, I believe you said. A. Yes, right.

Q. So the board decided you simply wouldn't have the information available better to manage your bank; right? A. Right.

Q. Were you there at the time there was some difference of opinion as to whether the bank would be—the new building, as distinguished from the original, temporary quarters, would be located on Main Street, as you say, back behind the town, between the town and the mountain or, that is, behind there or out on Main Street? Were you there when that went along? A. No.

Q. So you weren't a part of that discussion.

You referred to these general operating guides and consumer credit guides this morning, those large volumes over there, which you regularly got. Didn't you tell me that those weren't out there when you went? A. They were not being——

Q. Kept up? **[238]** A. They were not being kept up, were not being used to their advantage.

Q. Did you get them to use them to their advantage after you got there? A. To a degree.

Q. To a degree. You were unsuccessful, I gather, in getting them to use those guides as much as you wanted them to? A. Right.

Q. I believe you told me, also, that pre-approval was required of credits or loans over $1,000 unsecured, and $3,000 secured; is that correct? A. That was the policy that was in effect before I went there.

Q. At Stone Mountain? A. Or maybe at the time I went to Stone Mountain, yes.

Q. At the time, did you change this? A. I did.

Q. And did you put it on the C&S system of review the credit after the fact? A. Yes.

Q. Now, your difficulty in installing and following the C&S systems that you have talked about, didn't you get criticized for not being able to get the **[239]** board to go along with you by branch management at C&S? A. Yes.

Q. What was your response to this criticism? A. It would be that I had been there maybe, at this time, a couple of years——

Q. Yes, sir. A. ——and the question was asked, "How are you doing?" And I said, "Slowly, but surely; just can't go in and knock everything off the desk and start anew. You have to kind of gradually move it." But, was successful in doing so to this point by gradually turning it around, so to speak.

Q. To whom were you telling this? A. Mr. Handley.

Q. And what was Mr. Handley's response? A. If you don't do the job, we will get somebody else that will, see.

Q. As a result of this, did you feel that you had lost some of the confidence of Mr. Handley and those others in branch supervision in how you could do a job? A. That was a start.

Q. Yes. What else affected your feelings this way? **[240]** A. Well, other things that would exist from the standpoint of company-account analysis program, the quarterly dividend, some other day-to-day operational——

Q. I believe you testified earlier this morning that you didn't feel close enough to C&S to go back when there was the disaffiliation; is that right? A. Right.

Q. Now, why didn't you? A. Because of what had happened in the previous three—three years.

Q. Why did you finally leave the Stone Mountain Bank? A. I found out that from the standpoint of working with the board there, that our philosophy didn't run parallel. It was just more or less something that didn't—we didn't seem to see eye to eye on anything, that that would be maybe my suggestions or actions that I wanted to put in.

Q. Can you give me some specifics as to that? A. It would be in the area maybe of growth-wise. We were maybe getting to the point at that time that they felt like they were not able to review everything that would be going on, even on a monthly basis, at the meetings.

Q. Angus, is it a fair conclusion that the board **[241]** at Stone Mountain, comprised of Mr. Weatherley and Mr. Jordan and others, McCurdy interests, never really accepted the C&S as their management or their leadership; is this not right? A. They would accept it to a degree.

Q. But they never really accepted it in full? A. No—not fully.

Q. As you put it one time, I think, they said they are there and we are here. A. (Nodding affirmatively.)

Q. These occasions when you met with C&S management and included were people like Mr. Harris from the C&S, Chamblee Bank; Mr. Fortuna from the C&S, Sandy Springs Bank; and Mr. Hugh Lane, from the C&S North Fulton Bank; Mr. Warren Berry from the C&S South DeKalb Bank, on these occasions and others, Mr. Hazelrig and Mr. Connelly, did you all compare notes as to how you were getting along with your various boards? **[242]** A. It was kind of a—some chit chat to a degree on how you would be fairing with your Board because it would be to, it was to my concern, more so than maybe the others because of what position I was in at Stone Mountain.

Q. And your relationship was not nearly so comfortable as theirs from those discussions? A. I felt like it wasn't.

Q. Now the discussion of May 11, if it was as you described it, the Board at Stone Mountain had never seriously considered favorably merging with C&S at any time, had it? A. Had not ever discussed it seriously.

Q. And had never considered it as a result in your mind; had they? A. Not as far as I'm concerned.

Q. Angus, what growth have you observed in the Stone Mountain bank since you have left it? A. I saw a statement, call statement that was printed June 30th or thereafter and the growth was relatively the same as it was about the year or the fall of '71.

Q. And they have a new branch; don't they? A. Yes.

Q. So even with that new branch, their growth has [243] levelled off? A. Right.

Q. Do you know of any direct competition that's entered that area by way of branches or new banks? A. It would be several branches.

Q. Would you name them, please? A. And maybe in a five mile radius?

Q. Yes, and give us general—your general notion of how far away each one is. A. National Bank of Georgia would be approximately five miles. The Trust Company and First National would be within four miles; another Fulton and a Trust would be about three miles.

Q. That's the crop? A. Clarkston would be, I would say, four miles, four or five miles.

Q. Clarkston being what? A. Citizens Bank of Clarkston.

Q. Is it affiliated with any other bank? A. It would be affiliated with a group of banks that is referred to as the Robinson group.

Q. This is Mr. Mac Robinson? A. Yes.

Q. Sometimes called a chain banking relationship? A. Yes.

[244] Q. Any others? A. Snellville Bank, about seven miles away.

Q. One moment, please, Your Honor. My colleague is not real sure about what you may have testified at one point and that was on this pre-approval of loans where you and I were talking about, pre-approval of loans by the Board of Directors at Stone Mountain and C&S. I think you were talking about Stone Mountain, were you not? A. Yes, that would be on the limits at the time I went there to Stone Mountain.

Q. Right, that's right. A. Yes.

Q. What has been the rate of growth of Stone Mountain deposits since disaffiliation, as compared to the growth before disaffiliation? A. It would be——

Mr. Frisbie: Your Honor, could we get a time period involved in here in this. Mr. Parker was only at that bank for some time. He testified he has seen some statement for the bank for some time between the time he left and now.

The Court: Pin it down as best you can.

A. When I left the Stone Mountain Bank in October, latter part of October, the size of the bank at that time and compared to the statement that I saw, the [245] call statement and the paper in June or first week in July, was within a few thousand in deposit as well as in total assets.

Q. So the rate of growth from October of '71 to June 30, 1972, you are saying is basically none at all? A. Right.

Mr. Hodgson: No further questions.

Redirect Examination

By Mr. Frisbie

Q. Mr. Parker, could you state again the exact time that you started to work for the bank? A. At Stone Mountain?

Q. Stone Mountain. A. February 15, 1966.

Q. And when, again, could you tell us when the name was changed on that bank? A. March 15, 1966.

Q. That was one month later? A. Yes.

Q. And did you have any hand in this process of changing the name? A. No.

Q. Were you aware that this was in the process? A. Yes.

Q. Were you aware of this prior to going to the [246] bank? A. I don't recall whether it was before or after because it was something that was, I guess, just happening at that time.

Q. You testified that the C&S Bank of Stone Mountain was not as much a part of the C&S system when you came there as it was at a later date. Is that not correct? A. Right.

Q. Is there any way you can explain why there was this wide disparity there, why it was allowed to use the C&S name? A. You mean before, this is after I went there that the name was changed.

Q. All right. A. It was a matter of putting the system in, going forward from what it was.

Q. Mr. Parker, do you keep the stock books of your bank? A. Yes.

Q. Of the Stone Mountain Bank during that time, did you keep the stock records and everything? A. Yes.

Q. You testified that the stock held by yourself, the two Directors and the five per cent held by C&S [247] Holding Company was, to your knowledge, all it, and it referring to C&S or its friends, ever got? A. Yes.

Q. That is right. Do you know who all the employees of C&S National Bank or its affiliates are? A. No.

Q. Are you familiar with all the customers of C&S National Bank or its affiliates? A. No.

Q. Are you familiar with all the officers of C&S National Bank or its affiliates? A. No.

Q. Could some of the names on the stock list have been customers, officers or employees of C&S National Bank or any of its affiliates and you not recognize them? A. Could be.

Q. You testified also that C&S Stone Mountain became a part, those are words you used, became a part of the C&S system in 1959? A. Yes.

Q. How did it become a part in 1959? A. To the extent of a five per cent correspondent associate.

Q. Is that all you meant by that? A. Yes.

[248] Q. Mr. Hodgson brought out the fact that you were criticized by some of the persons at C&S National about your relationship with your Board; is that correct? A. Yes.

Q. Okay. In that respect, did any of the—any officers of the C&S system ever talk to you about your relationship with the Board, specifically referring to your relationship with the Board? A. From the standpoint of not working with the Board or the Board working with me.

Q. That's right. A. In January of '70, 1970, we had an incentive program that was 11%, 5½ was guaranteed and 5½% was incentive based on performance. If you didn't do the job that was expected of you, you would get 50%. If you did the job, you got 100. If you did over and above what was required of you or the usual would be 150. I was given 50% of the incentive for the year 1969 and it was based on not handling the Board like I should the previous year.

Q. Who votes the incentive bonus plan for you as to how much you can get? A. My Board voted on the 11%.

Q. How much did you receive? A. I received 8 point something.

Q. Did you ever inquire as to why you got the **[249]** lesser amount? A. Yes, I asked at the time why, it was because I didn't handle the Board like I should.

Q. Who did you ask? A. Don Ingram.

Q. Don Ingram. What did Mr. Ingram say to you when you inquired? A. I don't know whether it was a little bit of a statement that sounded like frustration to me, when he said, "Well, your problem is, do you know what your problem is?" I said, "I wish I only knew I had a problem because I figure I had more than one problem." Then with that, he says, "Your problem is that you walk too slow, you talk too slow, you move like an old man." He says, "You just don't cut it." With that, I said, "I'm sorry, I'm doing what I have done all these many, many years. I will have to continue to do the way I am doing or else it will be insincere, fictitious and can't live with that." That was the extent of the conversation.

Q. Did Mr. Ingram say anything to you about your relationship with the Board at that time? A. Only to the extent that I had not handled the Board like I should.

[250] Q. Were those the words he used, you did not handle the board like you should? A. Yes, right.

Q. What is the function of the board of directors of any bank? A. It would be for direction of the bank, many aspects of it.

Q. So the board's responsibility is to direct the operation of the bank; is that your testimony?

Mr. Hodgson: If Your Honor please, I object to the testimony as being leading. It is his witness; he is trying to impeach him and I object to it.

Mr. Frisbie: No, I don't believe I am trying to impeach the witness, Your Honor. My question was: was that the correct characterization of what you said? A. Yes.

Q. And, as a consequence, you have also testified that your board did not operate like the other C&S banks; is that correct. A. Yes.

Mr. Hodgson: If Your Honor please, I really do object. He is leading the witness if ever I have heard it. This is his witness, he is on direct examination. I object to the **[251]** form of the question and the answer.

The Court: Sustained.

By Mr. Frisbie

Q. Compared to the other banks in the C&S system, according to the racehorse sheet, could you clarify for us, again, your position in respect to the other banks on that sheet? A. Well, it was a gradual climb to the position that we held at the time that—of the disassociation. Through the five-year period there it would be a matter of continual growth from the standpoint of the ratio.

Q. Can you estimate for us, Mr. Parker, what your earnings were on your bank, your monthly earnings on your bank at the time you went there? A. For the year '65, I noticed in a statement through September, that is, when I was out there, the cumulative earnings at that time was fifteen thousand for the nine months.

Q. And what were they for 1966 year-end? A. They were sixty some-odd, sixty some-odd thousand.

Q. And for 1967? A. I believe they were eighty, eighty some-odd.

Q. And for 1968? A. I believe they were over a hundred that year.

[252] Q. And for '69? A. Maybe a hundred and fifty-five or a hundred and sixty-five. I am a little bit hazy. At the time I left I remember it on a monthly basis more so than an annual.

But, it had increased upward to where it provided a dividend that we could pay from zero to $3.00 a share at one time there.

Q. Mr. Parker, do you ever lose any money on the checking accounts maintained by the customers out at the bank during that period of time, the service of providing a checking account; do you ever lose any money on this? A. Lose in which way now?

Q. As far as the cost of doing business on a checking account, providing the service; is this a profitable or a loss situation, or a marginal or what direction is it? A. It can be a profitable or a loss situation.

Q. Was it ever on a loss situation at your bank? A. I feel like that the loss situation, as compared to the system that C&S was using, would be a loss. For instance, the company-account analysis program, our charges would be subject to loss more than that program.

Q. What I am talking—speaking of, is your **[253]** demand deposit accounts, your checking, persons who have a checking account there. Is this normally a losing situation, a marginal operation, a profitable operation? How would you characterize it? A. We considered it a profitable operation.

Q. Has it ever been a loss or a marginal operation? A. It could be, if you didn't charge for the service according to the cost of operation.

Q. If it got to be a loss situation or a marginal situation, why wouldn't you or would you raise the prices you would charge?

Mr. Hodgson: If Your Honor please, the question is entirely conjecture now. He is not talking about what happened or what he did, and I object to it.

The Court: I think in away, he was, in a hypothetical sort of way. He may answer.

A. Restate your question, please.

By Mr. Frisbie

Q. If your checking accounts, cost of maintaining your checking accounts, this service for your customers, got to be a marginal or a loss situation, why wouldn't you or would you raise the cost of this service to your customers? **[254]** A. Yes, you would if you wanted to provide an earning situation from handling their accounts.

Q. Would you have to consider in that type of situation what the other banks in town were charging? A. Yes.

Q. Would this same—did this same situation hold true as far as your company-account analysis at your bank? A. Would be subject to a loss if the analysis would not be the same as far as the cost provided in this system that they were wanting us to put in. If the cost, per operation cost, that is, if that is not increased according to the work that is being done, there would be a loss. It would have to be remedied from somewhere, from additional charges or from balances of so much.

Q. You also, on cross-examination, gave some testimony concerning the leveling off, I believe you called it, of the Stone Mountain Bank after you left. According to the information you have seen on statements, would you attribute any of this leveling off that bank has done to your leaving the bank, management capability and the difference in management capability between then and now? A. I would like to think that I contributed to **[255]** some of it, since I am operating a short mileage away from the bank, and the business that has shifted from Stone Mountain to Lithonia during that time.

Q. Since this has been brought up, you testified that—I will rephrase that.

Would you think, if you had stayed on at the bank instead of leaving during that—instead of leaving, that you probably would have grown more, your growth would have been greater in that sense? A. Might sound egotistical, but I think if I caused

X number of dollars to leave that bank to come to me at Lithonia, that they would have stayed if I stayed.

Mr. Hodgson: No questions, Your Honor.

Mr. Frisbie: Wait just a second.

The Court: I don't think he's quite through.

Mr. Hodgson: I thought he was. Excuse me.

Mr. Frisbie: No further questions, Your Honor.

The Court: All right. We will recess until 1:45.

(Whereupon a luncheon recess was had.)

[256] AFTERNOON SESSION

Mr. Kinkaid: The plaintiff calls Charles Ginden.

Whereupon,

CHARLES B. GINDEN

was called as a witness by and on behalf of the Government, and having been first duly sworn, testified as follows:

Direct Examination

By Mr. Kinkaid

Q. Would you please state your full name for the record? A. Charles B. Ginden.

Q. What is your occupation? A. Banker.

Q. And where do you operate as a banker? A. President of the Peachtree Bank and Trust Company, Chamblee, Georgia.

Q. And do you happen to know when Peachtree Bank was chartered or first opened for business? A. 1960.

Q. How long have you been employed at the Peachtree Bank? A. Since October of 1964.

Q. Have you always been President of Peachtree? A. No.

[257] Q. What previous positions have you held there? A. I was Vice President and Branch Manager when I came to the bank in 1964.

Q. Prior to going to work at Peachtree, where were you working? A. I was employed by The Trust Company of Georgia in Atlanta.

Q. What was your position with Trust Company? A. I was Assistant Treasurer and acting Branch Manager of the Chattahoochee office of the Trust Company.

Q. How long had you been with Trust Company? A. About six years.

Q. Did you have any prior banking experience prior to working for Trust Company? A. None.

Q. Do you have any idea as to how many Presidents there were at Peachtree before you became President? A. I believe I was the fourth.

Q. Do you happen to know who the first President of Peachtree was? A. Davis Fitzgerald, I think he was the first President.

Q. Do you happen to know what Mr. Fitzgerald's prior employment was, that is prior to becoming the first President of Peachtree? [258] A. Yes, I think he was with the Trust Company of Georgia.

Q. Would you happen to have any idea of where Mr. Fitzgerald works today? A. He is presently with the Trust Company of Georgia.

Q. Do you know who the second President was? A. Mr. James Williams.

Q. Again, do you have any idea or do you happen to know of your own knowledge what Mr. Williams' employment prior to being President of Peachtree was? A. Yes, he was with Trust Company prior to that time.

Q. And do you know where Mr. Williams is working today? A. My latest knowledge of him is he is Chairman of the Board, First National Bank in Augusta.

Q. Is First National Bank in Augusta, to your knowledge, in any way associated with Trust Company? A. Yes, an affiliated bank of Trust Company.

Q. Who was the President when you first went to Peachtree? A. Claude Booker, Jr.

Q. Do you know his employment prior to being President at Peachtree? **[259]** A. I believe he came to Peachtree from the Liberty Bank in Savannah, Liberty National Bank and Trust Company.

Q. Did that bank, to your knowledge, have any association with Trust Company? A. Yes, it was also a full affiliated bank of the Trust Company.

Q. Do you know where Mr. Booker is working today? A. Yes, he is at, my last knowledge of him, is that he is President of the First National Bank of Augusta.

Q. When you first started to work at Peachtree in 1964, in addition to Mr. Booker, was there any other officers? A. Well, Mr. Warren Jackson, I believe was an officer. Well, I am not sure he was an officer. He was Branch Manager at that time and Mr. W. R. Watkins, I think, was an Assistant Cashier.

Q. Would you know what Mr. Jackson's employment prior to working for Peachtree was? A. Yes, Mr. Jackson had also been with the Trust Company of Georgia.

Q. How long was Mr. Jackson at Peachtree, if you know? A. I don't recall his total time there.

Q. How about Mr. Watkins, do you know his employment **[260]** before working for Peachtree? A. Yes, sir, he was with the Trust Company of Georgia for a short period of time before Peachtree, prior to that, the National Biscuit Company.

Q. Mr. Ginden, who are your correspondent banks today? A. Correspondent relationships with the Trust Company of Georgia, First National Bank of Atlanta, Manufacturers Hanover Trust Company in New York City, National Bank of Detroit, Detroit, Michigan.

[261] Q. Have you, since being president of Peachtree, have you always had all of these four banks as correspondents? A. No, the Trust Company of Georgia was the only bank, the only correspondent bank we had when I became president.

Q. For how long was Trust Company the only correspondent of Peachtree? A. I don't recall the exact dates. Our first account relationship outside that was with Manufacturers-Hanover in New York City, and that relationship is probably right now two and a half or three years old.

Q. What is the nature of the correspondent relationship you have with Manufacturers-Hanover? A. Well, it is principally a —it is basically a semi-active account. We write all of the checks for closed accounts on that particular bank account, and we use the account for any other miscellaneous new business assistance that they—that that bank might be able to give us. But, basically, the account itself is used for the issuance of checks for people who have closed their accounts for one reason or the other.

Q. Could you give us just a bit of an idea as to how Manufacturers-Hanover has assisted your bank in connection with the new business that you mentioned? **[262]** A. Well, at this point, in a negligible way.

Q. Have you had occasion to use Manufacturers-Hanover for any other services besides the ones you have mentioned? A. We have called upon them for participation in credits over

our limit, but to date we have not used any of their services in this area, although they have agreed to participate with us on more than one loan.

Q. What is the nature of the services that you obtain from First National of Atlanta? A. Our account there basically an inactive account.

Q. How long has that account been open? A. About four months.

Q. I think you also mentioned a bank in Detroit, if I recall correctly. A. Yes.

Q. When was that account opened? A. I don't recall exactly; it's been open probably a year and a half.

Q. What basically—what basic services would you get from that bank in Detroit? A. It is also an inactive account, and while we have discussed with them some credit participations and over-the-limit loans, we have asked them for some help **[263]** in contacting new customers moving into our area, that sort of thing.

Q. Do you know whether any bank or banking organization owned any of the stock of Peachtree when you went out there? A. Yes, the Trust Company of Georgia Associates owned five percent of the stock of the bank.

Q. Would you know when that five-percent stock interest was purchased by Trust Company of Georgia Associates? A. Not specifically. I assume it was in—at the beginning stages of the bank.

Q. Do Trust Company of Georgia Associates own any of Peachtree stock today? A. No.

Q. Can you tell us the circumstances surrounding the change in that five-percent stock ownership by Trust Company? A. In 1970, in the early part of 19—well, in 1969, legislative action was taken to change the banking laws from citywide to basically

countywide branch banking, and permitting the Atlanta banks with offices already established in DeKalb County to branch into DeKalb. That was to take effect, I believe, on January 1 of 1970. In the spring or late spring or **[264]** early summer of 1970, we negotiated a merger with the Trust Company of Georgia, for which we were to receive a cash payment for our stock. The merger application was submitted to the regulatory board, which governed the merger, and that was the Federal Reserve Board, and was approved.

Following that, your department, the United States Department of Justice, asked the Federal Reserve Board to reconsider, asked them to stay the merger and to reconsider the merger application for a variety of reasons, and this was done. The exact chronology, I don't remember. The Federal Reserve Board again reconsidered the merger and again approved it, and shortly or immediately thereafter, your department filed suit to enjoin the two banks from merging.

As a part of the merger agreement, either of the two banks, the Peachtree Bank or the Trust Company, could withdraw from the merger if the Justice Department were to bring suit to block the merger. For a number of reasons, we weighed the future events very, very carefully and decided to withdraw from the merger. Following that, we sold the new stock in our bank; this was approximately one year ago in August, and at that time the Trust Company of Georgia stock was also sold.

Q. Now, when you say about a year ago, could **[265]** you get it down—— A. In August, in August of 1971, August or September, we had our stock issue.

Q. Incidentally, can you recall when the Peachtree Bank decided to withdraw from the merger agreement? A. Well, I don't recall specifically. It was at a board meeting in May, June or July, one of those months in there; I'm not sure.

Q. Prior to last August when the five-percent stock held by Trust Company Associates was sold by it, was your bank in

any way identified with the Trust Company of Georgia? A. Well, of course, it had the Trust Company name in its—as the last part of our own name; in that sense I suppose some customers identified us with the Trust Company and some didn't.

Q. What would have led a customer to identify you with Trust Company, what specific thing? A. Well, there was, on some occasions we had appeared as a part of the Trust Company advertising. This was particularly in connection with the issuance of Master Charge cards, which I think was in early 1969.

In addition, we were carried on the Trust Company statement as a five-percent bank, and along with their other five-percent banks in Augusta and Sandy **[266]** Springs. We were also listed in the local Trust Company maps that were distributed to their customers.

Those are some of the ways. Of course, when we solicited business from national customers or people that we thought might know something about the Trust Company, we didn't attempt to hide our affiliation with the Trust Company in any way. As a matter of fact, we promoted it.

Q. Did your bank ever consider, that is, since the time you have been president, ever consider changing its name in any way? **[267]** A. Yes, at one time they agreed to change our name to Trust Company of Georgia, Bank of Chamblee.

Q. Can you recall roughly when you made that decision? A. The matter was discussed sometime in mid-1969 and I think —I believe there was actually a vote taken at a Board meeting sometime in 19—in the fall of 1969.

Q. Can you recall the reason the bank did decide to take this particular action? A. Well, we felt that it would be, at that time, we felt it would be helpful to us in obtaining new business where we could capitalize on the advertising of the Trust Company; that it would more closely identify us with the Trust Company which, in our idea, in our estimation, was not a bad thing.

Q. Do you know whether or not Trust Company was approached for permission to use its name in this way? A. Well, I don't know that the bank was approached. I think we discussed it with the Trust Company lawyers, one of whom was on our Board at the time, and at least, the counsel representing the Trust Company and then they were going to take the matter up, I think, with their trademark lawyers in Washington, and subsequent to that, the banking laws changed and so we never pursued the matter. There—it was just dropped, really, at that time.

[268] Q. Did that have anything to do with the merger plans that you just described a few minutes ago? A. Well, I think that we just—that both parties really felt we had come to some type of merger decision, there wasn't any sense in going through an expensive change of name and all of the legal ramifications that might be involved if we were going to merge. But, I don't know that at that time, we dropped it at that time. I can't recall that the actual discussions of the merger had come up.

Q. Can you recall any discussions with anyone at Trust Company about the change of name? A. Not specifically.

Q. Do you have any recollection at all of talking to anyone at Trust Company about it? A. Well, all I can say is I may have discussed it with Evans Bruner who was Executive Vice President of Associates at that time. Matters of that sort, I would usually talk with him about. So—but I don't specifically recall having conversation with him about it.

Q. Do you have any recollection as to what his reaction was at all? A. Well, not recalling any specific conversation, I don't recall his reaction to it.

Q. You just mentioned, if I recall correctly, **[269]** something about discussing this with your lawyers. Could you explain what you meant by that? Were the lawyers you are referring to your own lawyers or somebody else's lawyers? A. Well, we were—we were represented by the law firm of King & Spalding

and they also presently act and did act then as General Counsel for the Trust Company of Georgia. And one of their lawyers was on our Board at that time basically representing the Trust Company's interest in the bank on our Board.

Q. Prior to the time last—well, let's say last summer when the merger plans were abandoned, can you tell us what sort of services or assistance you were receiving from Trust Company? A. Well, we had, prior to the merger, we were using their computer operations department for all of our demand deposit accounting, installment loan accounting, and savings accounting. Their bond department was also used to analyze our securities portfolio and also to keep track of it, furnish us with a periodic reporting of it. We used their safekeeping services, which involves the holding and safekeeping of negotiable securities for which, which our bank would have in some accounts.

We would refer customers seeking trust services to the Trust Company because we had no trust **[270]** department of our own and customers seeking factoring services to the Trust Company.

The Trust Company, local Trust Company group of banks, when they first went into this Master Charge, it was a group called the Atlanta Plan, and they were servicing our Master Charge accounts for us. When we first went into the Master Charge, we owned our own Master Charge accounts and they were servicing them for us. Really, I suppose we used the whole range of correspondent services. We also were audited once a year, internal audit by Trust Company's auditing department.

Q. Could you explain what you mean by the servicing of Master Charge for you? A. Well, basically at that time, as we owned our own accounts, the Trust Company was handling the collection of those and was doing the administrative work with it necessary to coordinate their processing with the Southeastern Bank Card Association.

Q. Well, are you today offering Master Charge? A. Yes, but offering it as an agent bank wherein the Trust Company owns

the account. The cards are still issued in our name, but payments are routed to the Trust Company for processing and all interest accumulated on accounts accrues to the Trust Company. We derive some benefit by offering the Master Charge services to our **[271]** merchants and we get some—on high discount merchants, we get some portion of the discount rate and as well as the opportunity to have a deposit relationship with some merchants.

Q. What was the difference in the relationship that you were indicating earlier? A. Well, we bore, under the Master Charge arrangement, initially, we bore our prorata share based on activity in the account of the expense in the accounts. Under the current relationship, all expenses of the account is borne by the, the owning bank. Not by the agent bank.

Q. How long were you bearing the accounts yourself? A. Well, we inaugurated the thing in early 1969 and the Trust Company carried the expense most of the time until about June when the program reached sort of high gear, then the expenses from our bank's standpoint became very, very heavy and then in December of 1969, the Trust Company came out and volunteered to buy it back, which they did. And it was sold back to them in January of 1970. We had actually asked the Trust Company to talk to us about setting up our own plan for administering it for not going through the Atlanta plans I described earlier or determining some way to cut expenses in the Atlanta plan.

The third alternative they came forth with, **[272]** and we, without much hesitation, decided to settle back to it.

Q. When you say they bought it back, would that include any of your losses that you had been incurring on it? A. Yes, they reimbursed us for the operating losses that we had experienced in the plan, less operating expenses we would have incurred as an agent bank for the same period of time.

Q. Of the items that you mentioned before we got involved with the Master Charge, that of processing, bond department, etc. those services that you were receiving from Trust Company before the merger was abandoned, are you still receiving the same services today? A. Well, we are not getting an independent—an internal audit from the Trust Company any longer. Prior to the disassociation with the Trust Company, we periodically had credit surveys made of our loans by the associate office, that is not available to us any longer for competitive reasons, obviously. Basically, most of the rest of the services are, are similar or are the same. There may be some that I have forgotten that are different.

[273] Q. From whom do you obtain your credit audits now? A. We don't have credit audits now, only through——

Q. Did you ever—excuse me. A. Only through examination of the F.D.I.C. and the state banking department.

Q. Does anyone perform any other types of audits for you? A. Yes, we have an independent audit performed by Arthur Anderson & Company.

Q. Just give us a brief description of what an independent audit would be. A. Well, it is an independent directors' audit, which is basically concerned with the internal controls of the bank, the balancing of the cash, the operations procedures, just about everything in the bank, except a review of the credit policy and the loans of the bank. Those are reviewed twice by outside examiners, as I mentioned, and so they do not—they do not perform that service for us.

Q. Before the merger was abandoned, did you receive any sort of advice from Trust Company with respect to your loan policies or lending procedures? A. You mean prior to the negotiation or the——

Q. Well, prior to the time the merger was actually abandoned last summer? **[274]** A. Well, I mentioned earlier the pe-

riodic credit survey which was usually done once every six months, and if there were any judgment of the survey on loan deficiencies, the chief operating officer at that time had—it was requested that he reply toward the corrective action, that type of thing, to the Associates' office. In addition, we furnished copies of all of our credit memoranda to the Associates' office, and would receive some back periodically with comments, one sort or the other, depending upon the type of credit they felt we were extending.

In addition, we did consult with the Associates' office periodically on large credits, when we felt that we needed the advice of some outside expertise.

Q. What was the purpose of sending copies of the credit memos to Trust Company? A. Well, I assume that it was for their observation, and, basically, to keep them informed as to, first of all, if we were or were not writing the memos, and then secondly, whether it would tell us something about the nature of the credit.

Q. Was that something that was being done when you first went to Peachtree or—— A. Yes.

Q. While we are on the subject of credit, did you **[275]** have access to Trust Company credit files before the merger was abandoned? A. Well, in a very limited way. We didn't have, as I recall, we didn't have much common business in terms of lending to their customers. Now, one or two customers we had in common, and they would, with the customer's permission, furnish us with the financial statements that had already been spread, and that type of thing.

The credit department of the Trust Company was available to us for the spreading or outlining of statements, and for credit-analysis work.

Q. Is the credit department still available in that sense? A. In a limited way, yes.

Q. Do you receive any advice from Trust Company with respect to any operational procedures? A. Well, as I mentioned earlier, we were audited by them and upon receipt of the write-up of the audit, it was usually the chief executive officer of the bank, whoever it might be, would, again, reply in writing to the Trust Company about the deficiencies or comment, if comment was necessary, in writing. And we would have conversation periodically with Mr. Bruner or others about ways to improve operating procedures, that type of **[276]** thing.

Q. Now, did you receive any assistance from the Trust Company with respect to any personnel problems that might have arisen? A. Well, could you give me an example of the personnel problem that they might——

Q. Right. For example, while you were the president of Peachtree and before the merger was abandoned, did you have occasion or need to hire additional employees? A. Yes. And we did request that the Trust Company assist us in this area, and we were permitted to talk with several of their people to ask them to come to work at Peachtree.

Q. Did a similar situation ever arise with respect to officers of the bank? A. Well, most of the people who came with the Trust—came from the Trust Company to us, would not come as officers. They were not officers at the Trust Company; at least this is during my relationship with the bank as president. And in this particular area we are discussing, most of them came maybe as administrative assistants, and then were later promoted to officers.

Q. Did you ever have occasion to seek advice **[277]** from the Trust Company on salaries to be paid any employees? A. Yes, we did discuss salaries with—or I discussed them with Mr. Bruner on occasions, and found him quite—found him very helpful in providing comparative information about salaries of the other affiliated banks, and this type of thing.

Q. Was there any particular reason for seeking such advice from Mr. Bruner? A. Well, Mr. Bruner was executive vice-president of the Associates, and also a close personal friend, at least, I felt he was a close personal friend and always had an interest in the bank, and so he was the one we would go to for this kind of information, basically, and he would be the one in the Associates' organization that could furnish it.

Q. I think you used, if I heard you right, I think you used the word "compared" or "comparative" with respect to salaries; am I correct in that? A. Right.

Q. If I understood your answer correctly. I would like to ask you why were you seeking information from Trust Company as to comparative salaries among Trust Company and Trust Company affiliated banks? A. Well, it is for the same reason that most any **[278]** business seeks in its area comparable or comparative salaries for clerical personnel, is to make an evaluation of the salary program, our benefits, and that type of thing. Are we in the market with our officers or are we out of it? That sort of thing, and the first place for us to go for that information, where it would be most readily available, would be Trust Company Associates.

Q. Did you receive any sort of assistance in what we might call advertising and public relations area? A. Trust Company was helpful to us in our public-relations program. They assisted us with people when we had our—the opening of our Industrial Boulevard office, and they assisted us again with personnel when we had an open house after construction of the addition to our main office.

Q. Do you receive such assistance today? A. No.

Q. Was there ever a time while you have been president of Peachtree, now this would be before—again, before the merger was abandoned, when you had a need to raise additional money or you needed more money than you had, and

you had to do something to get some more money? A. Well, we raised capital in 1964, I think, we **[279]** sold additional stock shortly after I came there. Of course, one of the reasons—one of the indirect reasons we abandoned the merger was because of our inability to disturb the merger agreement and raise additional capital.

Q. Let's see now. Will you please go back, it was '64, I think you indicated? A. Right.

Q. Now, that was a stock issue in '64? A. Yes, that's right.

Q. Were there any additions at any times after '64 that you had to issue any kind of, I believe, either new stock or any kind of debt instruments in order to raise additional money? A. I don't believe so.

Q. Are you familiar with the—— A. Now, you are referring between that time——

Q. ——with the term "investment note"? A. Right. You are referring to that time between 1964 and the un-merger?

Q. Yes. A. Yes. You are also referring basically to the capital instruments, like additional stock or capital notes?

Q. No, I asked either a capital note or a debt **[280]** note. Of course, if that is a proper term, I don't know. A. Well, we did offer at the same time the Trust Company offered 7½% investment notes, which are basically simply borrowed funds. This instrument came into being somewhere in the early part of 1969, and we sold—these were 30-month investment notes, and we sold $1,000,000 worth.

Q. Was that the amount that you were trying to raise, $1,000,000? A. Well, we just started and quit when we thought we had enough, so——

Q. Now, did you receive any assistance from Trust Company in connection with the sale of these 7½% notes? A.

Yes, we did. We sold to our own customers, basically, about $350,000 in investment notes. And then, basically, our sales efforts really tapered off. Our effort was there, but we didn't sell any, and the Trust Company sold in the vicinity of $12,000,000 worth of these notes. And after their sale was curtailed, they referred their customers directly to us, and we sold their customers the remainder of the $1,000,000.

[281] Q. So far as you are aware, have the salaries of Peachtree officers always been paid by Peachtree directly? A. When I first went to the bank, I believe Mr. Jackson's salary was reimbursed to Peachtree from the Associate office. And I think the same was—the same procedure had been in effect for Mr. Williams' salary. Now as to the rest, would be an assumption before that time.

Q. I'm not sure I understand what you meant when you said reimbursed. A. Well, the Peachtree would pay their salaries, but then be reimbursed from the Trust Company or the Associate's office. After Mr. Jackson left, that was no longer the case. So, I am not intimately familiar with the procedure.

Q. Are you aware of whether or not a demand deposit was ever maintained at Peachtree by Trust Company? A. Yes, I think there was a deposit there by the Associates, by the Trust Company's associates, but it was withdrawn over a period of a year and several months after, shortly after I came or during the time I came, sometime in that period of time.

Q. Can you recall today in what amount the deposit was? A. I don't remember exactly.

Q. At the time last August, I believe you indicated, **[282]** when you sold additional stock and Trust Company Associates sold back its five per cent, to your knowledge, did any, was any stock sold back to the bank by any individuals connected with Trust Company, either as officers, employees or Directors, or anything of that sort? A. Yes, several of the em-

ployee officer groups sold their stock at that time, but some still retained their stock.

Q. Would you have any idea at all who, as to the number of shares that were sold back by people like that? A. I really wouldn't.

Q. Incidentally, do you happen to know offhand how many stockholders you had prior to that recent, or prior to the sale of stock in August of last year, how many stockholders you had just prior to that and how many you have today? A. Yes, we had about 200, 210 roughly. Today, we have roughly 466.

Q. Does Peachtree have any group health and accident insurance policies? A. Yes, we do.

Q. By whom are they administered? A. We administer them ourselves.

Q. And where are they, where are the policies placed if that is the proper term? **[283]** A. The insurance carrier?

Q. Yes. A. The Provident Life & Accident Company of Chattanooga.

Q. How long has this firm in Chattanooga been the carrier for the policies? A. About four months, five months.

Q. Who was the carrier before then? A. New York Life and Prudential Life Insurance Companies.

Q. And have they been the carriers since you have been President of Peachtree? A. Yes, there was a change of one for hospitalization and one for life, but basically, the insurance was carried through the group carriers of the Trust Company Associates' office and our insurance was handled by the same, same companies that handled the affiliated banks.

Q. Are you indicating that those were some sort of group policies? A. Yes, yes, always.

Q. Who belonged to the group? A. All of the affiliated banks.

Q. What other sorts of insurance does your bank carry that—this would be insurance not on its employees, but on its banking operations or banking premises? **[284]** A. We carry, of course, a whole range of extended coverage and liability insurance on our building, and on our bank property, and we also carry banker's blanket bond insurance which carries the rest of the internal protections of the bank.

Q. Have you ever had any arrangements with respect to those types of insurance similar to what you had with your group health and accident policies? A. Well, at one time our bank was carried under the Trust Company's plan, almost as a branch, and then in 1969, because of some regulatory ruling, we had to purchase our own banker's blanket bond. This had nothing to do with the merger or un-merger. It was just a new regulatory ruling of some sort and the premiums were considerably higher, of course, by that time as opposed to what they were as sort of a branch operation.

Q. Does Peachtree have a profit sharing plan? A. Yes.

Q. Who administers your plan? A. It is administered by the Trust Company of Georgia, Trust Department, under our direction.

Q. Has it always been administered by Trust Company since it was first instituted? A. Yes.

Q. Prior to the merger plans being abandoned, did **[285]** you or any of your officers attend any instructional classes, meetings, seminars, etc. held by Trust Company? A. Well, in the fall of every year for, I guess four years or so, I was invited to attend the Trust Company affiliate meetings at Sea Island, Georgia, which was a Directors meeting at that time. And usually, I went by myself and the last couple of years, I took either a Director or associate with me. The Trust Company, for a couple or three years, had an evaluation session, sort of let's look where

we are going session at Callaway Gardens for a weekend in the spring. I went, and I believe I took an associate with me, I believe I took an associate with me two years, if it were held three years, I don't recall.

Q. Did you ever have occasion to seek assistance from Trust Company in terms of training any of your employees for a particular job? A. Yes, we had one of our employees farmed out in the affiliate organization doing the same credit survey in other banks I had reference to earlier that was done in our bank periodically. We also had this particular employee spend more time in Trust Company's credit department learning something about spreading statements and that type thing, basic credit department policy. We had an employee in the collection department for a while being trained in collections and I also attended the Master Charge **[286]** meetings as part of being the Atlanta plan and we had a lot of those back during the early days of Master Charge.

Q. Have you ever purchased any of your bank supplies from or through Trust Company? A. We have had a very modest amount of supplies, standard cards, that type of thing, from the supply department of Trust Company

Q. Have you made any of these purchases since last summer? A. No, we have not.

Q. Were the salaries of the officers of Peachtree ever reviewed in any way by Trust Company to your recollection? A. Well, only insofar as discussion might have been held with Bruner about those particular salaries as they compared with salaries in the affiliate system, that type thing.

Q. Since you have been President of Peachtree, have any vacancies in your Board of Directors occurred? A. Yes, we had one of our charter Board members died, I guess maybe a year after I became President, 1968, maybe '69.

Q. Did you seek any advice or assistance from Trust Company in connection with replacing that Director? A. Well, we—yes, I did. I talked with **[287]** Mr. Bruner about possible candidates which we had in mind.

Q. And what were you hoping Mr. Bruner would do in that regard? A. Well, it was generally my policy to discuss any major change in the Board of Directors or any additional Directors with all of the significant stockholders of the bank; and I felt that somebody that owned five per cent of the bank ought to have a comment about it regardless and in the case of the particular replacement that we added to the Board, the Trust Company was in total agreement.

Q. Would you know how many of your Directors, now this would be after you became President at Peachtree, how many of the Directors on your Board at that time had any association with Trust Company, particularly in terms of being customers of Trust Company? A. Let's see, five or six.

Q. At that time, how about—what was the size of the Board? A. I believe we had nine Board members, I'm not sure. I think there were nine Board members.

Q. You were a Director, weren't you? A. Yes, that's right.

Q. Did you indicate earlier that a lawyer from King & Spalding was on the Board of Directors? A. Yes.

[288] Q. Was he on the Board when you became President? A. Yes.

Q. Now, after the merger plans with the Trust Company were abandoned, did any of your officers or employees leave Peachtree? A. No, not after that time.

Q. Have you hired any additional officers or employees since last summer? A. Yes, we have hired—basically, we have hired —we have hired a number of employees and we have hired one other officer.

Q. How have you gone about, first of all, acquiring the additional employees? A. Well, by word of mouth or by advertising locally. In some cases, we have asked the Trust Company to refer people to us that might be in a clerical position that were leaving the Trust Company and lived in our direction and wanted to work out closer to us. We have also interviewed a number of the other prospective employees of the Trust Company. They sent several people out and we hired a couple of them.

[289] Q. Did I understand you correctly to say you have hired one officer? A. That's correct.

Q. Since last September. How did you find him? A. Well, he came to us; he came to us from the Trust Company. And knowing something of our bank and our plans, asked if there might be an opportunity for him. And we subsequently talked with the Trust Company people and then with him.

Q. Prior to the merger plans being abandoned last summer, how would you have characterized your relationship with Trust Company? A. Well, I think we were considered as a part of the family, so to speak, a very close relationship.

Q. Do you, by any chance, offer what we have heard referred to as a lock-box program? A. Yes, we do.

Q. How do you offer that? Do you offer that through the use of any correspondent? A. No, we have several lock-box accounts and we offer it by going directly to the customer and calling on them and offering it. It is a very simple sort of system that we use, but the checks are mailed to the post-office box, and we go pick up the checks and deposit them and make some record of the deposit, and send that along to the customer.

[290] Q. Do you use the services of another bank in any way in performing that service? A. No.

Q. Do you do any accounts receivable financing at Peachtree? A. A modest amount.

Q. There again, do you use the services of or assistance of another bank in performing that type of financing? A. No, that doesn't lend itself to an outside correspondent or another bank being involved.

Q. Last summer, before the merger was dropped, how many offices did Peachtree operate? A. We had two offices.

Q. How many are you operating today? A. Four.

Q. When were these additional offices opened? A. One was opened in, I believe it was in April; it was our Embry Hills office—I'm sorry, it was before that time. It was in a temporary facility, in a trailer, in February, I believe. And the other office was opened in June or July at another location, also in a temporary facility, in a trailer.

Q. Were the applications seeking regulatory approval of those two branches, were those applications **[291]** filed before or after the merger plans were dropped? A. After the merger plans were—after the un-merger.

Q. I think you may have already, in effect, indicated the answer to this question when you were telling us about the sale of stock last August. Was there any connection between that sale of stock and these two additional offices that you have opened? A. Well, we felt we knew that we had to raise additional capital in order to expand the bank, and so after examining several courses of action, we determined that the best thing to do was to raise additional equity capital, and that was the reason for the sale of the stock.

Q. Do you have any further applications pending for branch approval? A. Yes, we have one pending now.

Q. Since the un-merger, have you raised money in any other way besides the stock issue last August? A. Yes, we sold a $1,000,000 capital note; that was completed in June of this year.

Q. Could you give us a sort of running account of the deposits, the loans and assets of Peachtree over the past two years? A. Well, I can tell you basically where we are **[292]** now and where we were a year ago, roughly. Our total assets are presently, or as of June 30th of this year, are about $31,000,000 maybe thirty-one and a half million as opposed to twenty-one and a half million one year ago. Deposits account for about eight million of that increase. The remainder in capital and retention of earnings. The new $1,000,000 note I just mentioned, the other new capital. Loans are up also, correspondingly, increased correspondingly.

Q. I would like to find out what the deposits, loans and assets were from mid-year '70; can you tell us that of your own memory or would you need some assistance? A. I would have to go back and look at a statement, I think, to give you the specifics of it. It seems to me that about year-end last year—well, that wouldn't be applicable; that is not what you asked for. I would have to refer to this statement to give you a specific.

Q. I have here—these are the statements you are referring to, the consolidated report of condition? A. The year-end and mid-year statements of condition, right.

Q. Yeah, I have these from mid-year '70 through **[293]** mid-year of '72. A. Okay. Mid-year of 1970, total assets were $17,556,000, and the total deposits at that time were fourteen million eight, total loans were approximately $10,349,000. 12-31-1970, total assets were $19,683,000; total deposits $16,-464,000; total loans $10,443,000.

Mid-year '71, just referred to, total assets $21,283,000; total deposits $17,772,000; loans $12,600,000.

Year-end '71, total assets $24,615,000; total deposits $20,-251,000; total loans $15,200,000—220,000.

In mid-year this year, total assets $31,484,000; total deposits $25,695,000; total loans $19,504,000.

Q. Could you give us an idea of how your earnings as of mid-year '72 compared with earnings for mid-year of '71? A. They are up about twenty, about 22% over 1971.

Q. Now, do you presently have any plans for additional branch offices? A. Well, we have no specific sites outside the application which we have pending, which you referred to earlier. We do have plans for additional branch **[294]** offices in DeKalb County.

Q. Do you presently have enough capitalization to cover the pending branch application, assuming that it receives regulatory approval? A. Well, I hope we do. I think we do, yes. I don't know what the regulatory people think.

Q. Could you categorize for us the types of customers that your bank primarily serves? A. Well, I guess I would divide the—I would divide them generally into commercial, retail and individual customers. The commercial would be customers engaged, maybe, in manufacturing and distributing, that type of thing. Retail would be just as the name implies, local merchants of one sort or the other, discount stores and that sort of customer. And individuals, as the name im—the name is self-explanatory.

Q. Are you able to serve these three classes of customers adequately, from your own standpoint? A. Well, we would like to offer them some more services in terms of offering them some trust services, for example, directly. But, we don't have any intention of doing that right away. We are not able to extend large lines of credit to significant commercial customers who might be seeking—so our ability to attract that **[295]** type of deposit is limited.

Q. Other than the large-line-of-credit problem, are you able to—that is, your own bank, are you able to serve the needs of large commercial customers? A. Well, we have been up to this point. We have been able to obtain for them services that we didn't have generally, either through a correspondent or we

have just had to innovate, like this lock-box thing, and start servicing it ourselves.

Mr. Kinkaid: Excuse me one moment, Your Honor.

Would this be an appropriate time for a little break, sir?

The Court: All right. We will take a ten-minute recess.

[296] Mr. Kinkaid: We have no further questions.

The Court: Mr. Doyle?

Cross-Examination

By Mr. Doyle

Q. Mr. Ginden, when you first went to Peachtree Bank and Trust Company, you received your profit sharing plan from the Trust Company of Georgia; did you not? A. That's correct.

Q. At that time, Peachtree Bank did not have a profit sharing plan? A. That's correct.

Q. Subsequently one was put in? A. Yes.

Q. When it was put in, it was not an integrated plan with the Trust Company's plan; was it? A. No, it was a separate plan.

Q. Does the same hold true for profit sharing?

First, had you qualified for the profit sharing plan while you were at—we were just talking about profit sharing. I'm sorry, I'm going to talk about pensions.

You hadn't qualified for a pension when you were at Trust Company? A. No.

Q. You did subsequently qualify for a pension at Peachtree? **[297]** A. No, we have no plan.

Q. Does the Trust Company have a pension plan? A. Yes.

Q. While you were President and before that Branch Manager at Peachtree Bank, did you regularly attend staff and officers meetings that were held on a monthly or weekly basis with Trust Company? A. No, other than the meetings I have described earlier.

Q. Yes, sir. When you were President of Peachtree Bank and Trust Company, did the senior officers of the Trust Company Bank or Trust Company associates regularly and continuously sit as advisory directors with your Board of Directors? A. You mean at the Board meetings?

Q. Yes, sir. A. No, they did not. They were invited to do so.

Q. And as a matter of fact, their attendance was more on a sporadic perhaps once or twice a year kind of basis? A. That's correct.

Q. Did you in the normal course of regularly—on a weekly or monthly basis, monthly I suppose, receive from Trust Company performance charts and tables showing operating ratios, earnings on assets, that sort of thing? **[298]** A. We received periodic information from the affiliate banks, and my memory as to exactly what we got is really hazy.

Q. Do you remember receiving those performance charts and tables on your bank? A. You mean, how we stacked up generally?

Q. Yes, showing how your performing ratio was and the rest. A. Yes, periodically we get those things from the affiliate offices after a comparison is made with our bank, banks in DeKalb and the banks in the North DeKalb area.

[299] Q. Right. Then, did you make periodic budget projections of earnings, and where you wanted loans to be in the next quarter or next year? A. We did that on an annual basis and furnished them to Trust Company affiliates. Well, that was very informal. We usually furnished them—we usually discussed it

with the board, and if they requested a budget from us, we would send it to them.

Q. But, this was not a regularized procedure? A. I don't recall sending any of our budgets to the affiliate banks, to the Associates' office.

Q. Right. And with regard to your budgets and projections then, it follows that you didn't receive any sort of goalposts or reviews that you heard discussed this morning? A. No.

Q. Or anything of that nature. You mentioned that you discussed with Trust Company officers salary scales to see if you were in line, that sort of thing? A. Right.

Q. Did the Trust Company affiliates or associates make recommendations to your board or your officers as it tied into performance? A. Not while I was president.

Q. Was there—were the salaries of the Trust Company officers and employees, **[300]** including your own, coordinated with the Trust Company system salaries? A. I don't—what? I don't understand what you mean coordinated.

Q. Well, you have told me that you had a separate profit-sharing plan. What I am wondering is, was an officer or employee portable with his package of benefits within the system? Was a conscious effort made to keep him coordinated within the system, so far as the benefits and salaries at your bank were concerned? A. Well, I think I testified earlier that we only took one officer from the Trust Company and the others that came were employees and——

Q. Right. A. Insurance would be transferrable, that type of benefit.

Q. Right. A. You have already alluded to profit-sharing.

Q. Right, that was—— A. Which was not transferrable.

Q. Right. All right, sir. Did you receive at Peachtree Bank something in the nature of this general operating guide? Did you see that this morning? A. I didn't——

[301] Q. A general operating guide or anything of this nature from the Trust Company, which would have been distributed to Trust Company branches, which would also have been distributed to you for guidance in running your bank. A. No, we received an installment-loan operating guide, but nothing of that magnitude.

Q. All right, sir. Now, you earlier mentioned, I think, on direct examination, that you used your Detroit correspondent, I think, to help you with new business coming into your area? A. That's correct.

Q. You earlier discussed the bank in North DeKalb. Is it fair to characterize your fairly competitive area as being the North DeKalb area? A. At the present time that is true.

Q. Your name, identification, localizes you in an area going out Peachtree Road and in the northeast quadrant, I suppose, of the metropolitan area? A. That is basically where our business is, that is true.

Q. Do you presently consider yourself to be an effective competitor in that part of DeKalb County south of Decatur, South DeKalb area? A. No.

[302] Q. You discussed your capital, your capital in connection with your expansion. Do you presently anticipate or do you foresee any difficulties with regard to a continuation of expansion by branching on your present capital? A. Well, a great deal depends upon the adequacy of our earnings, whether we continue to leave them in the bank or not, and the attitude of the regulatory people. We would hope that we would not have to raise any additional capital for a reasonable period of time, another two or three years. That is, any additional equity capital.

Q. As a result of the change in the branch banking law, has the location of new branches from banks in Atlanta out in DeKalb County posed any difficulty or do you see that it poses any difficulty with regard to free expansion of branches by your bank? A. Well, there aren't as many spots to go as there used to be, and, basically, the total market has been diluted by the addition of other offices in the county. We still plan to expand.

Q. After your bank and the Trust Company were sued by the Anti-Trust Division with regard to the merger, you told us on direct examination that for a number of reasons you decided to withdraw from the merger agreement. **[303]** Was one of those reasons related to your capital situation? A. Yes, it was.

Q. You had a cash transaction with the Trust Company; is that not correct? A. That's correct.

Q. And during the period that it would take to litigate, your stockholders would have received only an interest payment on their equity? A. That's correct, providing the litigation was successful. They would not receive anything if the litigation were not successful.

Q. Did that play a substantial or major part in the determination of your bank not to fight, not to litigate? A. That was a significant part of the decision.

Q. All right, sir. With regard to your stockholders, you told us that you discussed major changes with all of your major stockholders. A. Yes.

Q. Generally. Would you identify the stockholder or stockholder group which has the largest percentage of shares in your bank? A. Mostly the board of directors.

Q. And does one family, the Embry family, control **[304]** a significant block of stock in your bank? A. Yes, approximately 20%.

Q. And is that the largest block? A. Yes.

Q. Do you have any other families or individuals who own a share of stock in excess of, say, 5%? A. I don't believe so.

Q. Do you own in excess of 5% A. No.

Q. Did you then? A. No.

Q. You told us that your board considered changing the name, and I believe it was your testimony that they voted to change the name? A. Right.

Q. To the Trust Company, Trust Company of Georgia Bank of Chamblee? A. That's correct.

Q. Now, before the name was changed, was it your view that all of your customers identified your bank with the Trust Company? A. No, I think I said some did and some didn't really.

Q. And part of the reason or consideration of the name change was for those who didn't give them that **[305]** identification; is that correct? A. That's correct, particularly the new customers.

Q. Was any part of the consideration whether or not to change the name in response to the name change at C&S Chamblee? A. I don't recall when the name change took place at C&S, Chamblee, and I can't say how much it influenced our thinking.

Q. All right, sir. You have told us that presently you do not receive any credit surveys from Trust Company. A. That's correct.

Q. Although you did receive them before. A. Yes.

Q. And you stated for competitive reasons. A. Well, we have not requested them, don't know whether they would be provided if we requested them. We don't really want them for competitive reasons.

Q. All right, sir. You had them before? A. Yes.

Q. And that is why you were part of the family? A. That's correct.

Q. Now, before that time, was your bank competing against the Trust Company? **[306]** A. Well, we felt more as if we were an arm of the Trust Company in that area, and I suppose we were competing against them but not on a—on a head-to-head basis. Our——

[307] Q. You didn't have any formal agreements with the Trust Company that you were not going to compete against them, did you? A. No, we did not.

Q. You compete now against C&S Banks, don't you? A Among others, yes.

Q. You have a branch of the C&S Chamblee Bank across the street from you, down the street from you? A. In both our locations and in the Chamblee location, that's correct, right.

Q. And you compete against that C&S Chamblee branch as if you were competing against C&S? A. Right.

Q. You wouldn't compete against it any different if it were a branch of C&S Emory, would you? A. That's really a difficult question to answer, but I don't know what it would be like if it were a branch of C&S Emory. If C&S Emory and C&S systems are the same, then the answer is true. If there is some difference in C&S Emory, then the answer is not true.

Q. And did you tell us on direct examination that because of the need for capital and expansion from the time of its organization until the present, your bank has not paid a cash dividend? A. I did not say that in direct examination, but **[308]** that is true.

Mr. Doyle: If it please the Court, may I have just a couple of minutes.

Q. Mr. Ginden, going back to the question of your ownership of your bank's stock, and consulting with major stock-

holders, who beyond Mr. Embry would be constituted a major stockholder in your bank? A. Well, most of the Board members with two exceptions own from three to five per cent of the stock.

Q. Of the major stockholders in your bank, are any Trust Company officers, Directors or employees included within that? A. Yes, one is a Trust Company officer now.

Q. And who is that now? A. Mr. Fitzgerald.

Q. And are there any others, major stockholders who you consider significant that you consult with before a major change? A. No, there are no other Trust Company employees, there are other major stockholders.

Q. No other major stockholders who are Trust Company employees? A. That is correct.

Q. And you've told us that you have less than five per cent stock ownership in your bank? **[309]** A. Myself, personally?

Q. Yes. A. That's correct.

Q. What per cent do you have, Mr. Ginden? A. About one per cent.

Q. Has the Trust Company of Georgia placed any of its branches in your primary trade area? A. Not yet.

Mr. Doyle: Those are all the questions I have of Mr. Ginden.

Mr. Kinkaid: May I have just one moment, Your Honor?

Redirect Examination

By Mr. Kinkaid

Q. Mr. Ginden, you were asked a while ago about those rather large volumes over there, various manuals that circulated around C&S and I believe you indicated that, if I understood you correctly, that you had never gotten anything quite that

voluminous from Trust Company. Did I understand you correctly in that? A. That is what I was saying, yes.

Q. Did you as a matter of fact receive, from time to time correspondence of any kind, bulletins, memoranda, letters from Trust Company about any kind of banking procedures or banking operations? **[310]** A. Well, we periodically receive information about new services they were offering. We used to get their little internal newspaper that they had all the time. I referred to, I think, the installment loan manual that we had. We, of course, receive all their quarterly earnings information, as well as an occasional packet of their full services, including maybe a new account sheet that had been developed or maybe something like that.

Q. You were, I think, a Branch Manager at one time for Trust Company? A. Yes, I was acting Branch Manager. I was not a Branch Manager.

Q. Does Trust Company distribute manuals of that kind, operating manuals around among its branches? A. Well, I can't answer your question very well because I recall having some type of basic manual. But it's been so many years ago, I don't really remember what was in it. But it seems to me when I went from one branch to the other, I carried something with me that had some operating information in it, but I don't——

Q. Did you by chance carry the manual with you when you went to Peachtree? A. I think I took it with me, but I didn't refer to it.

Q. If you had needed information on operating, **[311]** any information out of the operating bulletins that Trust Company had distributed among its branches, would you have been able to obtain that information from Trust Company? A. Yes, I think so.

Q. The gentleman that was referred to, Mr. Embry I believe it was, what is his business? A. He is in the mortgage business, real estate mortgage and development business.

Q. Was he one of the, or is he one of the Directors that you indicated earlier was, to your knowledge, a Trust Company customer? A. Yes, he is.

Q. The question that you were asked about, whether you compete with, when you compete with C&S Chamblee, are you competing with the C&S Banks. Would your answer have been any different a few years ago, before Chamblee National Bank changed its name to C&S Bank of Chamblee? A. Well, of course, at that time, we were the only two banks in the area. I think the answer would have been that we were competing with C&S Bank or Chamblee National Bank, which we have always considered our major competition out there.

Mr. Kinkaid: No further questions, Your Honor.

The Court: You may step down.

[312] Mr. Stern: We wish to call Warren Jackson.

Whereupon,

WARREN JACKSON

was called as a witness by and on behalf of the Government, and having been first duly sworn, testified as follows:

Direct Examination

By Mr. Stern

Q. Would you state your name, please. A. Warren T. Jackson, Jr.

Q. Where are you employed, Mr. Jackson? A. First National Bank of Tucker.

Q. What is your title there? A. President.

Q. How long have you held that position? A. Just about three months.

Q. Could you give us a precise date? A. July 10th was my date of—first date on the job.

Q. And you, again, as President? A. I was elected on July 12th.

Q. By whom? A. By the Board of Directors.

Q. Of? A. First National Bank of Tucker.

Q. Where were you employed previously? **[313]** A. Trust Company of Georgia.

Q. And what was your title there? A. I was Vice President and Branch Manager.

Q. Where? A. Northside Parkway.

Q. And could you tell us briefly where that is? A. That's at West Paces Ferry Road and Expressway, Northside Parkway.

Q. How long did you hold that position? A. Four years.

Q. Could you start at the beginning of your involvement with banking, when you first entered the banking field and just chronologically take us up to the present? A. I graduated from Emory in 1957, June of '57. I began credit training programs in June, was on the credit training program for about two years, was promoted and moved into the commercial accounts section, main office. Stayed there about six months and then became an employee of the Peachtree Bank and Trust Company where I was Branch Manager for about eighteen months.

I came back to the Trust Company and became Assistant Manager of the Buckhead office of the Trust Company and was there for about three years and then became Manager of the Northside Parkway office in June of '68.

[314] Q. Could you briefly describe the events which led up to your becoming president of First National Bank of Tucker?

A. I was contacted by Larry Morris, and he had acquired the bank in April of this year, and he was seeking someone to lead his bank. He made an offer to me in early June. I did some investigation and sought, having completed fifteen years with the Trust Company, to determine if it was proper to make such a move. I did determine it would be an extremely advantageous move, and I did resign from the Trust Company or tender my resignation on June 24th and left on the 7th of July.

Q. Now, you said you had completed fifteen years with the Trust Company. You did say that you had been working in Peachtree? A. Right.

Q. Do you include that with your employment with the Trust Company? A. Right.

Q. When you say you determined that it would be advantageous for you to leave a long career where you had advanced to quite a good position with Trust Company to go with First National Bank of Tucker, what did you mean by advantageous? A. Well, financially it was an extremely interesting **[315]** situation. It was an opportunity to broaden my experience in banking, and, thirdly, I wanted the opportunity to run the show. I wanted to be the red tape rather than be a victim of it.

Q. Now, when you say to be the red tape, allowing for the humor inherent in that, what else does your present position mean to you as a part from what would have been your career with a large bank? A. Well, I am definitely part of the decision-making force in the First National Bank of Tucker. And, I was very far removed from that area at the Trust Company by virtue of the size.

Q. When you say you are a part of the decision-making force at the Tucker bank, how do you mean that force? What else is a part of that force besides yourself? A. Obviously the board of directors to whom I am obligated to perform the work.

Q. That is the board of directors of the First—— A. Right.

Q. ——of the First National Bank of Tucker. A. Right.

Q. Are there any other elements in the decision-making process? A. No.

[316] Q. Just yourself and the board? A. Right.

Q. You also stated that you made an investigation into Tucker before deciding whether to take the job there. Could you describe, briefly, what that investigation involved? A. Well, Trust Company represents people of high integrity, the management, ownership and the leaders, and I wanted to be certain that I was not going into any less circumstances. Secondly, I wanted to be sure that the ownership did not plan to play games with the bank, that there was, in fact, an opportunity there to grow. And I was assured of that, and I contacted numerous people who had met the primary stockholder, Mr. Larry Morris, and knew him personally. And I obtained enough confidence that he was a man of his word, and I did have a contract to clarify a number of items that would help me make the decision.

Q. And have your experiences since that time borne out your impressions? A. Right.

Q. At the time you became president of the First National Bank of Tucker, was there any existing relationship between that bank and the First National Bank of Atlanta? [317] A. There was a relationship.

Q. How would you describe that relationship? A. Perhaps best as a branch, a quasi-branch.

Q. Could you elaborate on that? A. Well, there were a number of functions that were performed by the First National Bank for this independent bank, and the transition would be made at such time as the First National Bank of Tucker acquired the management.

Q. Now, has that transition been made? A. Yes, it has.

Q. Have you then acquired all the necessary management? A. Yes, right.

Q. Now, you said that there were certain functions being performed, and that this was why you regarded it as a branch. A. Right.

Q. Could you tell us what those functions were? A. Very broadly, the bookkeeping operations were transferred to the First National of Tucker. Secondly, the bank fund management had been handled by the bank. Thirdly, the bank accounting had been handled by the First National. We acquired that. And then, lastly, some very minute areas in the loan operations.

[318] Q. Are there specific functions within these general areas that are involved? A. Yes, there are.

Q. Could you tell us what they are? A. To give you some sequence, I did bring a list here.

Q. Do you have copies of that? A. Yes, I do.

Q. May I have the copies?

Mr. Stern: Would Your Honor wish to see this, or he is going to just talk about them.

A. This is basically the sequence in which these things came back. First, the bookkeeping operation was brought to the premises. This includes the proof transit operation, cancelling of checks, filing of cancelled checks, the mailing of statements and cancelled checks, and then all the miscellaneous things, such as insufficient funds checks, stop-payments and overdrafts are handled. In the general bank accounting, we assume the loan-ledger posting, the property-ledger posting, income and expense accounting, all regulatory reports and bill-paying. In the management of bank funds, we now determine our liquidity need, and we invest the surplus fund and finally, in the

loan area, **[319]** we prepare our own commercial-loan ticklers. It was necessary to establish loan policy, and we have now assumed the installment-loan collection procedure, and we also seek to recover any lost loans. We probably have left out some minor things, but these are the larger items that have come back, and basically in this sequence.

Q. Do you handle your own payroll system? A. Yes, well, we have a correspondent service with First National Bank. They prepare the forms and send us the checks.

Q. They even make out your own checks? A. Right.

Q. These are the checks that pay your employees? A. Right.

Q. Are there any functions in connection with the payroll system that you do handle now? A. The posting throughout the proper accounts in the bank.

Q. Okay. Could you briefly go down this list once more, and explain, first of all, what is proof transit. A. This is simply the processing of checks for clearance on other banks, and it is handled through the First National Bank.

[320] Q. These are checks that are brought to your bank but are drawn on other banks? A. Right.

Q. Now, what mechanically do you do in proof transit operations? A. We actually proof totals and submit them in a cash letter.

Q. Does this involve the stamping of the magnetic numbers on those checks, or is that done by First National of Atlanta? A. It is necessary to encode some. We have a great number of our checks are encoded previously so——

Q. Who codes those, your bank? A. Well, in any exceptions we would.

Q. What does bill-paying mean? A. Simply the paying of the obligations of the bank.

Q. Its own internal problems? A. Right, right.

Q. On management of bank funds, what does this involve? A. Well, previously the First National had looked at the surplus funds of the bank and decided when investments would be appropriate, and now it is our position to determine the liquidity needs and invest **[321]** according to those needs.

Q. Do you do all of this by yourself? A. Yes, we do.

Q. Without anybody's advice? A. We do have a correspondent service with First National and feel free to call on them for advice in making any purchases or sales of securities.

Q. You feel free to call on them? A. Right.

Q. Do you, in fact, call on them? A. We do occasionally.

Q. You described this advice as a correspondent service? A. Right.

Q. You do regard it as such? A. Yes.

Q. Do you pay them in some way for it? A. Yes, we do.

Q. How? A. On a fee basis.

Q. Could you describe what is involved with the accounting function at your bank, the mechanical functions which you have taken over since you have come there? A. This is simply maintaining all income and **[322]** expense ledgers, so we might come up with a statement of condition and also a statement of income for a given period of time, of course, the daily-statement condition.

Q. All right. Do you handle accruals? A. Yes.

Q. What does that involve? A. Simply accruing either income or expenses, and, again, it is a procedure of—an accounting procedure.

Q. What does it mean to accrue income? A. To take a loan for a given period of time, over ninety days, and then for each thirty day period, you would accrue certain or, actually on a daily basis, you would accrue earnings through that date.

Q. If a loan had been made by the branch prior to the time this relationship changed, as you described it, and I assume that the—I am sorry, and if the loan had been credited to that branch, would not this accrual have happened anyway? A. Yes.

Q. What was the change that was involved with regard to accruals? A. The First National Bank of Atlanta maintained the records.

Q. There was a record-keeping function? [323] A. Yes, right.

Q. What is write-offs? A. Write-offs, depreciation, and that type of thing, item.

Q. So that record-keeping function was also—— A. Yes, right.

Q. Could you describe what type of loan functions have been turned back, what you have had to assume? A. Well, they computerize loan ticklers, commercial loan ticklers, and during the transition they terminated that, and we found it more advantageous for us to prepare our own ticklers. We had the personnel to do it. They had done our installment-loan collection work through August 1st; we now do this on our own, based on our personnel. And we do pursue any loans that have been charged off for possible recovery. Those are the basic collection functions.

Q. You do your own collection functions? A. Yes.

Q. What does it mean to prepare a commercial-loan tickler? A. This is simply a record of a given loan coming into a bank, information that is sent both to the customer and kept internally as a reminder for maturity dates and so forth.

[324] Q. And it sent to the customer, you say? A. Yes.

Q. Does this involve such things as coupons on loans? A. It cannot on commercial loans, but on installment loans, it does.

Q. Now, with regard to coupon books, do you make out your own coupons? A. No, we have a service through First National that does this for us, computer service.

Q. What about the mechanical handling of such coupons when they are sent in by the payer of the loan? A. That is done by our tellers, and then our bookkeeping department.

[325] Q. Are they sent directly to your bank? A. Yes, right.

Q. Are these coupons in some way geared to be run through a computer? A. No.

Q. So that all the bookkeeping involved would be payment of a loan is done at your bank? A. Right.

Q. Was this the case prior to the time the relationship changed? A. No.

Q. Do you handle savings certificates? A. Yes.

Q. Do you do all the necessary functions involved with them? A. Yes, we do.

Q. Have you always? A. No.

Q. What was involved in that transfer? A. Primarily on certificates where checks were issued on some sequent basis, quarterly or annually, First National Bank had that set up on a computer and we handled it physically.

Q. Without any computer being involved? A. Right.

[326] Q. How would you break out the mechanical functions involved in your overall loan operations? Would you say a majority is handled at your own premises or a majority through a correspondent relationship? A. The majority is handled on our premises.

Q. On your premises? A. Right.

Q. Does the phrase corporate trust function have any meaning to you? A. Yes.

Q. What does it mean? A. It can mean a number of things. I have occasion to think of stock transfer, handling any type of—well, First National Bank has up until recently handled our stock registry.

Q. When you say First National? A. First National Bank of Atlanta, right.

Q. Up until recently, has handled your stock registry? A. Right.

Q. What is your stock registry? A. Simply a record of all stockholders updated.

Q. So that if a stockholder in your bank were to sell stock to someone else, that transfer would be handled by First National of Atlanta? **[327]** A. Correct.

Q. But not now? A. That's correct.

Q. Who handles it now? A. We do.

Q. Was there any particular reason, to your knowledge, why this was handled by First National of Atlanta? A. A matter of convenience and personnel to handle it.

Q. Is this a difficult function to perform? A. Not necessarily.

Q. The First National Bank of Tucker, to your knowledge, was previously incapable of even posting the sale of stock in the bank? A. I don't know prior to First National's acquisition of the bank. I do not know.

Q. But the time First National Bank of Atlanta gained its interest in First National Bank of Tucker on the basis of what knowledge you gained personally through your own investigation, was even such a function as this something which First National of Tucker could not perform? A. Probably the personnel, they could not have, due to the numbers of transfers and so forth and the time it takes to properly keep such a record.

[328] Q. Is that—is there that much transfer of the stock? A. There was at the time First National acquired the bank.

Q. Now, you say you now do this yourself? A. Yes.

Q. And all registration that's involved with it? A. Correct.

Q. Has the assumption of these additional functions created any need for additional personnel? A. Yes.

Q. Could you describe to us in what way additional personnel has been needed over, let me make it a little more precise. Have you had to create additional positions or have you had simply to fill vacancies? A. We have had to create positions to fill these jobs.

Q. Would you tell me which positions have had actually to be created new? A. All right. In the bookkeeping area, we added a proof operator, head bookkeeper, one full-time bookkeeper and one part-time bookkeeper. In the accounting end of the bank, we added an Assistant Cashier, general bookkeeper. Those are the additions.

Q. All right. Now could you tell me, first of all, [329] what a proof operator does? A. She proofs checks, lists items, totals them and submits them in a cash letter for clearance.

Q. Does she do any of this stamping on checks that sometimes has to be made? A. No.

Q. Someone else does it at your bank? A. Yes.

Q. Who does it? A. One of the assistant bookkeepers.

Q. When you looked around for a proof operator, did you have any difficulty finding someone with the requisite experience? A. No.

Q. Are you satisfied with the quality of the individual you hired? A. Yes.

Q. What does a head bookkeeper do? A. She supervises the bookkeeping department.

Q. Is this the internal function of the bank? A. Yes.

Q. Now is there a difference between bookkeeping and general bookkeeping? A. Yes.

Q. Describe that difference. **[330]** A. Bookkeeping is really the processing of checks. The general bank accounting is in operation only for compiling records and again accruing income.

Q. The general bookkeeping would be an internal business accounting like any business would have? A. Correct.

Q. And bookkeeping means the actual banking? A. Right, right, the processing of checks, handling of checks and items.

Q. Now you also hired a head bookkeeper you said? A. Yes.

Q. You are satisfied with that individual? A. Yes.

Q. Where did your head bookkeeper come from? A. From the Government.

Q. Where did your proof operator come from? A. Off the street, pardon me, off the street.

Q. Somebody who was looking for a job? A. Yes, she had banking experience.

Q. Your full-time bookkeeper, where did he or she come from? A. She was a housewife and came back to the bank. She had been a bookkeeper prior.

Q. She had prior experience? A. Yes.

[331] Q. Do you have a part-time bookkeeper? A. Yes.

Q. Do all of these bookkeepers satisfy you with the quality of their performance? A. Right.

Q. Your Assistant Cashier, what does the Assistant Cashier do? A. It's a backup from the Cashier, but she handles many, many of the operations in the bank.

Q. What about your Cashier, you didn't have to fill that position? A. Yes, I did.

Q. You did? A. Yes.

Q. And your Assistant Cashier as well? A. Right, but there was a Cashier in the bank. That was not a new position.

Q. But the functions made you set up the position of Assistant Cashier? A. Right.

Q. You also gained a general bookkeeper, as well as for the accounting department? A. Right.

Q. That was a new position? A. Right.

[332] Q. As to your Cashier, why was there a vacancy there? A. I did not choose to keep the existing Cashier.

Q. Did you have any difficulty in obtaining a new Cashier? A. No.

Q. From what type of institution, if any, did you hire her away, was it a bank for your Cashier? A. Right.

Q. How about your Assistant Cashier? A. A bank.

Q. And your general bookkeeper? A. She came from a bank.

Q. Based on the experience you have had with looking for personnel in these specific fields, do you feel you would have any difficulty filling the same positions if vacancies occurred? A. Hopefully no.

Q. Regardless of hopefully? A. I think we could fill the positions.

Q. If you should have need of more managerial personnel, for example a Branch Manager in the foreseeable future, is it your experience and belief you would be able to get suitable personnel? A. Yes.

[333] Q. Does the organizational structure that exists at the bank briefly approximate what existed before or would you consider this a complete internal restructuring? A. I would say generally a restructuring.

Q. Does this compare somewhat with the operations you knew when you were a Branch Manager for the Trust Company? A. To some degree, yes.

Q. How would it differ? A. Well, we have, we are a unit bank. It differs in that way.

Q. Now with regard to hiring away an employee from a large bank, what can you offer to him to persuade him to leave? A. Well, financial opportunities, I think. Also, authority with responsibility.

Q. Is it your feeling, based on your own personal experience and what you personally know of the individual in banking, that there might be a fairly good market for you when you look for other people to hire? A. Yes, I think so.

Q. Do you feel you would be able to find these people in the Atlanta area? A. Perhaps so, I believe I could.

Q. You do believe you could. Is it possible that [334] you could go elsewhere also to find them? A. I could, yes.

Q. What typically would you say in your own judgment would be the types of positions that prospective new managerial employees of yours would have? What types of people would you look for? A. I would be looking probably initially for Branch Manager types, people with lending experience, some operational experience and new business development experience.

Q. Are you talking about looking for Branch Managers with all these qualities or different types of people? A. No, looking for individuals with all these qualities.

Q. So a Branch Manager, you say, with lending experience? A. Right.

Q. Do you feel that you gained a good deal of that when you were a Branch Manager? A. Yes.

Q. And what were the other things you said you got? A. Operational experience.

Q. What does that basically involve, briefly? [335] A. Just understanding a little bit about what goes on behind the teller's line, where you seek operational help within a bank when problems exist, procedures.

Q. You would want him to be familiar with the workings of the bank unit that's on the street, the office branch, internal operations as well? A. Right.

Q. This would require, I will rephrase that.

Would this require someone with many years of experience in banking? A. Perhaps two to five.

Q. So that relatively young men would be available for that? A. Right.

Q. What about hiring from small banks, unit banks? A. It depends on the experience he gained in a unit bank.

Q. Is it possible that people in some unit banks might very well be qualified from your standpoint to be hired? A. Could very well be, right.

Q. Do you feel that it's difficult to recruit in the Atlanta area? A. So far it has not been.

[336] Q. Why not? A. Well, it's a new bank site, new ownership, a lot of opportunities presently.

Q. Do you regard this as a new bank then? A. Yes.

[337] Q. How long has the facility been in existence? A. Since 1965.

Q. Do you feel that you are completely capable of offering a package to a young, promising bank executive sufficient to lure him away? A. Yes.

Q. Mechanically, what do you do or what would a small bank generally do to go about recruiting in the Atlanta area?

A. I might have, just based on my fifteen years' knowledge, a young man who is looking for a position, the normal procedure would be to contact a bank, if you were, in fact, seeking him, and ask permission to speak with that individual about a job. That is the etiquette, I think, involved, depending on whether they grant it or not, then you begin your conversations.

Q. Have you had occasion to follow this policy? A. Yes.

Q. And you have been given permission to speak with the people you were interested in? A. Yes, right.

Q. And have, at least, some of these approaches been successful from your standpoint? A. Yes.

[338] Q. Are there any other things you can do besides contacting a bank where a specific individual that you are after is working? A. Simply by word of mouth, letting it be known that you have a vacancy or people are aware that there's some growth or branch expansion, and, on occasion, people will seek you out.

Q. People do seek you out? A. Yes, sir.

Q. Could you tell us some of that, have you had any personal experience in that regard? A. Yes, we have had, I guess, about eight applicants from either small banks or the major banks seeking employment with us. By and large, from the metropolitan Atlanta area.

Q. Is that right? A. Because we frequently get resumes, too, from personnel recruiters, saying here is Joe Doake's resume; would you like to talk to him?

Q. Now, these eight that you mentioned, did some of them come from personnel recruiters? A. Yes, three.

Q. Did you hire any of them? A. No.

Q. Have you interviewed any of them? [339] A. No.

Q. Why not? A. They wanted to be president.

Q. Where did the other five come from? A. Locally.

Q. They just approached you? A. Yes.

Q. Do they directly contact you or just come into the bank? A. They directly contacted me.

Q. How do you put out the word in the industry, just generally speaking? A. Well, I would probably call First National Bank of Atlanta and say I am looking for a young man; do you know of anybody? And they may make someone available within their own organization. I would probably do the same things for my friends at the Trust Company. And we use Arthur Andersen as our accountants, and I would probably call them and say, you know, be on the lookout for a young man; I need this type of a person with these qualifications.

Q. You say your accountants? A. Yes.

Q. So you might even look in other areas of the financial world? **[340]** A. Right.

Q. Have you hired individuals other than from banks yet? A. No.

Q. All of the people you have hired since you came there have come from some bank? A. Well, financial institutions. I hired a man from a savings and loan association.

Q. Okay. Can you offer—well, let me ask this. Do you offer any pension program at this time? A. No.

Q. Do you offer a profit-sharing plan? A. We don't, but we are working on one to be effective next year.

Q. You are currently working on it? A. Yes.

Q. Did you have a pension or profit-sharing plan at the Trust Company? A. Yes.

Q. You left that? A. Yes.

Q. How do you plan to have the pension—it is only a profit-sharing plan that you are working up? A. Yes.

Q. How do you plan to have that administered? A. By a major bank.

[341] Q. All right. And are the banks in the area, the major banks in the area all capable of doing so? A. Yes.

Q. Is this generally offered as a correspondent service? A. Not necessarily, but it is a service.

Q. Okay. Do you have any concern that allowing another bank to administer such a program might, in any way, infringe upon your own ability to control the actions of your employees? A. No.

Q. Do you feel that having another bank administer that program might affect the decision-making within your bank? A. No.

Q. Do you foresee the possibility of your establishing any branches in the foreseeable future? A. Yes.

Q. Is it possible for a small bank to branch on its own or does it need the help of a large bank? A. We can branch on our own.

Q. You can? A. Yes.

Q. Would you feel that—well, I will withdraw that.
[342] Are there any particular financial requirements involved in branching? A. No.

Q. None at all? A. Just adequate capital, and we have adequate capital presently.

Q. You would not have to raise additional funds? A. No.

Q. Don't you need a certain amount of money to back up the operation of another bank in terms of what the regulatory people require? A. They are more concerned with market areas, as I understand.

Q. I see. Are there substantial financial requirements in branching other than the cost of the physical plant itself and the hiring of personnel? A. No, that would be it, approximately.

Q. All right. Do you plan to—I am sorry, did you say you have enough for your physical plant? A. Yes.

Q. You will be constructing and owning your own? A. We very likely will not, because we would like to expand just beyond one branch, and feel like we can better use the bank's resources by a lease arrangement.

Q. Where do you—how would you go about choosing [343] a site? Would you look for an existing physical facility of some sort? A. We do.

Q. But, you have other alternatives? A. Yes, we do.

Q. Taking raw land and developing that? A. Right.

Q. But, are you reluctant in some way to tie up the funds of your bank? A. Yes.

Mr. Doyle: If the Court please, these questions are putting theoretical on top of hypothetical. I think for all of those reasons, this exploration is objectionable, and I make it.

Q. From what you envision, how would you basically describe the mechanics of going about setting up the facility you have in mind? A. Well, we have one little thing to do. We have got to prove to the comptroller that we are a capable manager of a bank, and until such—until they are convinced in that way, they will not allow or entertain overtures. And we are still being proved, so although we dream about branches, that is not my main concern at this point.

[344] Q. You have only been there now for three months; is that right? A. Right.

Q. Is the option of owning your own branch available to you if you want it? A. Yes.

Q. How would you describe the types of customers whom you serve? A. Probably two broad categories, a very broad assortment of individuals and a great number of small companies.

Q. An assortment of individuals? A. Right.

Q. Would you break that down, that assortment, in any way? A. I would say within both the individual and the small business, we have a high ratio of people relating to real estate, either contractors, subcontractors or real-estate sales-oriented people.

Within the individual category we have a good percentage of professional people, doctors, dentists, lawyers, accountants. We have a high percentage of management personnel. By management personnel, medium, middle and upper, middle-income individuals, and then in our area we also have a great number of laborer-types of [345] customers.

Q. Do the needs of these people differ in any respect, the banking needs? A. I don't believe so. I think they have two real needs. They are users of funds and they need a depository for depositing checks and paying of obligations.

Q. As users of funds, you mean borrowers, loan users? A. Correct.

Q. How would you describe the span of loan size involved here, small, large, what, from the smallest to the largest that your customers need? A. Well, our lending limit is $60,000, so we can accommodate people to that. And any credit request above that, we would hopefully find someone to buy excess loans, and we would go to one of our correspondent relationships.

Q. How many correspondent relationships do you have? A. Two.

Q. With whom? A. First National Bank and the Trust Company of Georgia.

Q. When you were at the Trust Company branch, [346] were you serving, basically, the same types of customers? A. Similar.

Q. The same categories that you mentioned? A. Yes.

Q. Do you regard yourself now in your position as the president of a unit bank as being just as capable, or less capable, or more capable, as the case may be, of serving all these classes? A. Ego would suggest at least as capable.

Q. Do you have any reason to feel that you are less capable? A. Only the limitation on our lending limits, and we do have availability for selling excess loans.

Q. Are there any other services that you can think of that you need assistance in providing? A. We don't provide trust services, and I would direct them to the bank of my choice for those.

Q. You can refer them to another bank? A. Yes.

Q. Would you feel any concern over directing of a customer of yours to another bank for a service you didn't provide? A. Concern, but not fear.

Q. Given the correspondent services that are available, and which you are availing yourself of, do [347] you feel that you can say that you are fully competitive for serving these customers? A. Yes.

Q. Who are the banks with which you feel you are competitive? A. The C&S of Tucker, the branches of the major Atlanta banks in our area which are located at Northlake, Gwinnett Bank & Trust Company, Brand Banking Company.

Q. Where is Gwinnett Bank and Trust located? A. In Lilburn Square?

Q. Lilburn Square. A. Right. It's about three and a half miles from us.

Q. Please go on. A. Brand Banking Company, First National Bank of Lawrenceville and Peachtree Bank and Trust Company. And I may have left out someone, but they are all competitors and good ones.

Q. You said the branches of the major banks? A. Yes.

Q. Is there any reason why you would just talk about a branch? A. I am not seeking the same market that perhaps a major Atlanta bank would be, such as national accounts.

Q. Do you feel yourself capable of successfully **[348]** serving a national account? A. Perhaps so, but their interest in us, I think, would be minimal.

Q. Aside from them, do you feel you are competitive? A. Yes.

Q. With the branch of the largest bank? A. Yes.

Q. Do you feel that these customers—I will withdraw that. You mentioned that the national accounts go downtown? A. Basically.

Q. I think that was your phrase. Do you then feel—would this preclude the branches from being substantial competitors for this business?

Mr. Doyle: I object to the question. I don't know what he means "branches being substantial competitors for this business." The question is ambiguous.

Q. All right. When a large bank serves a large national account, to your knowledge, does it serve it through a branch? **[349]** A. I have to judge on my previous experience, it would not at the Trust Company of Georgia.

Q. Now you also state that it is your opinion that you are not competing with the branches of the major banks for large national accounts? A. Correct.

Q. Then is it your opinion, based upon whatever experience you have had, that generally branches don't compete for such accounts? In other words, you had a reservation when you were talking about your own experience, which is fine. I am wondering what is the basis of your opinion that you are only competing with the branches? A. I'm just surmising that most of the branches would operate very much in the manner that Trust Company does.

Q. This would be true of any unit bank? A. Unit banks would be different.

Q. Do you feel yourself fully competitive for all other classes of customers with the branches? A. Yes.

Q. If you were to become dissatisfied with the correspondent relationships you are now enjoying with the two banks you mentioned, would you feel capable of switching readily to other banks and sources? A. Yes.

[350] Q. In the Atlanta area? A. Yes.

Q. Would you tell us what correspondent services you would like to have, but which are unavailable to you? A. There are none I desire at the present.

Q. Does your correspondent, or do your correspondent banks ever provide you with advice? A. If I call on them.

Q. Only if you call on them? A. Right.

Q. Is this true also of First National Bank of Atlanta? A. Yes.

Q. Are there any particular others where you generally will call? A. I had occasion to call regarding branch banking. I simply got a very brief answer which satisfied my question.

Q. Do you have frequent need to call for advice? A. No.

Q. When you have, you have been satisfied? A. Yes.

Q. Who makes the competitive decisions for your bank? A. I would, with the approval of the Board of **[351]** Directors.

Q. And you and the Board together constitute the complete decision making apparatus in your organization? A. Right, right.

Q. Could you tell us something about the size of First National Bank of Tucker? A. As of the call date, June 30th, we were about seven million five.

Q. How does this contrast with the size of the branch that you used to administer? A. That's smaller.

Q. This is smaller than the branch you used to have? A. Right.

Q. Do you have any personal knowledge about the growth of the bank prior to your coming there? A. It had been very slow, really a stagnant situation.

Q. Has the brief period you have been there given you any experience that would serve as an indication of how your growth rate is growing now? A. We are growing, we are alive, I think.

Q. You found a noticeable increase? A. There has been an increase, right.

Mr. Stern: We have no further questions.

[352] Mr. Doyle: May we take five minutes to consult?

The Court: All right, we will take a five minute recess.

Cross-Examination

By Mr. Hodgson

Q. Mr. Jackson, I think I want to ask you just about two or three questions. When the First National Bank of Atlanta went out to Tucker and acquired whatever interest it did in this bank, what sort of shape was it in? A. As I understand it, it was in rather grim shape.

Q. And the First National Bank of Atlanta had not started that bank; had it? A. No, sir, it had not.

Q. So, what happened was it was a small unit bank in bad shape out there? A. Yes.

Q. First National went in and tried to acquire it fully and was unable to because of the Justice Department's suit; isn't that right? A. Yes, sir.

Q. And then turned it loose to you and Mr. Morris and your associates, right? **[353]** A. That's correct.

Q. So the real change that's been effected is the new ownership of Mr. Morris and the new management of yours? A. Yes, correct.

Q. What sort of incentive did Mr Morris offer you by way of proprietorship in this bank when you came? A. I had an opportunity to own five per cent of the bank.

Q. Now you said you thought you had an attractive package to offer other people to come to that bank.

What is that attractive package? A. We would pay perhaps more than the going rate in the banking industry here locally.

Q. In salary? A. Yes, sir, in salary.

Q. How about the opportunity to buy stock in the bank? A. Yes, we would make that available also, right.

Mr. Hodgson: That's all we have.

Mr. Stern: We have no questions.

The Court: You may step down.

Mr. Kinkaid: Your Honor, I notice it's twenty till five. We have one more witness for direct and cross to be followed by our expert witness who we will be making available under our understanding of **[354]** your earlier instructions for cross-examination I would like to request that if it's all right with Your

Honor, that we suspend for today and we will have the next witness at ten and put our expert on.

The Court: That concludes your case?

Mr. Kinkaid: Yes, sir.

In other words, we have just one witness.

The Court: How long do you and Mr. Hodgson anticipate this next witness is going to take? How long do you anticipate that the next witness is going to take?

Mr. Kinkaid: I would say it would be something like an hour for direct.

Mr. Hodgson: We would hope it wouldn't be much more than five minutes on cross. We can't tell for sure until he has testified.

The Court: You have the expert's testimony, and the only thing, there will be no direct, I take it, for the expert, only cross?

Mr. Kinkaid: Yes, I think as you recall, he put his direct testimony in the form of affidavits which we will ask him to authenticate and that will be it.

The Court: How long is cross going to take of the expert?

[355] Mr. Hodgson: We honestly can't anticipate. It depends on how well we do, how easy we do it. If he is hard to crack, it may take longer.

The Court: At any rate, assuming the schedule that we have here, you should be through with him by tomorrow afternoon?

Mr. Hodgson: Yes, sir, if we can't crack the nut by tomorrow afternoon, we'll go home and start on our own.

The Court: We're rapidly approaching my place of no return for the week after next. I tentatively plan that you would then get the next five days. Then I start counting witnesses and came up with nearly forty. Have you and Mr. Kinkaid made any

estimate on the time? I notice in several cases you would list several witnesses for one category, then when I start reading the categories, I notice that there was a substantial duplication of categories as between witnesses, and then I came to the one where it said, "These people will give their views," and that seemed to me to be awfully general.

Mr. Hodgson: I have every reason to believe you are going to make your schedule. I have one similar to yours. I anticipate, frankly, if we put our witnesses on to the extent that the next witness **[356]** has knowledge of what the prior witness has testified to, we are going to make the point that he has been in this room and does not duplicate, but simply add to the area in which the prior witness has testified. This makes him available to the Department for cross-examination for the whole thing. But, of course, I think we can make our schedule.

The Court: All right, Mr. Kinkaid, knowing what you do with respect to the defendant's case, do you anticipate any rebuttal at this time?

Mr. Kinkaid: I would anticipate some rebuttal at this point. At this time, I really can't say how extensive it would be, but I really don't think it would be very extensive. But I would, if possible, if we could sort of have the better part of a day at the end, I think that would probably take care of it.

The Court: I was trying to divide the time equally. You've taken three days, I was leaving you two days for rebuttal and five days for the defendant which is giving five days each. Do you think you can manage within that schedule?

Mr. Hodgson: We'll have more difficulty than they, Your Honor, simply because the elements of the defense are more extensive than are the elements of **[357]** the charge. But, I can assure you that we will make every effort, we'll be as brief as possible. We are willing if Your Honor doesn't mind the imposition to meet any sort of hours that the Court may set.

The Court: I don't want to get drastic at this early date, but I guess we can make the immediate decision, which is to adjourn until tomorrow at ten.

Mr. Kinkaid: May I bring up one point while we have a couple of minutes, more or less a formality. As you know, we have offered in evidence, I think twenty—I believe twenty depositions that we took during the pretrial stage and we have offered virtually all of these with the, I think, the exception of one or two pages from about three of them. I believe the defendants have themselves offered in evidence whatever we didn't. So, in effect——

The Court: Are they on the exhibit list?

Mr. Kinkaid: Excuse me.

The Court: Are they on the exhibit list?

Mr. Kinkaid: They have not been marked exhibits. Shall we mark them as exhibits and put them in the record that way?

The Court: As far as I'm concerned, I'm willing to receive in evidence all the testimony by **[358]** deposition which has been taken subject to some identification at some point with the right of the parties to object to the parts they deem inadmissible just as you objected to their exhibits.

I assure you I'm not going to sit down and read through all the depositions. I'm going to assume that you will call the pertinent portions there to my attention in the briefs. Can you handle it in that fashion?

Mr. Kinkaid: Yes, sir.

Mr. Doyle: One other housekeeping matter, Judge, the plaintiff objected to the admission into evidence of a certain document. We had some discussion as to the precise wording in one part of it. If I can read a correction, which I think is the correction presently stated or objection presently stated, we won't have any more problem on that. It's on the fourth page

of the document entitled "Plaintiff's Objections to Admit Into Evidence Certain Documents Offered by the Defendant," page four, dealing with defendant's exhibits 41 through 44 in the second paragraph, the first sentence should read, "The defendants have not met the burden of showing that those who responded were without bias, that the questions were unambiguous or that **[359]** the results were reliable."

The Court: Is that correct, Mr. Kinkaid?

Mr. Kinkaid: Yes, sir.

The Court: It will be so noted and be so received. I gather we may not have received a copy of that document; is that right, Mr. Edmondson?

The Clerk: I don't have it.

The Court: Make sure we have it.

Mr. Kinkaid: I believe we've filed that with the Clerk of the Court.

The Court: Make sure we have a copy.
We will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, Court was recessed at 4:50 o'clock P.M., to reconvene at 10 o'clock A.M., Wednesday, September 27, 1972.)

[360] **Volume III**

(Title Omitted in Printing)

Transcript of proceedings had before The Honorable Charles A. Moye, Jr., Judge, United States District Court, on the 27th day of September, 1972, commencing at 10:00 o'clock, A.M., in Atlanta, Fulton County, Georgia.

[361] The Court: Ready?

Mr. Lehman: Yes, Your Honor. The Government will call as its witness Mr. Warren Woolsey.

WARREN WOOLSEY,

being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Lehman

Q. Would you please state your name. A. W. Warren Woolsey.

Q. Where are you presently employed, Mr. Woolsey? A. I am president and chairman of the board of the Citizens Bank of Hapeville.

Q. How long have you been the president and chairman of the board? A. Since August 1, 1971.

Q. Prior to coming to the Citizens Bank of Hapeville, what was your employment? A. For twenty-one years I was with the First National Bank of Atlanta; the last five years I was with the First National, I was vice-president and manager of the Decatur branch of the First National. And I resigned from First National in 1969, in February of '69. I went with Robinson-Humphrey **[362]** Company as an account executive in the Decatur office of Robinson-Humphrey for about seven months and then went with Reynolds Securities as an account executive, specializing in the pension-profit-sharing area. And then, on August 1 of '71, I came with the Citizens Bank of Hapeville.

Q. When did you first learn about the vacancy of the presidency at the Citizens Bank of Hapeville? A. I learned about it about the first week of July of '71.

Q. How did you learn about it, sir? A. I learned about it through my contacts with the Independent Bankers Association. In my work in the pension and profit-sharing area, I conceived and put together a master pension and profit-sharing plan for the Independent Bankers Association of Georgia, and we got this approved by the Internal Revenue Service, and through this

approval of this plan by the Board of directors of the Association and my solicitation of this type of plan, I got to know many of the bankers, and, particularly, the officers of the Association on the other side. The chairman and the vice-chairman of the board of the Citizens Bank of Hapeville were looking for a president, because the man who had been the president had resigned, and he knew Charley Maddox, [363] who is the president of the Peoples Bank of Winder, who at that time was president of the Association. So they went to the president of the Association and asked him for help to find a president, and he gave them a list of ten prospects, and my name was at the top of the list.

[364] Q. When did you formally assume your position as president of Citizens Bank of Hapeville? A. August 1 of '71.

Q. And was this when you first arrived at Hapeville? A. No, I actually was there a week earlier. It was the last week in July that I actually came to the bank, but not to assume my duties, but to get a feel for what the problems were.

Q. When you first arrived at the Citizens Bank of Hapeville, who was operating the bank? A. Ken Ingram, who is the cashier at the C&S Bank, Sandy Springs, was there as the acting cashier. Bobby G. Morris was the acting president of the bank and he was one of the C&S branch managers out on the north side. Of course, he is now president of C&S Chamblee.

Q. These were not employees of Hapeville Bank? A. No, they were not, and we were reimbursing C&S for their salaries.

Q. And do you know why they were there operating the bank? A. Yes, they were there at the request of Mr. Howard Jackson, who at that time was Chairman of the Board.

[365] Q. Do you know how long that they had been in that capacity operating the bank? A. I would say they were there about three months.

Q. Do you know by whom their salaries were being paid? A. Well, the C&S was paying their salaries, I knew that, and we were sending—their salaries were being sent to the C&S. In other words, they knew what their salaries were. We were reimbursing the Citizens and Southern National Bank.

Q. Do you know if these gentlemen were utilizing a C&S operational publication at Hapeville at that time? A. Yes, I saw the C&S manuals they had out there and from which they were operating.

Q. Does the bank still utilize the C&S operating guides? A. No, no, sir.

Q. When did they discontinue doing this? A. The day that I was elected president and they left the bank, they took their manuals with them.

Q. Could you please characterize for us the condition of the Citizens Bank of Hapeville when you arrived? **[366]** A. Well, when I—do you want me to take each area of the bank and go into it, or just——

Q. Could you give us just the general, overall picture of the condition of the bank? A. Okay. The bank, of course, was being run by these two C&S men, and I think the morale of the bank was low because the personnel did not know what was going to happen to the bank. A lot of customers of the bank were very unhappy with the way the bank was being, the loan policies were being handled because the C&S people were really, you know, running it on a lame duck basis. They knew they were just going to be there temporarily.

There were a lot of things that needed to be done, the credit files were in a deplorable condition. I think many of the officers that were there were incapable, not the C&S, but other loan officers that were there were incapable people and incompetent people.

The interior of the lobby was, nothing had been done to the lobby since, I think, they moved into that building, I think, in 1969. The parking lot was too small. It was in a generally run-down condition. There were no—there were no bylaws, no loan policies. There was no chain of command in the bank.

Q. Perhaps—what did you consider to be the [367] major areas of concern there at the bank? A. Obviously the most important area of concern to me was the loans, the quality of the loan portfolio and the loan policies.

Q. Were there other paramount problems that you considered to be paramount? A. Oh, yes, personnel, I thought was a paramount problem, controls on operations, control on expenses was another big thing.

Q. Let's deal with the loan administration problems. Just specifically, what did you find there? A. Well, I found that—well, let's take the credit files and start with that. The credit files were completely devoid of adequate information to justify many of the loans. The loans were being made without proper documentation, title certificates to cars were in the credit files instead of being in the vault and deeds were in the credit files instead of being in the vault.

So, there was really no adequate credit investigation being made. There were no adequate credit files being maintained as far as the credit administration was concerned. There was no analysis being made on the financial statements and so that we knew right away that there was going to be some substantial losses in the loan portfolio.

[368] Q. What steps did you take to try and alleviate these problems? A. That would take some time to answer. Well, first thing I did was to start hiring adequate and competent management personnel. I got the executive vice president of the Bank of Forest Park, a fellow named Mr. Gaddy, who had been in that position for eight years at the Bank of Forest Park. He also had ten year's experience in the auditing department of

First National Bank. I brought him in as the operations manager and cashier of the bank. His title was vice president and cashier.

I brought in Richard M. Churchill, who had experience in First National. He was in charge of all credit for Bankamericard at First National and also was manager of the credit department at Peoples American and administrative assistant to the senior vice president, and he is now vice president in charge of our loan department. We took one of the loan officers, Frank M. Castello, who was on our loan desk, I took him off the loan desk and made a collection man out of him. I took the branch manager who had worked as a salesman for Pet Milk Company for twenty years and had no training as a loan officer and I am now using him as an auditor. I took one of the other young men we had in the bank and **[369]** made him the branch manager.

[370] I hired a man from—who had been at First National Bank and had been through the training program, two-year executive training program, and hired him as a loan officer. One of the vice-presidents there, who I thought was incompetent, resigned within two weeks after I got there because I was questioning the documentation or the missing documentation on many of the loans he had made.

Q. When you had to go out and hire these new employees, did you have any difficulty in finding them? A. No, sir. No, sir, I have friends and contacts in the employment area where they specialize in hiring credit officers and loan officers in banks; I had no trouble at all.

Of course, Mr. Gaddy had known me previously, and he was unhappy in his position, so he came to me looking for a job. In fact, I probably had ten men to come to me and apply for jobs when they found out I had been made president of the bank. Some of them knew me directly, and some of them had heard of me, and they were unhappy in their jobs and were looking for jobs.

Q. Overall, approximately how many people did you have to replace of the original staff, do you recall? A. I would say, we replaced officers and employees, [371] eleven people were replaced.

Q. And what was the total number of your staff at that time? A. I would say we had about thirty-six people.

Q. How long has it taken you to replace these people? A. Well, this was done—this has been done over a year's time. We have gradually replaced these people. I didn't want it to be too much of a shock to go in and just start replacing people, so we had to find adequate, trained, competent people to replace them. So we just did it on a gradual basis over a period of time. So there wouldn't be too much of a shock to the personnel. So I would say it has taken us a year, but I think we have got all the incompetents eliminated now.

Q. Did you have any difficulty with the procedural aspect of the loan administration program as you found it? A. Any difficulties in trying to change it or any difficulties in what was there when I got there?

Q. All right. Any difficulties in trying to change it? A. No, sir. All I did was tell them, "This is the way it is going to be," and we started immediately [372] changing. We had difficulties in trying to train people on execution of investigations, analysis of financial statements, all of the various aspects of loan administration that are just absolutely necessary to operate a bank on a sound basis. And, so the educational aspects of how to run a first-class bank were my biggest problem, and this took some time, some doing. But, it was done through writing operational manuals, loan policy manuals on how things were to be done, what the loan policies were going to be. And, of course, we had an executive committee; an executive committee, though, had not really been operating as a loan committee the way I wanted it to be done, and now we have this set up.

Q. Were these manuals that were written, were they written within your bank? A. Yes, we did not require or request any outside help in the preparation of these manuals.

Q. You earlier mentioned, I think, another problem area happened to be in operations. What did you find wrong in operations? A. About everything you can imagine. The main thing was, there was no control on expenses. I think in the first three months I lopped off something like $45,000 in unnecessary expenses on an annual basis. I [373] can give you a number of examples, but this was—this is one of the main things.

But, control on income was another thing. For instance, safe deposit box rentals were just coming in, and the clerk was just posting this to a book instead of doing like you are supposed to do and set up a rents receivable account. When the bills go out, and then when the income comes in, you wash out the receivables account. The general bookkeeper was originating many of her own entries without an officer's okay. Well, if she had been dishonest, she could have taken us for a million dollars.

So we immediately said no entries are to go to general books without an officer's okay. This is just standard banking procedure.

Q. Have the problems in this area been eliminated? A. Yes, sir. Yes, sir, I think they have been eliminated.

Q. In your earlier discussion as to the hiring of new management personnel, what does your bank have to offer to attract qualified management people? A. I think we can compete through any area, as far as salaries are concerned. I think our salary scale is comparable to any of the large Atlanta banks. I think, as far as fringe benefits, we have just put in [374] a hospitalization and major medical plan that I think is—I know it is as good as what First National had, because that, of course, is the only one I have direct experience with. But, we are

putting in a plan where we will have surgical, hospital and accidental expenses will be taken care of 100%. Any medical care expenses will have $100 deductible, and the major medical will carry it on up to $50,000. And we are going to have this at no additional cost over the other major medical plan that we had.

We have a fixed benefit pension plan, and this plan will guarantee any employee 35% of their salary, up to Social Security and 65% of whatever they make over their Social Security base, which averages out, you know, somewhere around 60 to 65% of their total salary for the last five years.

We have a group insurance plan which starts with me at $50,000, and goes on down to a minimum of $7,000 for each employee. That's about it.

Q. These benefits, these fringe benefits that you have just mentioned, are they made available to you through a correspondent relationship with a larger bank? A. No, sir, they are not. We got these on our own, and it has no connection with a correspondent bank **[375]** on any of these services.

Q. With reference to the pension plan you earlier mentioned, was there a pension plan in existence at the Citizens Bank of Hapeville when you arrived? A. Yes, there was.

Q. By whom was it administered? A. Canada Life Assurance Company, I think was the name of it.

Q. Is it still in effect now? A. Yes, but not by them. We cancelled out their plan. They had a split-funded plan, part of it going for insurance and the other part going into an equity fund.

There had been no contract with the bank since its origination about two years before I got there, so there had been some changes in the Internal Revenue code that had made the plan really—I don't think really eligible as a tax-deductible plan, as a qualified plan because of the changes in the code. So it had not

been updated, and so we just cancelled the whole thing and started all over again.

Q. So this plan is not in effect today? A. No, the original plan is not in effect; that is right.

Q. You earlier mentioned, though, you—— [376] A. Let me say this, we are just amending—let me qualify that. We are amending our plan, as far as the benefits and the formula, vesting schedules and so forth, so as far as Internal Revenue is concerned, it is, in fact, the same plan, and we will file an amendment with Internal Revenue.

But, as far as the administration of the plan is concerned, we have changed administrators and we have changed it from a split-funded plan to a non-insured equity plan, 100% equity plan. In other words, we pulled out of the plan disability benefits and death benefits and insurance benefits out of the pension plan and made these separate benefits.

Q. Who now is administering the plan then? A. A firm called Richard Grenell & Associates, which is an experienced insurance—not an insurance, but an employee benefit firm. They handled the administration and file all the papers that are necessary with Internal Revenue.

[377] Q. Just out of curiosity, is this the earlier plan you were referring to with your association with the IBA of Georgia? A. Yes, it is. The plan that I was working on when I was with Reynolds Securities, this master prototype pension and profit sharing plan is the plan that we are now switching over to.

Q. Is this plan made available to other banks? A. Yes, it is. This plan is available to any independent bank in the State of Georgia if they will become a member of the Independent Bankers Association of Georgia and the solicitation of these banks is going on on a fulltime basis. As far as the response right now is concerned, we have been in this about a year on a solicitation basis and I would say we have got six banks committed before the end of this year. They will transfer whatever funds

they have over into this plan. We will have—we have got forty-seven additional banks in Georgia that have submitted their payrolls to us and we will make a decision between now and the end of the year. We know of at least sixty-five other banks that have plans with insurance companies or with banks, large metropolitan banks, and we are working on them, too.

Q. You mentioned we; who is we? A. We is, as far as who the calling is being [378] done by.

Q. Who are you referring to as we? A. We is the people that the Independent Bankers Association have delegated to do this work. We have this broken down, we have put together a team of experts to handle this plan. We have the investment counselling firm of Thorndike, Thorn, Payne & Lewis who happens to manage about three and a half billion dollars. They are the investment counselling firm for Wellington, Family Mutual Fund. They have an office here managing about $350 million right here in Atlanta. They will be the investment counselling firm for this plan.

Richard Grinnell and Associates will handle the administration and actuarial certifications on an annual basis on revising of the data, the payroll data that is necessary every year. The calling is being done by Richard Grinnell and two men at Reynolds Securities. They are calling on all of the banks to make them aware of this plan and then, of course, we have attorneys. We have Wesley Warren, who is with Smith, Parker, Scott, Pick & Simmons. He's a specialist in employee benefits, he has rapport with the Internal Revenue. He has gotten plans approved. These plans are what we call now a master plan where the association sponsors the plan and gets it qualified in a shell form. The individual [379] aspects of the plan are left up to the president of the management of each individual bank, such as investing schedules, manageability requirements, retirement dates, entry dates, when they come in. Whether there is a minimum age, all of the individual

aspects of a plan are designed by the local management. Only the shell is submitted to Internal Revenue. It's a joinder agreement that each bank signs to come into the plan. There's one master trust set-up for the pension plan, the six benefits pension plan. There's another master trust that will be set up for profit sharing plan. There's another trust that will be set up for first pension plan because there is slightly different handling.

Q. As to the pension plan, would this also be available to the customers of the bank if they wanted to establish it? A. Yes, they will. We are in the process of receiving a no action letter from the Securities and Exchange Commission to be sure we would not in any way infringe upon the rules and regulations of the Securities and Exchange Commission and our attorney feels that there will be no problem about getting this letter. If there is any problem, we will name a bank with trust powers as a corporate trustee. This plan is now an individually trusted plan with three of the officers and directors of **[380]** the association as the trustees, and I am one of them.

Q. Are the member banks of the IBA utilizing this plan; are they charged? A. Oh, yes, they are charged. They are charged a fee for the administration, for the investment counselling services, and we are charging one and one-fourth per cent of the corpus that is accumulated on an annual basis to take care of all expenses.

Q. Does the Citizens Bank of Hapeville have a profit sharing plan in effect? A. No, sir, we don't. There was no plan when we got there. We had to take first things first. We are just now in the process of turning the bank around and making a profit and until I can show a record of several years of consistent earnings, I don't feel that a profit sharing plan is justified. The pension plan, I felt, was the main thing that needed to be done to get that set up correctly. If we can do this and be within Internal Revenue rulings, and their regulations, and then we will put in a profit sharing plan. One of the rules

Internal Revenue has, you can't put more than twenty-five percent of your payroll in a pension plan and profit sharing plan when you have both. And so, the question is, after I have funded my pension plan, is there really enough money available that could be put into a pension, a profit **[381]** sharing plan and make it a real good thing for the employees. There may not be enough money left over, but there is a limitation of twenty-five percent.

Q. As to the IBA investment profit sharing plan, this is available to small member banks also? A. Yes, if they are members of the association. They have to become a member of the IBA to join.

Q. I assume this is operated on the same basis as a pension plan? A. You're talking about profit sharing and pensions?

Q. Yes. A. That's right, they are both the same.

Q. Again, would this profit sharing plan, this master profit sharing plan be available to customers of independent banks? A. Yes, they are, and we have gotten a number of payroll data sheets and got a couple of them right on the verge of signing up. Most of the customers don't have existing plans. Most of the customers, they have been wanting something in employee benefits area and just haven't had anybody approach them to do it.

Q. For those earlier fringe benefits you mentioned, such as insurance policies, et cetera, are these made available to you through services of **[382]** correspondents? A. No, sir—you mean insurance policies for my group, group insurance?

Q. Yes. A. No, sir.

Q. When you first arrived at the bank in Hapeville, who was providing your bank correspondent services? A. Citizens and Southern National Bank.

Q. Were there any other banks providing any services? A. We had accounts with other Atlanta banks but they were small accounts. The main account was with the C&S.

Q. Did you consider at that time then C&S to be a primary correspondent? A. Yes, I do.

Q. What services was C&S, were C&S furnishing you? A. Everything in the book, DDA, that's demand deposit accounting, savings certificates, savings accounts, clearance of checks, investment portfolio, Government bonds, municipal bonds, payroll preparation, they were preparing our payrolls, just about everything that they can do.

[383] Q. Is C&S still your primary correspondent bank? A. No, they are not.

Q. Do you have a primary correspondent bank now? A. Yes, I do.

Q. Who is that? A. Central Bank & Trust Company at Birmingham.

Q. Was the Central Bank & Trust Company a correspondent of your bank when you first arrived? A. No, they were not.

Q. Then, I assume you had to set up, establish a new correspondent relationship? A. That's right.

Q. And first of all, was it difficult in finding a correspondent, a new one? A. No, sir. No, sir, in fact I had all the other banks come out and solicited my business. Fulton, First and Trust. There was no trouble. In effect, I was solicited by Central & Trust of Birmingham, too, and of course, the man who called on me used to be one of my junior officers at the Decatur Branch of First National. So I knew him from that connection.

Q. In the banks that you listed as soliciting your correspondent services, were there any other banks, other than Central that were out-of-state banks? [384] A. Indirectly,

through one of my Board members, the Hamilton National in Chattanooga have indicated an interest in being our correspondent, too.

Q. Is this relatively unusual to have an out-of-state bank solicit correspondent services? A. I would think so. I was surprised.

Q. Do you know of other banks now that are utilizing out-of-state correspondents? A. Yes, sir, there are lots of them, lots of them in Georgia. Central Bank has got at least eighteen in Georgia, I've been told, where their bank is, where Central is their primary correspondent and they have got, there must be sixty other banks or something like that, I'm not sure of the exact figures, where Central is their secondary account. I'm not real sure of that number, of course.

Q. Based on the number of banks that solicited your correspondent services, would you characterize the market, correspondent market as the buyer's market? A. Yes, I would. Yes, I would. I think all of the Atlanta banks and all the main metropolitan banks have to solicit this kind of business.

Q. What problems did you have in setting up a new correspondent relationship? A. Well, there is always a conversion time for **[385]** getting things converted when you're pulling out of one bank and going into another bank to make sure that the systems are capable, to make sure you are not sacrificing some services.

Q. By converting, what do you—— A. Well, the conversion, that is, you go from one computer system to another. The data that is printed out may not be compatible. So, there may be a conversion of data that are magnetic tapes or with computer tapes before you can put it on a new system. We are still in the process of converting. Central Bank has got our demand deposit accounts and now have got our savings certificates and savings accounts. We are right in the middle of installment loans. This is a highly complicated process

and we are trying to get—we have got half our loans on Central and half on C&S systems. We are trying to get the other half off of C&S and get it on Central. So we have one instead of two.

[386] Q. Are most of these services provided you, are they linked with a computer? A. Yes, they are.

Q. From your last answer, I assume that you are still utilizing C&S National as a correspondent, also? A. Yes, we still—yes, we are, for the residue that they still have.

Q. What is this residue? A. Half of the installment loan portfolio and payroll preparation. That's about it. Everything else is converted, I think.

Q. Earlier you stated that the Central was located in Birmingham, Alabama. Does this distance present any problem for you, as far as the correspondent relationship? A. No, sir, it does not. They pick up our checks about 7:00 o'clock at night, and I understand they are back in Atlanta the next morning to be presented to the Federal Reserve. They have already been processed, sorted, and ready for presentation at the Fed.

Q. Would this be the major area in a correspondent-type relationship, where you probably would run into a time problem? A. Yes, normally you would, because of the [387] distance from Atlanta. The way they are handling it, taking our checks to Birmingham and bringing them back, really early the next morning so that they are here when the Federal Reserve opens up, there is no problem about time.

Q. What mode of transportation are you utilizing? A. Air, by plane.

Q. Since the initiation of your correspondent relationship with Central, have you had an occasion to participate in loans above your legal limit? A. Oh, yes, I surely have, quite a number of times, and they have given me excellent service.

Q. The time factor involved, because of the distance, does not play a part? A. No.

Q. Why not? A. I guess because we communicate with them. We get on the phone and we outline what the credit situation is, what the net worth is, what the borrowing experience has been with the customer, what our collateral is going to be, what our repayment terms are going to be, what kind of rate we are charging. And their answer usually is, we will credit your account today for sixty thousand, a hundred thousand, or whatever it is, and you go ahead and send us the papers. So we have [388] had no problem on cooperation on participation on loans.

Q. Since your arrival at Hapeville, have you had occasion to participate with any other banks in loans? A. Yes, I have. I have participated with the Farmers Bank of Monroe on some loans, where in that case they were participating with us. They had a problem on a loan and wanted us to take a participation, so we took $160,000 participation. This is kind of a two-way street, but we have not sold participations to any other bank, except one, and that is the First Bank of Morrow—no, wait a minute, First State Bank of Clayton County in Morrow. We have sold participations with that bank, have handled participations with that bank, but it has been a relatively small amount, you know, $40,000, $50,000.

Q. From your banking experience, are you aware whether a large correspondent bank would provide its smaller correspondent bank with temporary personnel? A. Yes, I think anytime a small bank gets into trouble, personnelwise, and desperately needs some temporary management talent, I think a large bank would provide this.

Q. Would this be a usual service? A. Well, I think it has to be an emergency-type thing, like it was in Hapeville. I think that was an [389] emergency-type situation, where the president was asked to resign, and they had to have somebody run the bank until they found a new president. So the president—the

chairman of the board went to Mills Lane, and said, "I have to have—I need somebody, and I would like for you to provide me some temporary management help." So I don't think this is—I think it has to be usually a crisis situation before they do ask for that, but it is not a routine thing to ask for officer personnel.

Q. Who would pay for the temporary personnel then? A. I think the bank, the small bank that needs the personnel usually pays, I would think.

Q. Would this temporary personnel, would this apply both to managerial and employees? A. I don't think it would pertain to employees usually. Unless there is a—I don't know what the circumstances—if the management of the local bank has staffed his bank adequately, and I have never heard of a city bank providing employee personnel for a small, country bank.

Q. Does the Citizens Bank of Hapeville provide a credit card service for its customers? A. Yes, it does, the Master Charge.

[390] Q. Do you utilize a correspondent bank for this service? A. No, sir, we are hooked directly onto SEBA for this we are on our bank, we are not going through any other bank.

Q. You are locked directly onto what? A. The SEBA.

Q. Which is—— A. Which is the Southeastern—it is the unit that handles Master Charge; I don't know exactly what SEBA stands for, but it is the unit that has computer capability for providing us direct service. In other words, if we went through a correspondent, the correspondent would handle all of the credit investigations, as well as the issuance of the cards. We are doing our own credit investigations and we have our own plan to originate the customers that come in, and we send that data to the computer center, the SEBA computer center.

Q. So you are a type of agent for the card; would that be the proper term? A. Yes, we are an independent agent for the card, right.

Q. I take it from your last answer that a correspondent, a large correspondent would also—could **[391]** also provide this for a smaller bank? A. Yes, they can.

Q. And does, in fact? A. Yes, they do.

Q. Why don't you utilize a correspondent for this service? A. Because we just want to be independent. We wanted to, also, because we were sensitive to the credit, the lack of credit standards that were in the bank prior to my coming there. I wanted to make absolutely sure that we had a control on high credit standards that we would maintain on anybody that we gave a Master Charge card to. Because, as you know, this is unsecured credit, so I wanted to control on the Master Charge. business. Not that I had any doubts that the Atlanta banks couldn't pass on the credit, but I just wanted to have control on that.

Q. Excluding the computer services offered by the large correspondent banks, are there any other sources of computer services a small bank can turn to? A. Oh, yes. The independent banks are forming, in Georgia, are forming regional computer centers. There's one in Cordele, Georgia that has twelve independent banks in it. They not only have gone in together on computer services for the EDA savings **[392]** accounts, all of the accounting aspects of the bank, but they have also centralized their purchases of supplies, their software, all the paperwork that is involved in the bank is being centralized.

I know there's twelve banks in Cordele. The other bank, the other group that is in existence and in operation is up near Winder, Georgia, and there are eight banks in that group. There are two more regional computer centers that are on the verge of coming into existence, and I think within the next year they will be in existence. These are computer centers sponsored by and originated by the independent bankers in Georgia. They have nothing to do with the Atlanta banks.

Q. So these computer centers are not computer centers of larger banks; is that correct? A. That's right, that's right. They have nothing to do with the larger banks.

Q. In mentioning the purchase of software, did you mean for the computer centers, these banks are grouping for the computer centers? A. No, not for the computer centers, for the individual banks, cash tickets for the tellers, stationery, all of the envelopes, all of the things that are used in mailing statements out, they have centralized their purchases of these supplies.

[393] Q. Where do you purchase the supplies for your bank, Mr. Woolsey? A. Murphy & McWhirter is where we get some of them. Also, we have—the Central Bank & Trust has an outlet where we purchase our supplies, and we get them at fifty percent of cost. Apparently, they are picking up the other fifty percent of the cost of our supplies, so we are using them to some extent.

Q. Prior to the establishment of Central as your correspondent bank, did you utilize any other banks, the purchasing departments of banks? A. No, we are not utilizing their purchasing department, as such. We are purchasing our own supplies and I don't know the name of the other firm; they are just—as far as the billing is concerned, we are only getting billed for half the cost, so we don't actually use their purchasing department, as such.

Q. Since your arrival at the Citizens Bank of Hapeville, have you had an occasion to have an audit performed? A. Yes. It has been done by the Central Bank & Trust of Birmingham.

Q. From your banking experience, do small banks like yours normally utilize a correspondent, larger **[394]** correspondent banks for this auditing service? **[395]** A. Yes, I think this is the normal thing. They can be done or they can use a CPA firm. Their own private accounting firm can do this audit. I don't—since I'm not in a correspondent area, I can't name what proportion of the small banks use independent CPA firms

and what proportions use the Atlanta banks or some large metropolitan bank.

Q. Is there any reason that you know as to why—excuse me—a smaller bank would use a CPA firm rather than a large correspondent bank? A. Yes, I think one of the big reasons would be that when an Atlanta bank comes in and makes an audit they know all of the intimate details about the operations of that bank and they could put a yardstick as to whether this would be a desirable bank to buy later on, try to get control of. I think would be—this would be an objection I'd have to having an Atlanta bank making an audit on my bank.

Q. Does that answer, in a sense, state the reason why Central Bank is running your audit? A. That's exactly right.

Q. This is one time when distance is a factor? A. That's right, distance is an advantage.

Q. Now, Mr. Woolsey, are you aware of any services that a large bank provides that you cannot provide **[396]** your customers? A. Yes, I think one area would probably be the trust services. We have no trust powers in our bank. So, any customer that came in that wanted to have the bank named as a executor of his will, something like this, we would not be able to provide that service.

Q. What would you do with a customer such as that? A. If he wanted to have a corporate trustee or corporate executor, we would probably send it to a large bank, if we did not have that power.

Q. When you send a customer, such as this, to a larger bank, is there any type of referral fee involved? A. I really don't know because since I have been at Hapeville we have really not gotten into this. I have not had a customer coming in and asking for this service in the one year I've been there. But, I think this is something that is negotiated with a big bank. There might be a splitting of the fee. I'm not really sure.

Mr. Doyle: I move that the last answer be stricken. He stated he didn't have a basis for his knowledge. It was more of an estimate than what he knows.

The Court: I agree. That's the kind of answer—there's no need to strike it.

[397] Q. Are you aware of any other services, other than trust services, that a large bank provides that you cannot provide? A. No, sir.

Q. Do you feel that the inability of your bank to provide a trust service for one of your customers puts you at any particular disadvantage? A. No, sir.

Q. Why? A. Because I think if a customer of our bank wants that service, we can refer him to someone that's competent, like a bank that has a corporate trustee, trust department and get him taken care of and still not lose a customer. I don't think that would in itself cause that customer to move his account to another bank.

Q. It appears from our previous discussion you faced quite a problem when you went to the Bank of Hapeville. Have you succeeded in eliminating it? A. I hope so because we did have monstrous problems with the loans particularly. That was the most critical area because this is the area in which you can lose the most amount of money in a short time. And we were trying to do everything simultaneously, shore up operations, get adequate personnel, charge off the bad loans and generate good new loans at the same time. And **[398]** when you're trying to do all of this at one time, you have got your work cut out for you, and we had quite a time getting this turned around. I think we have got it done. Our loan ratio, when I walked into the bank, was about fifty-nine percent over deposits. After we got through charging off the bad loans, it got down to forty-one percent. It's now back up to sixty-one percent. We have registered loans which in six to nine months will run that up to sixty-five percent of our total profit. I think we have got the

good loans coming on strong. There has only been two loans charged off since I've come on the scene. One is for $900 and one is for $600. Every loan which has been charged off was made prior to August the 1st of 1971.

Q. As far as those loans charged off, other than the two you mentioned, since you had arrived there, do you know in dollar amounts how much was charged off? A. Yes, I know how much.

Q. Could you tell us, approximately? A. I could, but I prefer not to.

Q. Fine, I withdraw the question. Could I have a moment, Your Honor?

The Court: How high can you safely run the ratio of loans?

The Witness: This is an arbitrary thing in **[399]** the large bank, of course, as C&S people well know it can go up to eighty percent or higher.

The Court: You are getting to my question. I'm asking you with respect to yourself.

The Witness: To my bank, I have asked both the FDIC and State Banking Department for guidelines on this point and they have given me no guidelines at all. I think the quality of the loan portfolio has a lot to do with it. If you've got a solid portfolio, I think they will allow it to go higher. They will not give me guidelines. I would say seventy to seventy-five percent would be the top I would want to go. I think that would be a real good loan portfolio to be that high. It really is a gray area, and really——

The Court: With respect to your bank's income, how much of it is attributable to loans?

The Witness: I don't mind giving you the profitability figure.

The Court: I mean, relatively.

The Witness: Relatively, I would say—I would say right now it's about sixty percent, sixty-five percent is loans. When I get all the loans on a string I want, I think it will be seventy-five percent.

[400] The Court: What type of income constitutes the other thirty-five percent?

The Witness: Most of it, I would say ninety percent of the other income is municipal bonds and interest on Government bonds.

The Court: Which you are holding as investments?

The Witness: Right, this is all the monies, our depositors' monies, capital of the bank that's not invested in monies either in Federal funds, municipal bonds or Government bonds.

The Court: What kind of loans, if you can generalize, constitute that sixty-five percent, sixty percent that you now have?

The Witness: What kind of loans? They constitute installment loans. They are handled on a monthly payment basis. They constitute construction loans, land acquisitions, land development and construction loans. These are not apartment projects. We are about—we concentrate just on residential homes. We concentrate only on builders who have a prior record of performance. For instance, I put John Spencer, who is president of Roy D. Warren on the Board so I could funnel the people he is making personal loans to, he is a **[401]** mortgage broker originating mortgagee, he wants the permanent loans. We are handling the construction loans and feeding him the permanent loans. So, this generates a good volume of constructions loans. Many of them are business loans to the people in the Hapeville area and East Point, College Park, Riverdale, Union City, Fairburn, that whole area down there. And we are finding that we can regenerate the good quality of loans by being highly selective and remain high on our credit.

[402] The Court: Have you taken construction loans and funneled them? Does that or not mean that you are not being in competition with the savings and loan?

A. Right, as far as the loan side.

The Court: Which does it mean?

A. It means we are not in competition with them as far as those loans are concerned. As far as the loans, sir. We are in competition with them as far as savings are concerned, on the deposit side. As long as we are not handling the permanent loans, that's right; I have to say we have made a very few highly selective long-term loans, and when I say long-term. I am talking about not more than ten years on real estate, but it is usually a most unusual situation and is not real estate. I mean not residential loans; it is usually a commercial situation.

Mr. Lehman: If I may just have a moment.

The Court: Well, we have gone for an hour; let's take a ten-minute recess.

(Whereupon a ten-minute recess was had.)

Q. I have just a few more questions, Mr. Woolsey. Could you tell us the size of your bank, as far as **[403]** assets, deposits? A. Total assets about $20,000,000, and total deposits about $18,000,000.

Q. Do you recall the size when you first arrived there? A. It was about the same size, as far as deposits were concerned. We lost probably a million and a half dollars in CD's, certificates of deposit, because the bank was paying 7½% on some of those, and I just let them run off. I didn't want to pay this kind of rate. But, I think the bank just came down just a little bit and it has come back up to about where it was when I took it over.

Q. Since your arrival in Hapeville, have you had an occasion to or where your loan deposit ratio has reached what you would

consider to be maximum? A. No, no, I feel like we still have some room to increase our loan portfolio.

Q. Do you know what you would do when that occasion occurred, if it occurs, as far as if you have continued loans coming in? A. Well, we'd just have to turn them down. Once we reach the point where we have reached what we consider to be a prudent percentage of our loans to our deposits, then we will just have to cut off the loans. **[404]** Or as loans mature, in order to make new loans as the ones mature and are paid off.

Q. Now, to perhaps clarify a point—— A. Let me, let me say one other thing. If a real good customer comes in, instead of just turning him down, which would make him move his account, we might talk to Birmingham about taking a 100% participation in a loan. So we would try to serve our customers and not just let them go to another bank. We try to keep our account relationship fine and place the loan for them.

Q. By 100% participation, what do you mean? A. They would take the whole loan, they would take the whole loan. We would not participate in any part of that loan.

Q. Would this operate any differently in procedure than your normal participation with Central? A. Well, it might be that we would handle the paperwork. We would close the loan, but we would not put any money into the loan. The money, the proceeds would be advanced by our city correspondent.

Q. Would you still receive a percentage for handling that loan? A. It might be, uh-huh, we might get a percentage of the rate as a servicing fee for handling the paperwork.

[405] Q. Now, to clarify a point that we had earlier discussed as to what services your bank does not provide that a large bank does, you have mentioned trust services. Does your bank provide a lock-box service? A. No, that's right; it does not. We do not have a lock-box.

Q. Why is that? A. I think because the nature of our customers are such that we don't have but very few national concerns who are worried about the availability of funds. This is the purpose of a lock-box. The customer of the banks has his customers mail his check to the mailbox, and then the bank periodically during the day picks up these remittances that are coming in, and does the depositing of the checks for the customer. And lots of times when money is deposited and the balance in the account exceeds X dollars, the money is wired to the home office of that company, so that the home office has the availability of the money, and it reduces the flow. We just don't have that kind of customer. We have what I think is a very strong penetration in the local market, and we are a local bank, and we just don't have that kind of national concern doing business with us.

[406] Q. How would you categorize your customers? A. I would say most of them are local, local customers. But, we have got excellent penetration, so we are doing the business that we think we can do the best.

Q. Does your bank offer letters of credit? A. Not directly, no. No, I think that this could be done with a correspondent.

Q. Have you had occasion to do it? A. Not in the year I've been there.

Q. Does your bank also handle any type of international transactions? A. No, we just don't have the type of customers that would do that, either.

Q. If you were to have such a customer come in, would you be able to handle it through a correspondent? A. Through a correspondent, yes, yes.

Q. Earlier when we were discussing the recruiting and going out and getting new personnel, are you aware, are there any specialized agencies for bank personnel? A. Yes.

Q. Did you utilize this? A. Yes, I did.

Q. Do you recall for how many of your personnel? A. One. My loan officer was the one that—my vice president in charge of the loan department is the one **[407]** I got from the employment agency. The others came to me, like I say, I picked out the ones that came to me when they heard when I had been made president of the bank. They either knew me directly or had heard about me. I had no problem getting the people I needed.

Q. Now, as we also discussed earlier, Central is your primary correspondent. Now, perhaps I may not have this term correctly. Do they handle your municipal bond portfolio? A. No, they do not.

Q. Who handles that? A. Trust Company of Georgia handles that. And the reason they do that, first, is because no one in Alabama can know as much about Georgia municipals as a bank in Georgia. You have to have someone who is knowledgeable and makes a market in Georgia bonds. I'm using Trust Company of Georgia just for that one service.

Q. Does your bank have a blanket bond? A. Yes, we do.

Q. By whom was it provided? A. Saint Paul Fire & Indemnity Company and for $1 million, bankers blanket bond.

Q. You are not using a correspondent for the provisions of this? A. No.

[408] Q. Does your bank also have a disability insurance program? A. Yes.

Q. By whom is this provided? A. This is provided by the—it's sponsored by the Georgia Bankers Association and it's through Georgia International.

Q. Again, I assume you are not utilizing a correspondent for this service? A. No, no.

Q. One final question, when you arrived at the Citizens Bank of Hapeville, did C&S own stock in that bank? A. Yes, they did. They owned five percent.

Q. Do they now? A. No, sir, I bought them out.

Mr. Lehman: I have no further questions, Your Honor.

Cross-Examination

By Mr. Doyle

Q. Mr. Woolsey, in your testimony about the bad shape your bank was in when you found it, I believe you also told us that C&S management had been in the bank, Ken Ingram and Bobby Morris, for only three months? A. That's right.

[409] Q. The bad shape that you have described, then, originated and began before that three month's period; did it not? A. Right, it certainly did.

Q. You testified, I believe, that C&S had been asked to provide management by the owner of the bank, the then owner of the bank? A. That's right.

Q. Do you know that that request was also a request that was made by the Federal Deposit Insurance Corporation? A. No, I had no knowledge of that.

Q. Do you know that Federal Deposit Insurance Corporation had in effect required the prior president to resign? A. Oh, yes, I knew that.

Q. And that was the man who was president before this three month's caretaker period? A. That's right.

Q. And during that caretaker period, wouldn't you agree that C&S had no opportunity during that period of time, because of the caretaker relationship the incentive to put in its own systems? A. Operational systems you are talking about?

Q. Yes, sir, I mean to change the bank over and **[410]** put in its total operational system for a three-month period? A. Right, they didn't know how long it was going to be that they were going to have to do this when they went out there. You are right, they knew it was a temporary situation so they did not change the system in any way.

Q. Right. And during that three-month period, an effort, of course, was being made to sell the bank and bring in new management for the bank? A. Not sell the bank, not that I know of.

Q. To bring in new management for the bank? A. Bring in new management.

Q. You did, in fact, purchase a substantial amount of stock in the bank; did you not? A. Yes, I did.

Q. Better than fifty percent? A. Yes.

Q. You had no difficulty in purchasing that five percent stock which had been owned by C&S holding? A. No, they were most cooperative.

Q. And the purchase of that bank and in the purchase of that stock, we agree that you bought more than fifty percent? A. Yes, fifty-seven percent.

Q. You financed your stock purchase with Central **[411]** Bank in Birmingham; did you not? A. Right.

Q. Can you tell us what your interest rate was on that loan? A. Prime.

Q. Were there any compensating balances discussed at the time? A. No, sir.

Q. Did that factor have anything to do with your choice of Central Bank as your principal correspondent? A. It surely did.

Q. Was another factor that entered into your choice of the Birmingham bank as your primary correspondent your concern about turning your demand deposit accounting and your participations over to the downtown banks who were your com-

petitors? A. Yes, it was my concern, when I went in, that C&S had my demand deposits and have a branch down the street from me and were my competition.

Q. And the point was you simply didn't want that kind of information on your bank available in the hands of any competitor in Atlanta? A. Exactly.

Q. C&S, all the rest of the downtown banks? A. That's right.

[412] Q. And could you, in your estimation, use a Birmingham bank as a correspondent with the one-day delay in handling if you had major business accounts who were concerned about the need or money and availability? A. You made a presumption that is not correct, that there's a one-day delay.

Q. You don't offer lock box services? A. That's correct.

Q. You don't have concentration accounts? A. No, sir.

Q. Now, do you, in the management of your bank today, Mr. Woolsey, receive any regular management reviews on a continuing basis from any other source? **[413]** A. No, I have invited Central Bank to come to our board meetings, if they wanted to, because—particularly in the beginning. Of course, they had the stock that I had bought as collateral to their loans, so to assure them that the bank is being run correctly, I invited them to attend our board meetings if they wanted to, and they attended one meeting and that was the first meeting, and they have not ever come to another meeting.

Q. That was the first and only meeting? A. The first and only meeting. They were convinced, apparently, that the bank was going to be run sound.

Q. Do you ever furnish them with statistical data on your bank? A. No, sir, no, sir.

Q. Do you regularly receive back from them any sort of suggestions as to what you ought to do about it? A. No, sir, I

never contact them unless it is on a participation on a loan. That is the only contact.

Q. You clearly, from your direct testimony, have not received from them general operating guides or any such as that? A. No, sir; no, sir.

[414] Q. You told us that you had one audit provided by them—— A. Right.

Q. To this point? A. At my request.

Q. Yes, sir. And that is not available to you, according to your understanding with them, on a regular continuing kind of basis? A. They have offered it to me on an annual basis.

Q. Once a year basis? A. Once a year basis with no charge.

Q. Right. You don't use Central Bank of Birmingham as a regular source of personnel assistance? A. Right.

Q. They don't provide any pool of personnel for you to meet your absences or demands or any such as that? A. No, sir.

Q. Do they provide to you any surprise audits so that no one in your bank knows when the audit is coming? A. This operational audit is a surprise audit.

Q. Is it a surprise to you? A. Yes.

Q. You request it, though, don't you? **[415]** A. I request it, but I don't know when it is coming. An audit is not a good audit unless it is a surprise audit.

Q. Do you receive credit audits from them? A. No, this is operational audits.

Q. Do they provide you with any standardized general ledger accounting system? A. No.

Q. Do they regularly include your staff or your employees in any schools or training programs that they have? A. I am the only one that has ever gone to Birmingham. (Witness shakes head negatively)

Q. All right, sir. Now, you told us about the development of the master pension and profit-sharing plan of the Independent Bankers Association, and you told us, I think, five or six banks presently have that. How many independent banks are there in the IBA and in the state of Georgia today? A. As far as members of the association, 206.

Q. I see. A. There are actually, of course, many more independent banks that are not members of the Association. probably closer to 300 in Georgia.

Q. And at this point, five are members of the **[416]** master pension and profit-sharing plan. You told us that each bank has its own qualifications and its own—— A. Its own joinder agreement that has to be signed.

Q. Yes, sir. Therefore the employees in Bank A can be on a different schedule of contributions and benefits and the rest? A. Right.

Q. Is that right? A. It has complete flexibility.

Q. The employees in Bank A, therefore, are not able to transfer their benefits on an equal basis if they moved to Bank B, are they? Because they have different schedules and that sort of thing. A. Right, right, I don't know of any portability to the benefits.

Q. All right, sir. And basically, I understand from your direct testimony that the Citizens Bank of Hapeville does not compete for the large corporate customer? A. Oh, we would like to have it, but we are not set up like they are.

Q. Yes, sir. And you are competing primarily for the small customer, the small personal customer and the small business customer? A. Right.

[417] Q. And you find that that competition is in a localized area, as I believe you testified? A. Right.

Q. In that part of South Fulton, I suppose Hapeville, East Point, College Park, and the communities in that area, do you also—— A. (Nodding affirmatively.)

Q. Can you tell us what percentage of your personal customers, individual customers, live or work in Hapeville? A. Right in the city of Hapeville?

Q. Yes, sir, or in the surrounding, in the immediate adjoining area. A. I would say probably fifty percent, forty to fifty percent.

Q. Is that either live or work or both? A. No, no, no. As far as—if it is live or work, it is probably ninety percent.

Q. Yes, sir. And forty percent live, you would figure something like that? A. I would say would live there, right. In other words, we have got—we have got 17,000 people at the airport. Got 6,000 people at the Ford Motor Plant; we got probably 2,000 people at Owens-Illinois Glass Plant.

[418] Q. Right. A. Those people don't all live in Hapeville.

Q. Correct. A. They live all over Atlanta, and they come to Hapeville for their employment and, for that reason, we are getting many of their accounts.

Q. Right. So perhaps ninety percent of the people, of the individual accounts that you have, originate from customers who live or work in that immediate surrounding area? A. Right.

Q. What percentage of your commercial business customers are located in Hapeville, Forest Park, East Point, and the Palmetto area, would you estimate? A. You talking about loan customers or deposit customers?

Q. Well, talking about both of them. A. I would say ninety percent again.

Q. All right, sir. So, then, the area where your bank is, your bank is a localized bank, I believe you told us, and is the area

in which you compete effectively for business then in that area that you have just described to us? A. Uh-huh, that's right.

Q. All right, sir. **[419]** A. Of course, numbers are misleading, though. One customer can borrow $1,000,000 and make up for a lot of small customers, and we have some substantial customers that are not in Hapeville that are doing business with us, because they think we are giving them a good deal.

Q. Yes, sir. Do you have any customer presently who are borrowing that $1,000,000? A. Yes, sir, sure do.

Q. You do. Based on your competition from the Citizens Bank of Hapeville, then, has it been your experience that all of Fulton County constitutes one market? A. Yes, sir.

Q. In which your bank competes. A. Yes, sir, DeKalb County, Clayton County, Cobb County and Fayette County. We are getting business from all those places.

Q. Now, when you were with First National Bank in Decatur, that branch was then located in the city limits of Decatur? A. Yes, sir.

Q. Where did the majority of your business while you were there come from? A. I would say from DeKalb County, all over the **[420]** county.

Q. While you were there, did you attempt to create a local image while you were at that bank? A. I guess I did.

Q. You had been born and raised in Decatur? A. No, I wasn't born there, but I was raised there.

Q. Raised there and gone to high school there? A. Right.

Q. All right, sir. Did you regard the First National Bank of Decatur as an effective competitor in the Chamblee area? Was it as effective there as it was in the city limits of Decatur? A. Did I? Wait a minute; say the question again, please, sir.

Q. All right, sir. Was the First National Bank of Decatur your branch? A. Yeah.

Q. Was it as effective a competitor in the Chamblee area of DeKalb County as it was in the Decatur area of DeKalb County? A. No, it was not as effective.

Q. Did you find that, say, C&S Bank of Chamblee was as effective a competitor in the city limits of Decatur? **[421]** A. No, it was not.

Q. As a matter of fact, C&S Emory was between you and Chamblee; was it not? A. That's right, Fulton National and a few others.

Q. Yes, sir. Now, while you were at Decatur, did you compete against C&S Emory? A. Yes, I did.

Q. Did you compete against them the same way you competed against C&S National? A. Yes.

Q. Did you compete against C&S Chamblee the same way you competed against C&S Emory? A. Yes.

Q. Do you believe that there would be any difference in your competition then if C&S Chamblee became a branch of C&S Emory? A. I do not think there would be any difference in the amount of competition.

Q. Now, part of the ability of a small bank to compete depends on the availability of capital for expansion, does it not? A. (Nodding affirmatively.) Well, wait a minute now, ability to compete, you mean for loans?

Q. Well, let me come at it this way. The initial **[422]** purchase of the majority interest of the stock in your bank by you, you subsequently redistribute it to your friends, people you knew; is that right? A. Right, that is right.

Q. And you didn't have any trouble selling the stock, did you? A. Had no trouble at all, and I did not sell it all.

Q. Yes, sir, you now have about ten percent of it? A. Fifteen percent.

Q. And right now today, you are the person who is running your bank, aren't you? A. This is right.

Q. And is it your opinion that what counts in the management of a bank is how well that management manages it? A. That is right.

Q. And in your situation right now, do you believe that if you didn't own any stock in your bank, you would be running the bank because of your management of it? A. I would hope so.

Q. Yes, sir. Mr. Woolsey, you are presently an officer of the Independent Bankers Association of **[423]** Georgia? A. Yes, I am.

Q. And you are aware of the fact that the Independent Bankers Association brought a suit against the State Superintendent of Banks and the C&S Bank in the Superior Court of DeKalb County? A. Yes, I am.

Mr. Doyle: All right, sir. Those are all the questions.

Mr. Lehman: May we have a moment, Your Honor?

[424] The Court: Where is your bank located?

A. South Central Avenue, just two blocks from the Fulton National Bank. We are the only bank in the city limits.

The Court: You have only one bank?

The Witness: We have a branch over at the International Plaza which is a short distance from the airport, just off Virginia Avenue.

Redirect Examination

By Mr. Lehman

Q. Just a few short questions, Mr. Woolsey. These various services that Mr. Doyle mentioned that you indicated you were not receiving, such as periodic credit audits, furnishing tem-

porary personnel, operating guides, why don't you receive these? A. Because I don't think we need them.

Q. If you needed them, could you get them? A. Yes, I think we could get them.

Q. Now, while you were at Decatur, did you compete differently against those C&S Banks located close to you than you did any other bank located close to you? A. Yes.

Q. Do you compete differently against any other C&S Bank now than you do other banks? **[425]** A. No.

The Court: You may step down.

Mr. Sims: Plaintiff calls Dr. Samuel Skogstad.

Whereupon,

SAMUEL L. SKOGSTAD,

was called as a witness, by and on behalf of the Government, and having first been duly sworn, testified as follows:

Direct Examination

By Mr. Sims

Q. Would you state your full name, please? A. My name is Samuel L. Skogstad.

Q. Dr. Skogstad, I'm going to show you two documents which the plaintiff has marked Plaintiff's Exhibits 104 and 105. Can you identify those documents? A. Yes, those are affidavits I prepared at the request of the plaintiff.

Q. Do you have copies of those documents up there with you? A. I have, yes.

Q. Referring to the first document, No. 104, titled, "Affidavit of Dr. Samuel L. Skogstad," does this document contain your analyses and conclusions as to the appropriate geographic area

in which to analyze the **[462]** competitive effects of the proposed merger which are the subject of this litigation? A. Yes, it does.

Q. Does the second document reflect, 105, the second affidavit of Dr. Samuel L. Skogstad, does the second affidavit contain your assessment of economic reports submitted by defendant? A. Yes.

Mr. Sims: Your Honor, these documents which we have marked 104 and 105, plaintiff's exhibits, have been submitted to the Court per our understanding of the direct testimony of plaintiff's economic expert. We now leave him open for cross-examination.

Cross-Examination

By Mr. Doyle

Q. Dr. Skogstad, I'd like to begin by asking you a few questions which relate to general positions regarding the issue of branch banking and independent unit banking, since these are germane to the views you express here.

Do you agree that most economists subscribe to the position that principal consequences of anti-branching laws at this point in American history are to restrain bank competition below the optimum level and hinder the free flow of resources in response to market forces? **[427]** A. I'm afraid I could not agree with that statement that those ecoonmists have conducted a survey. I've seen some literature, recently in which conclusions to the contrary are reached.

Q. Would you agree with that statement or not, sir? A. Would you repeat the statement? It's a little broad.

Q. The principle consequences of anti-branching laws at this point in American history are to restrain bank competition below the optimum level and hinder the free flow of resources in response to signals sent out by market forces? A. That seems like a reasonable statement, yes, sir.

Q. You agree with that? A. Yes.

Q. Could you further agree that both theory and statistical data give economists a bias in favor of branch banking? A. That would certainly be a true statement of my view.

Q. All right. Isn't it true that unit banks have insufficiencies in allocating funds to areas of heavy loan demands from deposit supply areas? A. I'm afraid I couldn't confirm that. That's **[428]** an empirical declaration I'd be reticient to confirm.

Q. Do you accept the hypothesis that cost savings or economies of size can be realized by larger banks after some relatively high level of output is reached? A. That's a question that has been investigated rather extensively in literature recently. The most recent results, I would say, raised some question as to the validity of that statement. However, again, it's an empirical question. You'd be trying to ascertain veracity for years into the future.

Q. You have no position on it at this point; is that correct, one way or the other? A. No, I have seen evidence on both sides in recent years.

Q. Do you regard that the recent change in the Georgia branch banking laws as to county-wide branch banking is pro-competitive or anti-competitive? A. I consider the recent change procompetitive.

Q. And the location of numerous branches by downtown Atlanta banks in suburban and DeKalb-Fulton counties as being pro-competitive? A. Yes, generally, yes.

Q. Now you state in your affidavit, your second affidavit that it is not within your competence to assess the past or present relationships among the various banks. By that **[429]** I assume you mean the defendant banks? A. Defendant banks, or any other banks in this **[430]** area or any other area.

Q. Do you include the defendant banks within that statement? A. Yes, I do.

Q. Now, you say you're only asked by the plaintiff to determine what geographic areas would be appropriate within which to analyze the competitive effect of the proposed merger? A. I'm sorry. Is that a quote? You're quoting there. I don't remember that as an exact quote.

Q. You were asked by plaintiff to determine what geographic areas would be appropriate within which to analyze the competitive effects of the proposed merger? A. Yes, I was asked to do that.

Q. Tell me yes or no, did you determine that there would be a competitive effect from the proposed merger? A. That there would be a competitive effect?

Q. Yes or no, did you determine that there would be a competitive effect? A. I determined that it was likely that there would be.

Q. Yes or no, Doctor, did you determine that there would be a competitive effect from the proposed mergers? **[431]** A. I believe that——

Q. Yes or no, Doctor, did you determine that there would be a competitive effect from the proposed mergers?

The Court: Doctor, you can explain your answer.

The Witness: Must I say yes or no?

The Court: Well, on page two of your first affidavit at the beginning of the first full paragraph, you say that was what you were hired to do and then he is asking you, did you or didn't you. Then, you can explain to any extent you want to.

By Mr. Doyle

Q. I think I'm entitled to a yes or no before he explains; am I not?

The Court: You are entitled to it. I don't know how much value a yes or no has.

The Witness: Yes, it's my judgment that there are competitive implications of the proposed mergers.

The Court: Now, explain to your heart's content.

The Witness: I am willing to go with that.

By Mr. Doyle

Q. Doctor, I want to ask you about competition **[432]** between banks in terms of the products or services that are offered by banks. First off, would you agree that there are various theories about the market for commercial banks, for instance, Hodgman, are you familiar with his theory, Hodgman, he argues for a composite market in which the basic product is safekeeping and transferring as a means of payment. Are you familiar with that? A. Oh, yes.

Q. On the other hand, there is a theory of banking as a multiple product industry with separate markets for different services; are you familiar with that? A. I am familiar with that. I characterize that as a hypothesis. I think the theory more or less is common in all these approaches.

Q. And this latter theory argues as well that it may be appropriate to group some of the services such as deposit granting services, credit granting services—— A. Right.

Q. ——and that essentially is the kind of analysis used by Clifton Krepts, which you cited in your affidavit; is it not? A. That's right.

Q. In this case you have chosen only the small **[433]** deposit customers to assess the competitive effect of the merger here proposed? A. Yes.

Q. Your testimony on direct, your affidavit, therefore, does not consider at all the effects on banking competition for the large deposit type customers, the large business customers; is that correct? A. That's correct. I did not include any of those data in my study.

Q. And your affidavits simply do not treat at all banking competition in that area? A. That's correct.

Q. The effect of these mergers on banking competition so far as it relates to competition for the large business, then you simply have not treated in your affidavit? A. That's correct. I believe I point out in my first affidavit that I confine my attention to the small demand deposit customers under $1,000.

Q. You chose under $1,000 for the small customers that you were looking to. Would you agree with me that it would be a conservative dividing line between the small regional customer or small localized customer on the one hand and national-regional customer on the other would be deposit accounts in excess of $10,000? **[434]** A. I'm sorry, I don't think I understand the question. Conservative dividing line?

Q. Yes. You say that the small, that the average customer has a very localized competition for banking services; is that correct? A. Yes, localized market, I believe I said.

Q. And on the other hand, the larger customer producing deposits in excess of $100,000, $10,000, the competition for his banking services is much wider; isn't it, with the geographic area? A. Yes.

Q. Would you agree with me that a dividing line which is reasonably conservative one between the customers we are talking about and this other customer, would be a $10,000 account? A. Well——

Q. An account in excess of $10,000? A. I would think that you could probably make more than two classifications and certainly I would think the characteristics of response of customers of $10,000 on the average would be different than those customers below $10,000.

Q. Now, is it true that—it's true, isn't it, that seventy-five percent of all demand deposits in all banks in Fulton and

DeKalb are accounts in excess of **[435]** $10,000? A. I'm not sure of that. That seems like a reasonable estimate.

Q. That figure sounds about right to you. Now, you also say in your second affidavit that unit banks above a certain minimum size which I think you put as about $5 million deposits? A. Yes, now, that's not actually my finding. I'm reporting there what the literature appeared—appears to report.

Q. This is as to how well a bank can manage a small independent bank? A. That's correct. I haven't—I'm sorry. You're talking——

Q. I'm talking now about unit banks above a certain minimum size. A. Yes.

Q. Which, according to your second affidavit you put at $5 million of deposits, if it's well managed, can compete with management of big banks? A. Yes, that's a summary of findings. There's a fairly substantial amount of literature on the subject of cost information for various size banks. I haven't conducted myself empirical research on the economics of scale or relationship between cost and output. Therefore, **[436]** I have to say that this, what you characterize as my statement about the size class is really my summary of the literature on the area.

Q. That's not your statement one way or another? You don't know? A. It's my statement of what the literature has told me, yes.

[437] Q. But, you, as an economist, on your own empirical investigation, don't know that; is that what you are—— A. That's correct.

Q. What you are distinguishing for us? A. I have conducted no studies.

Q. That literature then, well, you in your study have been focusing primarily on the competition for the localized business

of the small customer with accounts under a thousand dollars? A. Yes, that's correct.

Q. Now, don't the limitations imposed by your own analysis necessarily lead to the conclusion that, including large accounts, in excess of $10,000, is irrelevant to a determination of the appropriate concentration ratio, so far as it affects this small customer you defined? A. Appropriate concentration ratios for what purpose?

Q. So far as it affects the small customer. A. Certainly. If you include deposits of customers over $10,000, that wouldn't give you an accurate concentration ratio for customers with deposits under $1,000.

Q. Now, talking about the small localized **[438]** customer, one element of banking competition for that customer is the competition between banks to afford the most convenient banking to that customer; correct? A. That's correct.

Q. Convenience is one of the most significant elements in where a customer chooses to bank, isn't it? A. I believe that is a very significant element, yes.

Q. And the most significant element for convenience in banking is the geographic location where the banking office is physically set, right? A. Its location and its parking facilities, whether it does or does not have drive-in window; its hours of operation in some locations are very important.

Q. Presence or absence of twenty-four hour banking? A. That could possibly be a convenience factor in areas where that is important to the customers.

Q. Do you know of any non-C&S Bank in the Atlanta area, however defined, that does have twenty-four hour banking? A. I do not know. I didn't even know, in fact, that C&S had it.

Q. I see. Is it fair to conclude, Doctor, that the basis and the expertise which you bring to these **[439]** affidavits is that of an economist as opposed to a bank consultant? A. I am not sure

what the distinction is. I am sorry; I am not trying to pick nits, but I don't know the distinction between the economist who is a non-bank consultant and an economist who is a bank consultant. An economist, I am an economist, yes.

Q. All right. Another factor beyond the convenience factor that goes into the competition between banks is the personal equation, isn't it? A. The personal equation?

Q. Yes, sir, that is the very personal nature of the banker-customer relationship. A. I can testify about my own experience. That is certainly important to me, and I would presume that is important to other bank customers as well.

Q. But you don't presume to testify on any basis of expertise as to the importance in bank competition of that personal relationship between the banker and the customer? A. Well, the bankers that I have discussed this with tell me that this is important, and so I have that view from the banker's side. Then, from my own side, I recognize that as important. So, I consider it a reason, a very plausible hypothesis.

[440] Q. And you are testifying on that now as a basis of an individual who has dealt with bankers or as an expert? A. Well, both as an individual——

Q. All right, sir. A. ——who has dealt with banks, who has a banking account, and as an economist who has interviewed bankers and as an individual that has had conversation with bankers and who has a number of friends in the banking business.

Q. I see. So, based on that basis, you are not surprised to find that a good banker who moves from one location to another will have many customers who will follow him, even if it requires them to drive past two or three banks to get—stay with him. A. I would expect some customers to follow some bankers as they move from one office to another.

Q. All right, sir. Don't you also find that different banks have different loan policies? Have you noticed that? A. Different loan policies?

Q. Yes, sir, have you determined that in your discussions with bankers? For instance, one will gravitate heavily to consumer lending, and another will place greater emphasis on business lending. **[441]** A. Oh, yes, yes.

Q. Banks also compete in terms of the public image they advertise and project; is that not correct? A. I think that advertising is certainly part of their competitive strategy.

Q. Right. And some banks work to establish a very local image? A. Yes, I believe there is some specific advertising aimed at that.

Q. The front-yard bank? A. Right.

Q. Other banks tend to emphasize stability or solidity, safety? A. I think all banks advertise, for example, that they are members of the F.D.I.C., which is, I presume——

Q. Right. And banks generally try to create or differentiate their images in their advertising; do they not, as part of their competitive strategy? A. I am sorry, I really can't—to differentiate there their image?

Q. The front-yard bank on the one hand, or the big bank on the other hand, that sort of thing. Have you observed that? A. Well, I have heard a number of advertisements for banks. I hadn't really thought about that.

[442] Q. You hadn't thought about that in terms of competition between banks or as an element? A. No, I think that the location of the banking office probably is the most important element of the determination in the type of customers that bank sought.

Q. Now, banks also compete with each other in terms of the products and services they offer, so that in addition to what you

might expect as the normal range of services for a small customer, you will find one bank has credit cards, another bank will offer loans against the credit card, and that sort of thing? A. Yes.

Q. Banks compete as to their products. Now, we have identified significant areas and elements where banks compete in offering convenience in products or services that they offer, and the kinds of people who work in the bank to supply that personal equation and the kinds of loan policies of the bank in the creation and advertising of an image or identification of the bank; right? A. Yes.

Q. And these are all essential ingredients of competition between banks? A. They are certainly—they seem a very reasonable list; I am sure there are others as well.

[443] Q. Yes, sir. Now, in your affidavit and earlier in your direct testimony, you said it is not within your competence to assess the nature of the past or present relationships among the various C&S Banks? A. Yes, that's right.

Q. So, you, therefore, have failed to consider whether or not the defendant banks compete against each other as to all of these essential ingredients of competition we have just discussed; isn't that right? A. Now, what I—I am sorry. Would you repeat that?

Q. Yes, sir. You have failed to consider whether or not the defendant C&S Banks compete against each other with regard to each and every one of these essential elements of competition we have just discussed; isn't that right? A. I have not examined the advertising of each C&S banking office. Is that part of the question?

Q. You told us—— A. The advertising——

Q. You told us that you had not examined the relationships among the banks? A. That's correct.

Q. So, as to all of these things that we have just talked about, you haven't examined the relationships **[444]** among them as to the various C&S Banks, have you? A. No, the relationship as I—my intention there was simply to disclaim any expertise in understanding of the way that management has moved between one bank and another, the extent of control that may or may not be exercised between one bank or another, the extent to which the management of one banking office meets with management of another banking office to discuss policies. Those are the managerial-level relationships that I feel that I indicated in that testimony that I couldn't evaluate.

Q. Well, as to all of the factors we have just discussed, did you or did you not determine that the defendant C&S Banks compete as to those things? A. I collected no data on the relative advertising campaigns.

Q. No, I mean all of the factors we have been talking about as ingredients of competition. You did not evaluate whether or not these banks compete against each other with regard to these elements, did you? A. I did not collect any data on those elements.

Q. Don't you believe that those elements of competition are relevant to this case? A. I would say marginally, if at all.

Q. Were you told not to study them? **[445]** A. No.

Q. Okay. A. It didn't occur to me to study them, as a matter of fact.

Q. Well, how can you determine a competitive effect of a merger if you have not considered the actual relationships among the parties to the merger as they exist before the merger, and also the relationships they have with their customers? A. Well, as an economist——

Mr. Sims: Your Honor, if I might, I think that the cross-examination of even an expert witness is limited to a certain extent by the scope of the direct.

The Court: I will sustain the objection to that. I think the witness has told you what he hasn't done.

Q. All right, sir. Let me ask you this, Doctor. Did you assume that the defendant banks were, for competitive purposes, all separate unit banks? A. Separate unit banks? I did not assume that, no.

Q. All right, sir. Did you conduct any survey of bank customers? A. I did not.

[446] Q. Are you aware of any survey of bank customers, other than has been attended to—made part of the defendants' economic report? A. I am aware that there have been such surveys made.

Q. Are you aware of any surveys that are being made of bank customers in connection with this lawsuit, are being made or have been made, other than the Baxter Survey? A. A customer survey, not to my knowledge.

Q. All right, sir. You are not—you don't have any knowledge of any survey of bank customers being made in connection with issues in this lawsuit? A. I haven't—no, other than the one that is here in the——

Q. Right, in the—— A. In the economic report.

Q. Yes, sir. Okay.

Doctor, in your first affidavit, if you would turn to Page 12, Table 3, would you tell us how you arrived at the figures contained in the first column? A. Yeah, I believe, I believe that that is explained in the text, if I am not mistaken. It was done by multiplying—we picked some data for DeKalb and Fulton Counties, and found that for the people **[447]** reported in the census who work and live in DeKalb and Fulton Counties, that for each such person there were 0.93 small checking accounts in DeKalb and Fulton County banking offices. Now, I took that .93——

[448] The Court: Where did you get the .93?

The Witness: Calculated by the census report gives us the number of people who work in DeKalb and Fulton Counties, and we have, from the data submitted by the bank, by the banks the total number of small checking accounts with known zip code addresses. So, I divided the number by locations, that is, so we divide the number of accounts in Fulton and DeKalb Counties' banking offices by the number of people who work and live in Fulton and DeKalb Counties. That is the ratio that gives you .93 accounts per person, per person in that category.

Now, that is used as the norm. If it is a norm, if that is a correct norm, then we can multiply the people, the number of people who work in these peripheral counties, Clayton, Cobb and Gwinnett Counties by .93 per person. That gives us an estimate of the number of accounts there are that originate in these counties.

Q. That gives you an estimate of all the total, the total accounts that originate in those counties? A. That's right.

Q. Yes. Now, first, in that base figure that you were telling us about, you included those people who lived in Fulton or DeKalb County but who work outside of **[449]** those counties in the rest of the five-county areas; did you not? A. I believe that's correct.

Q. You talked about people who both reside and work in Fulton and DeKalb Counties? A. I believe that's right.

Q. All right. Now, if you included those Fulton-DeKalb residents who work in other parts of the metropolitan Atlanta, this would have increased the size of the labor force which you considered as a base; wouldn't it? A. If I included more people, yes.

Q. That, therefore, would have decreased the ratio which you came to as .93? A. That's correct.

Q. Now the people who are living in Fulton-DeKalb and working in Cobb, Clayton, Gwinnett are all commuting; are they not? A. Yes.

Q. By definition, and their commutation to outlying counties in fact increase an inter-action of customers between Fulton, DeKalb on one hand and Cobb, Clayton on the other? A. Presumably they go outside of the county.

Q. Increases the inter-action on the customer side of your market; does it not? **[450]** A. It may have.

Q. Don't you agree that commutation is affected which increases inter-action between what might or otherwise be a separate market? A. Yes, I think so. I think the direction of the commutation is important. I think people who live in DeKalb and go out into Gwinnett, people residing in DeKalb County and travelling salesmen would be less likely to bank away because of the commuting than would people who live in DeKalb and come into Atlanta each day.

Q. Would you verify this on the basis of the census data? A. Census data?

Q. Yes. A. The travelling salesman in question, no.

Q. You didn't find that impression in census data? A. No, census data don't have banking accounts data.

Q. Essentially, what you have done is applied a base in Fulton-DeKalb which includes commuters to the labor force which is heavily influenced by commutation; isn't that correct? A. I'm sorry. Labor force?

Q. Yes, the people who live in Fulton-DeKalb Counties but who work in the outlying five counties **[451]** constitute twenty-two percent of the people employed in those counties; don't they? A. I doubt it. That may be correct. I'm sorry, I don't have the data in front of me. I doubt twenty-two percent of the Fulton-DeKalb County residents work outside of those counties.

Q. No, constitute twenty-two percent of the work force in those two counties. A. Yes.

Q. Isn't it, that fairly significant percentage of employed population to banks that are located in those two counties? A. It may very well be.

Now, it's very difficult to make a judgment on the basis of these percentages only, for example, because if we know how many people are in the affected counties and how many people moving there, to think that constitutes a better basis for making a judgment.

Q. Right. As a matter of fact, the census data, the figures used in column one come from the 1970 census; don't they? A. Column one of table three?

Q. Yes, the census data which is a basis for that? A. Yes.

[452] Q. The subpoenaed information you used to count the total number of small accounts is 1972 information? A. Yes.

Q. And from that, two and a half year time from the census to the subpoenaed information, you have witnessed an enormous out-migration? A. Out-migration from where?

Q. Fulton-DeKalb to Cobb, Gwinnett, Clayton and Gwinnett. A. Certainly, I don't believe I have any data on that growth question.

Q. You are not familiar with the census data from 1960 to 1970 showing out-migration from Atlanta? A. From the City of Atlanta?

Q. Yes. A. That's different. It's a different matter from DeKalb and Fulton. Most of the out-migration is going out to DeKalb County. I'd say it's a rather small proportion who leave the City of Atlanta and go outside of Fulton and DeKalb. You can go up to Northeastern Fulton, that's a heavy growth area. There is a growth, I'm sure, into Cobb County as well. There's a considerable growth in Northeastern corner up here into DeKalb County.

Q. Beyond DeKalb? A. I'm certain that there's growth beyond DeKalb. **[453]** I don't mean to suggest there is no growth outside the two counties.

Q. The northwest quarter out the Northwest Expressway into Cobb County? A. Yes.

Q. Down the Expressway into Clayton is the fastest growing county in the state? A. Very rapidly. I believe the Clayton County population has doubled, as a matter of fact.

Q. The figure you use based on the zip code information assumed the county of origin is in every instance the county of residence; do they not? A. No, the county to which—the zip code data show the zip code to which the account statement is mailed each month.

Q. You're assuming—your impression of your table three. column two, is that the county of origin is the county of residence; aren't you? A. I assume that is almost, that's generally the case.

Q. There are a lot of people who have statements mailed to their business address or some other address; aren't there? A. I have no idea whether there are a lot in percentage terms or not. I'm not sure of those. However, I **[454]** think they would be of marginal significance.

Q. Now, Doctor, what you did to determine how many business accounts there were, now what you did was to take the zip code reports——

Mr. Sims: I wonder if there is any way to set that up so we could all take a look at it.

Q. Now, what you were trying to do, Doctor, in table three was to show the number of zip codes that originated in Clayton, Cobb and Gwinnett Counties that were in Fulton-DeKalb banks and offices? A. The number of checking accounts, small checking accounts.

Q. So, what you did, you took the zip codes for that report, the zip codes and then calculated how many of them there were? A. That's correct.

Q. By each particular zip code. Now, I want to ask you, Doctor, did you do any work yourself or did you have it done or did you direct it to be done? A. I directed most of it.

Q. All right, sir. Now, let me show you, starting with this zip code, sir, 30354, did you allocate this part of it to Clayton County and this part of it to Fulton County, or did you report all of that zip code as being in Fulton? **[455]** A. Let's see. There are eighty-seven zip codes. I just can't remember off-hand. I believe there are exhibits with our worksheets that would——

Q. Would you accept my statement—would you accept my statement, then, that as to this part of the zip code which is in Clayton County, you allocated it into Fulton County? A. I don't have it in front of me. If you say it's true, I'm certain it is.

Q. All right. Would you agree with me, generally, that as to all of the zip codes that are on the boundaries—I wouldn't go down the list—of Fulton and DeKalb, where it's split by the county line, it was always allocated into Fulton and DeKalb? A. Went one way or the other. None of them were split.

Q. They all went in? A. They all went in, yes.

Q. So, therefore, what you have done is by putting all of these areas into Fulton-DeKalb Counties in your split zip, your allocation of split zip codes, you expanded them into what most of us know as Cobb, Gwinnett, Henry and the rest? A. Yes.

Q. We have done that to show how much bigger the **[456]** counties are in geography, how much bigger they are in zip code allocation. I want you to take a look at it and ask if you agree those are areas you have now included within? A. What is the question—does it enlarge the counties?

Q. Do you agree that those areas you have now are included within Fulton-DeKalb.

The Court: He has testified he has included all split ones in the county which gives it the inevitable result, of what you say.

Q. Do you know how many actual bank accounts come from those areas? A. Again, I don't have the data in front of me.

Q. Would you agree with me—— A. I think they entered those as exhibits.

Q. Would you agree with me that on the basis of three hundred and thirty and some-odd thousand accounts—that's a round figure—that fifty-one thousand accounts originate in those split zip codes; does that sound reasonable? A. I can't testify to factual data when I don't have the facts in front of me.

Q. Does that sound reasonable? A. I really don't have any feeling whether it is or not.

[457] Q. Okay. Would you expect from your knowledge of the area that folks who are living in those areas closest to Fulton and DeKalb are more likely to be commuters into Fulton-DeKalb than people living on the farther out regions of those counties? A. That seems reasonable. I'd have to say it's speculation on my part.

[458] Q. All right. Would it also sound reasonable to you, therefore, that by allocating all of those people into Fulton and DeKalb County rather than counting them where they were, that you have discounted significantly the influence of Atlanta banking alternatives on residents of those metropolitan counties, Fulton, Cobb—— A. Oh, no, I would not agree with that at all.

Q. You would not? A. No, I don't.

Q. Those people are, in fact, banking in Fulton and DeKalb banks, are they not, because that is where you got the

subpoena information? A. There are some people who reside there who bank in Fulton and DeKalb banks, yes, certainly.

Q. As a matter of fact, all of these 51,000 bank in Fulton and DeKalb banks because that is where you got the subpoena, right? A. That's correct, yes. There are also, presumably, other people there who don't bank in Fulton and DeKalb banks.

Q. I understand, but I am talking about the figures you put in your table. So, therefore, by allocating the amount you have discounted significantly the effect of Fulton and DeKalb on those counties. A. No, see, I won't go to that conclusion. I **[459]** will agree with you that I have increased the size of Fulton and DeKalb banks, since those are less populous counties, that that removes what would be percentage-wise a more important proportion of the peripheral county populations than that percentage would be to Fulton and DeKalb. However, that does not imply to me that banking markets in Gwinnett County are grossly miscalculated because of that inclusion, because——

Q. Certainly, at least 50,000 people, they are now living out and banking in, right, if you allocate them in the other direction from the way you allocated them, certainly as to those—— A. Certinly, those people come into Fulton and DeKalb, and I am sure that Gwinnett County banks, for example, would like to have those customers.

Q. All right, sir. Now, you have told us that the customer that you are talking about is a localized kind of customer, and what I want to find out is whether or not you investigated the significance of the five-county originating customer to those banks located in the suburban parts of Fulton and DeKalb closest to that county. A. In those banking offices, no; however, that, again, is information that can be taken from the exhibits that——

[460] Q. But you didn't investigate that. A. Investigate it? Yes, I have looked at all of those exhibits and—I am not sure——

Q. All right, sir. Now, again, on the Table 3, what you are using is all of the banks in Fulton and DeKalb Counties as a base to determine the importance of, say, Cobb County residents to them, correct? A. Yes.

Q. Now, if you looked at the relationship of people living in the outlying part of DeKalb County to all banks in Fulton and DeKalb County, wouldn't you expect to find the same insignificance of relationship? A. If I consider, for example, Lithonia banking customers as a percentage of all DeKalb County.

Q. Fulton and DeKalb. A. Oh, yes, I would consider those. I would expect those to be a very, very small percentage.

Q. And, again, you can take them one by one, Tucker? A. Yes.

Q. Chamblee, Sandy Springs. A. Well, there is a——

Q. Relatively insignificant to all Fulton County banks each, one by one? A. Well, I wouldn't—no, I wouldn't draw the [461] analogy that Lithonia is to DeKalb as Chamblee is to DeKalb. Because Lithonia is separated by considerable distance, and so the distinction there is, I think, meaningful, see. I think that the direction in which we are going is one in which we could say is any city block the supplier of a significant portion of a given bank's customers, and the answer, of course, would be no. Then, if we added up every—if we said that for every city block we would say there are no significant customers, that wouldn't be a very sensible conclusion.

Q. Yes, sir. And as you have done, you have taken Cobb County customers against all of everybody in Fulton and DeKalb. A. Yeah, right.

Q. Just like the city block you were telling me. A. Not like the city block.

Q. Except Cobb County instead of the block. A. No, you see, if you live in Marietta, your relationship to Atlanta, to Five Points, for example, is appreciably different from what your relationship to Five Points would be if you live in Ansley Park.

Q. But, it is a little bit closer actually than Sandy Springs, isn't it? A. It may be; I am not sure of that.

Q. You say there are banks in Cobb, Clayton and **[462]** Gwinnett who would tend to respond only to changes made by large downtown Atlanta banks, right? A. That's—yes.

Q. Aren't there banks in outlying parts of Fulton and DeKalb County who would tend to have the same response? A. I rather doubt that, who would respond only to the downtown banks?

Q. Uh-huh. A. I can't—I doubt that really.

Q. Don't the same reasons that argue for the exclusion of Cobb, Clayton and Gwinnett argue for the exclusion of the suburban parts of Fulton and DeKalb? A. Exclusion from what, now? From the definition of a banking market?

Q. Uh-huh. A. No, certainly not. Because, you see, a market has to be thought of in terms of all of the sellers and all of the buyers who determine terms of exchange and conditions of exchange. Now, if you live out in Gwinnett County, you will never have the option under existing law, for example, of banking at a bank near your residence that is a branch of an Atlanta bank. However, if you live any place in Fulton County or any place in DeKalb County and you are operating a bank, **[463]** whether it is North Fulton or South Fulton, there's always the potential, the possibility of having a branch of another bank come out there and compete with you.

Q. So, is that then—— A. So the relationship is quite different.

Q. So that, then, is the significant factor which you use in separating them? A. Not "the", certainly, but I considered that significant.

Q. It is the one you come to first? A. Well, it is the one you raised; I wouldn't say it is the one I come to first. But, I would say it is a significant factor in my judgment.

Q. You would say that in statewide banking, that the relative market was statewide? A. I haven't conducted a study on that, but it seems plausible that that case could be made, yes.

Q. Now, you talked about a market being a place where both sellers and customers both originate. Did you investigate, say, in the North Fulton market, to see where the customers of the banks located as you defined the North Fulton market, see where the customers actually came from? A. Did I examine the data to see where the customers came from?

[464] Q. Yes, sir. A. Yes.

Q. You determined, then, if you made that examination, that 36% of these customers that you are talking about came from areas totally without the area you defined? Does that sound reasonable to you? A. Yes, if you say it again, I accept it.

Q. All right, sir. And in addition to that, there are customers in the split zip-code area which account for 47%; you account for that? A. In split zip code, split out?

Q. Split by county line, split outside of the area you defined, so you found that there are 47%—— A. I'm sorry.

Q. ——who come from zip codes which split the market which you define; you defined a market which you said was the North Fulton market. Actually, you found two markets up there, didn't you? A. I don't believe that I said—I don't believe

I defined a specific market. What I am saying is that I don't think I drew any razor lines as boundaries on any market. All right. I don't believe in such lines and I don't think they can be drawn, so I——

Q. If we take the North Fulton market as being that part of Fulton County north of 285, which is, I **[465]** think, what you put in your affidavit. A. Okay.

Q. Do you agree with me that 36% of the customers of the banks located in that area come from totally without that area? A. Its entirety?

Q. All right, sir. A. Again, I don't have the data in front of me, but if you found that in my report, I am sure you report it accurately.

Q. And another 47% come from areas which are partially within and partially without. A. That may also be the case.

Q. Those two added together total 83%. A. Well, 47%, what does the 83% mean, though? You see, you said 47% come from areas that are partly in and partly out.

Q. Uh-huh, and you allocated them all in. A. But of the 47%, how many were in and how many were not?

Q. You didn't tell us, and I can't either. A. Well——

Q. You arbitrarily allocated them in, didn't you? A. Yeah, I presume it isn't important.

Q. All right, sir. Now, is it possible, when you **[466]** are considering the zip code origin of an account that is reported by the branch of a major banking system, that that zip code origin has nothing at all to do with the actual banking locations that are used by the customer? A. Is that a possibility? Is that your question?

Q. Uh-huh. A. It is a possibility.

Q. And as a matter of fact, a customer who, say, lives in the Ansley Park area and then moves out to Tucker, who earlier had his branch—his account at a branch in the Ansley Park area, could transact on that account out in the Tucker area without ever having to change it or make any difference to him; right? A. I believe that's a possibility, yes.

Q. Now, I think in your second affidavit you turned to—you drew the three circles in terms of defining a market, and you said that even though Bank A here and Bank C here are not competing with each other—— A. No, I don't believe I said that. I believe, even though the customers are actually found to have accounts in those offices, it may be in separate—spatially separated areas.

Q. Okay. So, then we get two circles here, and you suggest that if a branch of another bank is put **[467]** between them, that that is, as I understand it, will serve to transmit the effects from A through B to C. A. That's correct.

Q. Now, the theory of that—— A. Or from B out to A and C.

Q. Correct. The theory of that circular analysis as theory could apply from A being transmitted to C by B, B being transmitted to D by C, and so on to Athens, by theory; correct? A. Correct.

Q. Now, you chose to stop it at the DeKalb County line? A. Yes, sir.

Q. Or Fulton County line. A. I don't believe the circles refer to any county lines at all.

Q. Well, when do you consider that you stop tying together the transmission of effects? A. Well, I think there are various factors that determine the geographic limits of a market, and I think the lines outlining the geographic market cannot be outlined precisely, as I have said before. However, one of the factors, and I don't offer this as the key factor or the only factor,

but certainly one of the factors in determining a market is where the sellers are able to **[468]** locate their offices.

All right. The point here is simply that if there is a law that prohibits one seller from going over into this area to compete for customers, then that is one factor that separates those customers from the competitive advantage they might gain from the banks in the other area.

Q. Now, Doctor, you have told us that the small banking customer is the one most affected by concentration in a banking market; didn't you say that in your affidavit? To consider the performance of the banking market as it relates to that small customer, don't you also have to consider the adequacy of other financial institutions, such as savings and loans and credit unions and the like? A. The adequacy? Not in serving demand deposits, because no other kind of institution serves demand deposits.

Q. So are we to hear your testimony as being limited solely to the service by banks of that one function, demand deposits? A. Not limited solely to it. However, as I indicated in my testimony, I selected demand deposits because that is the one unique, wholly unique, that is one of the wholly unique services that commercial **[469]** banking offers now. Commercial banks, of course, sell more product lines, more services, than just demand deposits. But, the base of customers who have demand accounts in a bank form the principal part of the base of potential customers for various other services sold by the banks. And, so, my attention was confined to these account customers on the presumption that those small checking account customers represent also an important part of the customers for other service lines, other products lines that the bank serves.

[470] Q. So, therefore, you did not consider the effect of concentration on the adequacies of any other financial institutions as to other services; is that right? A. Any others, no, I didn't consider any financial institutions other than commercial banks.

Q. Now, it's true that the concentration insofar as represented by the number of unit banks, concentration as represented by small customers is reflected by the regulatory—— A. Concentration as reflected by regulatory——

Q. The concentration deals with ease of entry, the number of units that are available? A. Yes.

Q. All right, sir. And don't regulatory authorities require approval before you can enter a market? A. Oh, yes, certainly.

Q. You can't enter the banking market unless you get that approval? A. That's correct.

Q. Aren't you aware of a group in DeKalb that, in fact, was denied a charter from the Comptroller? A. I've heard of that.

Q. Hasn't the FDIC established a policy of including the effect on the competition as a critical ingredient of its convenience and needs analysis on **[471]** passing on merger applications? A. I believe that's correct.

Q. And now, the regulatory concern simply reflects the fact there are other factors to be considered besides concentration, such as need or adequacy of management or solvency? A. I don't follow that question.

Q. Doesn't this regulatory concern limiting free entry into the market reflect that as to banking as opposed to steel or automobiles, something like that, that there are other public concerns such as bank solvency, adequacy of management and the like? A. There is a long history, of course, of regulations of the banking industry. I think it would probably be presumptious of me to say what the makers of the law that restrict entry officially had in mind when they did that. However, I would not—I think that there were probably some errors in judgment at the time the law was passed. I'm not sure that the presence of those laws restricting entry are that, indicates

that each of those laws in fact serve an important and correct purpose.

Q. All right, sir. You are not sure you agree with the law, but you agree that the law is the law? A. The law is the law.

Q. Okay. When were you first retained by the **[472]** Government in this case, Doctor? A. I believe July 1st.

Q. And that was after the complaint was filed November of last year? A. That's correct.

Q. Now, these markets which you have located for us in your affidavits, you simply have verified what the Government alleged in its complaint; haven't you? A. Not precisely, no.

Q. Except in one instance, that's where you found two markets in north Fulton County? A. I believe there are more instances. I believe that the complaint alleges—draws some very hard lines identifying markets. For example, the complaint alleges that Fulton County is a market. That DeKalb County is a market. As I pointed out in my first affidavit, I think that DeKalb County is probably too large to constitute a banking market. The reason I believe that is that there are areas in DeKalb such as Lithonia that should not probably be considered a part of the metropolitan Atlanta, downtown Atlanta banking market. I think the Peoples Bank of Lithonia serves a different market. I think that it should not, that part of the county should not probably be included in a rigorous definition of the market.

I believe there are also probably some eastern, **[473]** some areas of the eastern boundaries of the county that should not probably be included in that market.

Q. Would you include Tucker in that? A. No, I would not.

Q. You would not. A. However, in terms of the present case, it seems to me that when you took those parts of the county out of the market, what you did, is remove a part of the county in which the C&S Banks have very little interest

in which they have relatively few customers and in which the banks and most of the customers in that part of the county are in relatively localized banks. If you remove that part of the county, re-define the market as the smaller part and recalculate the concentration ratios, you will find higher concentration ratios than you found when you put that part of the county in. I think my conclusion that DeKalb County is not an unreasonable delineation of the market must be considered in terms of the purpose for which the research was undertaken in the first place.

Q. And so, in your determination that DeKalb County is not an unreasonable delineation of the market—— A. It must be considered in terms of the purpose for which the research was undertaken in the first place.

Q. And so, in your determination that DeKalb County is not an unreasonable delineation of the banking **[474]** market you affirmed what was alleged in the complaint; didn't you? A. No, I didn't. I believe the complaint calls DeKalb County a market. I didn't reach exactly that conclusion at all.

Q. You found two markets in north Fulton County; is that correct? A. I believe that there is at least one market in north Fulton County that can be separated from the Fulton County area. There is up in the section that is roughly in the northern tip of Fulton County, there are a couple of banks, several banking offices that are found to have captured or to serve most of the customers who reside in that area. You can come down farther and find a similar pattern.

Q. And you stated at the present time it appears that the north Fulton area contains two reasonable promulgations of the banking markets? A. It may, yes.

Q. On the last page of your first affidavit? A. Yes.

Q. All right, sir. You determined that by doing an analysis of the zip code of the banks? A. Yes.

Q. Did you do the same analysis of the zip code [475] origination in the DeKalb area? A. No, I didn't.

Q. Did you make the same analysis that you did in Fulton in South DeKalb? A. No.

Q. In the Chamblee area? A. No.

Mr. Doyle: I have no further questions.

Mr. Sims: I wonder if we might recess at this time?

The Court: Is your redirect lengthy?

Mr. Sims: I am not exactly sure. I would like to take a short break before we got onto it.

Mr. Hodgson: We intend to start our case as soon as we can. We'd like to start as soon after lunch as we can.

The Court: Do you really have questions as to whether you are going to have redirect?

Mr. Sims: Yes.

The Court: All right, we'll recess until 1:45.

(Whereupon, court was adjourned at 12:45 o'clock to reconvene at 1:45 o'clock P. M. the same day.)

[476] (Whereupon the proceedings resumed at 1:45 o'clock, p.m.)

Redirect Examination

Mr. Sims: Your Honor, we just have a few very short questions on redirect.

By Mr. Sims

Q. Professor Skogstad, Mr. Doyle asked if you had simply affirmed the market allegations that were in the complaint that was filed in this case. I believe that you answered no to that question. Have you ever testified for the government in a bank merger case before? A. No, I have not.

Q. What instructions, if any, were you given when you were retained by the Government in this case? A. Well, when the contact was made, I was asked if—I was asked to conduct a study to determine what the relevant geographic limits of the markets in which the effects of this merger would be.

Q. All right. Did you place any conditions on your employment by the Government? A. Well, we had preliminary discussions before we reached an agreement, and the only condition I placed was that I would guarantee no conclusions at all; without looking at the date I wouldn't have any way of making any reasonable determination of what the **[477]** geographic limit of the market was.

Q. And did you have any preconceived notions or opinions as to the geographic areas involved before you analyzed the data? A. No, I thought it would be—the market would be smaller than a whole state and larger than the head of a pin.

Q. Mr. Doyle also asked you whether or not you agreed with the statement that 75% of the deposits in Atlanta banks were in accounts over $10,000. I believe you said that that sounded reasonable. A. Yes, that's right.

[479] Q. Had you considered a percentage based on the number of accounts rather than percentage based on dollar amounts, would you still agree with that statement? A. Oh, no. Of course, that would fall very substantially. Probably—well, I don't know. I would think maybe twenty percent of the customers would be in that size class, thirty-something, like that.

Q. This is based on the number of accounts? A. Yes.

Q. You were also asked whether or not you had done an analyses in areas of DeKalb County, I believe, Tucker and Lithonia, some others were mentioned similar to the analysis that you did in Fulton County. A. Yes.

Q. Now, you said you had not—did you in fact do any analyses of the relationship between banks in DeKalb County, inter-action between banks in DeKalb County? A. Yes.

Q. What did this analysis reveal? A. Well——

Q. Excuse me, are you looking at something there? A. Yes, I have a table here that I prepared for the purpose of gaining an impression of the way that banks within a county might be related throughout the county. **[480]** Now, the purpose of this was not to draw any specific lines or markets, again, because as I have testified—well, I have testified in my direct testimony and here today as well—that I think it's impossible to draw any precise lines around the market, geographic lines around the market that economists would generally accept. I think any two economists would be likely to come up with two markets. I did construct this with the purpose of determining any relationship among major banks or most of the banks in the county and the results are found on this table.

Mr. Sims: Your Honor, at this time we would like to offer this as Plaintiff's Exhibit—I believe the next number is 195.

The Clerk: That's correct.

The Court: All right, I will admit it. Any objections may be noted in the same fashion.

Q. Mr.—Professor Skogstad, would you explain what this chart reveals to you? A. It would be helpful if I could use the zip code map.

Mr. Sims: Would it be all right if Professor Skogstad used the map over here, Your Honor?

The Court: Sure.

The Witness: Well, I notice that this is a Metropolitan Planning Commission zip code map. It's **[481]** not precise, however, I think it's essentially the same map that most plaintiffs

and defendants have used in their analyses, and I think it's essentially faithful to this.

The starting point of this is zip code 30033, which is located here, just east of the Fulton-DeKalb County boundary. This is a zip code address from which C&S Emory draws its largest number of accounts. I believe it is the zip code in which the C&S Emory is located and has its main office located. Part A of this table then shows the small demand deposit accounts again. These are under $1,000 accounts that are drawn from zip code 30033 by C&S Emory, C&S Tucker, C&S DeKalb and C&S National.

Now, in the economic report, a line is drawn through this zip code, in fact, two lines, I believe, separating C&S Emory, C&S Tucker, again separating C&S Emory and C&S DeKalb. What this indicates in that report was that they draw their accounts from different parts of this zip code which I am sure is probably correct. However, the next, under the next heading which is other selected banking offices competing in 30033, I chose from the exhibits that we have submitted just from banks that appear to have a sufficient number of customers from this zip **[482]** code area. So, that these are competing at least for some customers in the zip code area.

Now, you will notice that this has seven banking offices located under part A of this, the table here, and the point is simply that in addition to the C&S Banks, there are other banks drawing from this zip code. This is by no means an exhaustive list of all banking offices that draw from the zip code area. The point is, if a line were drawn between the part of the market for every possible pair of banks, the part of this zip code from which every possible pair of banks draws, you would have patchwork that divided zip code 30033 into a very large number of banking markets. I think those markets could simply be so small as not to be useful in assessing competitive effects.

[483] A. (Continued) Now, when we go down to Part B, we find in—this is Zip Code 30030, which is directly south of Zip

Code 30033; this is the zip code in which Decatur is located. And Decatur and additional banking offices are approximately one mile down Clairmont Road—down Clairmont Road from C&S Emory's main office, located here.

And some of the banks that are important in drawing customers from that zip code are Fulton National's Decatur offices; in fact, they have a motor bank office there as well.

First National's East Ponce de Leon office and First National Bank of Glenwood, and so this repeats two from the list from the "Other Banks" section in Part A, for Zip Code 30033.

So, we have here certainly some interaction between all of the banks or between many of the banks in Parts A and Part B of this table. The point is simply that most of these banks are probably concerned for a significant group of customers in both of these zip codes. Now, from 30030, we go farther south to 300 Zip Code 30032, which is down in the Glenwood area, and Belvedere. I believe, is down in this zip code, or perhaps a little farther south. Again, in this zip code we see that the C&S DeKalb draws a significant number **[484]** of accounts, and C&S South DeKalb draws significant accounts, and C&S Emory has a branch, I believe this is a relatively new branch, down in 30032, and that branch draws over half of all of its DeKalb County accounts from this Zip Code 30032, that branch of Emory does.

Now, Zip Code 30032 is not listed in the defendants' exhibits as one of the zip codes that is included in the market of C&S Emory, and when the entire bank is considered, I can understand how that conclusion was reached; however, to exclude this Emory, this Covington-285 branch of Emory from this zip code seems to me unreasonable, since they draw half of their accounts—over half of their DeKalb accounts from that area.

Now, the additional, the other banks, non-C&S banking offices, that seem to me to be significant down there include, once

again, C&S Glenwood, which we saw was also a competitor, a competitor up in Zip Code 30030, and so the C&S Glenwood Bank clearly competes with some of the banks that compete for customers in Zip Code 3——

The Court: First National of Glenwood?

A. Pardon me, yes. Excuse me, that is First National Bank of Glenwood.

On the next page, Zip Code 30034 is the farthest **[485]** zip code to the south that I have considered, and we find, once again, C&S South DeKalb drawing a sizeable number of customers from that zip code, and the Belvedere office of C&S DeKalb draws about half or a little less than half as many as C&S South DeKalb, but still customers that must be of some consequence to that banking office. And, then we have—C&S National has some customers there also, probably many of whom, if not most of them, customers who commute and go into town and can choose either banks in this zip code or banks, or banks in the city.

Now, South DeKalb, First National South DeKalb's office is clearly of consequence down in that area. First National Bank of Glenwood, once again, has 360 small accounts there. The DeKalb Exchange Bank has, relative to the total zip code supply of accounts, not many, but compared to the size of this relatively small bank, the 231 accounts are of, no doubt, some importance to DeKalb Exchange Bank.

From there, that is as far south as I took the analysis, and I think that is as far south as one would reasonably go in considering what I would call perhaps the metropolitan DeKalb area, the mainstream DeKalb area that economically, and in other ways, integrated with the mainstream Atlanta part of DeKalb, **[486]** DeKalb County.

From there we go back up to 30033 and directly northeast of it Zip Code 30329. This is the zip code in which C&S Park

National has its office. It is also the zip code in which the Toco Hills branch of C&S Emory is located. Economic Report draws a line through this zip code as well, separating it into two parts. One part being the principal supplier of C&S Emory accounts, the other the principal supplier, essentially, of C&S Park National accounts. But, the banks that show up in that zip code as being of consequence include C&S Emory, which I have broken down here into their various offices, three of their offices, because it clearly makes a difference which office you are talking about in considering the importance of that zip code to the C&S, the C&S Emory. Clearly, its the Toco Hills branch that is significant here, and the Toco Hills branch, I might point out, is one and a half miles directly down North Druid Hills Road from Executive Park. So that is the space separating those two banking offices, only one and a half miles. And I believe that a significant number of residents of this area are residents who occupy space a little bit north and a little bit south of North Druid Hills Road, but essentially in that space between Toco Hills and **[487]** Executive Park. The point is, it is a very short, easy trip from Executive Park down to Toco Hills, and it is only a mile and a half in distance.

Moreover, there are other banks, many other banks that have a significant number of customers from this zip code, and those include Fulton National's Executive Park office. I am not sure of whether the Fulton National printout may have been erroneous in showing only four accounts in there. It may be because that Fulton National office is relatively new, but since it is located in Executive Park, I consider it reasonable to conclude, regardless of the number of accounts that are shown in it, that it competes with other Executive Park banking offices.

Then, First National Bank has, about three-quarters of a mile from Executive Park on Buford Highway, an office that competes significantly in 30329. That is just across the expressway, and a little bit north and northeast on Buford Highway. Here, the Corporate Square office has 442 accounts in that 30329.

And, the Trust Company Executive Park office, of course, also draws from the area, and DeKalb County Bank, which is a little farther north on Buford Highway, also has a significant number of customers from its point of view down in this 30329. **[488]** So again, instead of comparing C&S Banks only in this zip code area in ascertaining the market characteristics of the 30329 zip code, one should, I think, include the offices, all of the offices of banks that compete for those customers. Again, I think it would be unreasonable to criss-cross this with lines and end up with maybe twenty or thirty or ten, however many markets from that relatively small geographic area.

Then, from there we go northeast to 30319. This is one of those zip code areas that straddles the county line. It goes over into Fulton County somewhat on its western border, at least the way it is plotted on this Planning Commission map, that seems to be the case. In Zip Code 30319, C&S Chamblee, C&S Park National, and C&S National all have a relatively large number of accounts in this area. And First National's Corporate Square office continues to draw, and that is reasonable because the Corporate Square office is just here, just across the border from 30319.

[489] And so that's a, clearly a competing office in this area as well.

Trust Company of Georgia, Brookhaven office, draws a very large number of small accounts, 1473 from this area. And so this Brookhaven office of Trust Company, again, it seems to me is clearly one of the competitors for the small banking customers who reside in the 30319 area.

Then, the Executive Park Branch draws a few accounts from there and Peachtree Bank & Trust Company draws 436 accounts. Peachtree is up here in Chamblee and, of course, draws probably from this northern area, 30319. DeKalb County Bank has 334 customers in here which I would consider a number of customers that DeKalb County Bank could

not afford to ignore, therefore, competition among the banking offices in this zip code.

From 19, we go on the chart to 30345, I believe, which is to the right of—to the east of 30319, and directly northeast of 30329. That's directly northeast of Executive Park area. Also Briar—this is Briarcliff Road running through 30345. Park National draws some 161 small account customers from that area. C&S Tucker, LaVista office, is particularly important in that area. They have 450 accounts.

C&S North DeKalb office draws a significant **[490]** number, probably from this northeastern piece of zip code, 30345. C&S National again has customers, probably many of them, some of them at least commuters into downtown Atlanta.

C&S Chamblee has, from the Buford office draws 343 accounts. So, these offices are offices that draw customers from this zip code.

In addition, the DeKalb County Bank is a major factor or a factor in this zip code. The 279 accounts are again significant to it even though they don't represent a major proportion of all the accounts originating in this area.

First National Perimeter Center draws some accounts, probably from an area more or less similar to the area from which C&S, perhaps similar to the area from which Emory, North DeKalb and perhaps the Chamblee Buford Highway office draws as well.

Then, they go from there, 30341, which moves up in the direction toward Chamblee and you find C&S Chamblee certainly is probably the single major supplier of small account services up there with 293 accounts. The main office draws more from that zip code than other offices. But, it's important to both of those offices. C&S Tucker has 376 accounts in this area. Park National, 203, and C&S again comes

in as a major factor. They **[491]** have 996 small accounts in that zip code area.

In addition, then the DeKalb County Bank is important in 30341 and Peachtree Bank & Trust up on Buford Highway draws many of its customers, most of its customers, apparently, from 30341.

Northeast Commercial Bank, which is also up in the Chamblee area, draws a few, 152 customers from that area. Fulton National Bank, Dunwoody office, has 132 customers in this area.

First National Peachtree Industrial office has 173 customers and again the Trust Company's Brookhaven office has a fairly significant number of customers, significant to that Brookhaven office, in this case, 236 accounts from this area. Trust Company's Executive Park office draws accounts from there, also, and that is as far north as the exhibit takes.

The point of this is not to show an exhaustive listing under these other selected banking office headings, of all the banks drew from this area, simply to show banks other than banks listed in Economic Report that compete, that is, other than the banks listed there in drawing lines to delineate markets, that compete for these customers, and I believe that this interaction ties this entire area more or less together, more, rather than less, ties it together in spite of the fact that when you come up **[492]** here and look at Peachtree Bank & Trust, for example, you would find them of little significance, I'm sure, no significance, in zip code 30030, for example, or 30032, for example, at the present time.

However, the connection, the interlocking chain that I illustrated with three rings referred to earlier today is what connects that entire area; consequently, whether you have one market here or one, two, three markets, or possibly even four markets here, here the effect of bank market conditions in one of these areas is going to be significant to the customers, the

small bank customers of banks throughout this area as the effect is made and rather quickly throughout this metropolitan part of the county. That concludes this.

Q. Now, you said in your direct testimony, on page 27 of your first affidavit, I'm reading here, therefore, my conclusion is that the counties are reasonable geographic areas within which it's appropriate to analyze the competitive effects of the proposed merger. A. Yes, sir.

Q. Is this the same thing as saying that each is a precise banking market? A. No, that's far from saying that. It simply says that it's difficult to ask, perhaps, if we are honest, we would say it's an impossible task to draw precise geographic **[493]** lines around a market. Any lines that I draw and would show to an economic professor would have something they could argue with. The point is whether we define, for example, the area I just traced through in DeKalb, as many markets or one market, they are related anyway. The competitive effects of banking conditions in this major piece over there will be transmitted down through the rest as if it were one market. It may be one market or it may be several adjacent markets that are completely related economically and simply behave as if they were one market.

Another example can be found in, over in Fulton County where I have indicated that there may be, there may be two markets in north Fulton County. Regardless of whether those are two markets or one market, there is inter-action between the two. The two are related by having an office of one bank, a bank in one part of the northermost part of the county, and having a branch in the lower part of north Fulton County. So that those banks compete with each other.

Q. Let me just clean up one little housekeeping detail and that's all. Did you in fact prepare this chart that's been offered as Exhibit 195? A. Yes, I prepared that.

Q. What were your data sources for preparing that chart? **[494]** A. All of this data came from the exhibits that have been entered showing data that was supplied by, in response to a subpoenae by the banks in the area.

Mr. Sims: I have no further questions, Your Honor.

Recross-examination

By Mr. Doyle

Q. Doctor, based on your testimony with regard to the zip codes, I take it that if you find two banks drawing a significant number of customers from one zip code area, you conclude that they are competing for those customers; is that correct? A. They may be. I would assume that was worthy of further investigation if I found that to be the case, yes.

Q. All right, sir. Now, if customers from that same area can go to two complimentary banks or two banks and use either of those banks for their banking services, to cash checks and make deposits, those banks could well be regarded as complimentative rather than competitive? A. Complimentary banks?

Q. Yes. A. The case of one banking firm with two offices, yes, I would say that certainly would be the case.

Q. If the customer, therefore, can transact **[495]** business at either of those two offices, they could be complimenting rather than competing with each other? A. Certainly, yes.

Q. Now, if the question is whether a bank is an effective competitor or whether it's effectively competing, then you would agree, would you not, that Peachtree Bank & Trust is not presently competing in South DeKalb County? A. No, I wouldn't. I wouldn't conclude that. I would say that their probability of drawing customers from South DeKalb would be very, very slight, but that Peachtree Bank & Trust would not be insulated from what happens in Decatur, for example,

in banking markets in Decatur. For example, if those banks in Decatur should take some strong pro-competitive action policy that appealed to their customers, I don't think that Peachtree Bank & Trust, even though it doesn't draw from exactly the same zip code, that it would be safe for that bank to ignore what is happening down in Decatur.

Q. All right, sir. Now, Peachtree Bank & Trust Company, taking that example, in fact, has an insignificant number of customers from that part of South DeKalb County, south of Decatur; correct? A. Yes, I doubt they have more than ten.

Q. Ten or fifteen customers from down that way and banks, after all, do compete for customers; don't they? **[496]** A. Yes, some banks do.

The Court: Professor, when you consider your transmittal effect or the three-circle effect, lines have nothing to do with that effect, do they?

The Witness: No, sir, the significance of county lines, we don't consider that county lines are significant because it's a county line, but because of the branch banking laws in this state right now.

The Court: They have no transmittal effects. It doesn't effect the transmittal effect?

The Witness: Only to the extent——

The Court: It permits the location of the bank within the area, within one of the three circles?

The Witness: Right, a bank in DeKalb, if the customer started moving into Fulton, the bank in DeKalb could not follow those customers by locating branches over in Fulton County.

The Court: Well, now, you were making the circles, zip codes, as I understand it.

The Witness: Well, that is actually my, in my second affidavit I drew circles which were an abstract thing really, not related to zip codes. I used zip codes in this case because that's the form **[497]** in which the data came to me.

The Court: Do the zip codes themselves have anything to do with the transmittal effect?

The Witness: No, sir, I don't think so. I don't think the zip code lines erect any barrier whatsoever.

The Court: With respect to transmittal effect, the only real inquiry is what banks happen to be in the location and where are their customers and what are their effects as to, the effect as to their practices on their customers; is it not?

The Witness: Well, a little bit more than that. I think it's not only what banks are in the area but what banks do they directly compete with because there may be two banks, let's say, in zip code 30030, one at the lower end of the zip code, another at the higher end of the zip code, they would probably be banks competing with each other if there are not too—directly for the same specific customers—if they are not too far apart. Also, the zip code below that, the next southern zip code would be important to the bank at the southern end of the county. Therefore, if that southern bank took some procompetitive action, the bank in the middle would probably respond, the bank at the **[498]** southern end of zip code 30030, would respond, when it responded, it would be unsafe for the bank at the northern end of that zip code to ignore it. So, in effect, you have got banks at the top of 30030 and a bank at the south of 30030, influencing each other's behavior even though they don't compete directly for some customers.

[499] The Court: All right, I understand your principle as a hypothetical principle.

A. Yes.

The Court: Have you examined it in practicality apart from the zip-code analysis which you have just given us? For example, if I were to ask you if there is any transmittal effect between the C&S Bank in Sandy Springs and whatever the bank is in Palmetto, Georgia, could you give me an answer?

A. I would guess that that would be slow, but, no, I can't give you a quantitative answer. My guess would be that that would be a very slowly transmitted effect because of the great amount of open space between Palmetto and the metro part of Fulton County.

Q. What do you mean by open space, people live there? A. Yeah, but relative to the Palmetto area, it is quite sparsely populated and it is quite a drive up the expressway from Palmetto to the—what I have been calling the metropolitan area, for want of a better word.

Palmetto, I consider one of those more—one of those towns similar to Alpharetta, for example.

The Court: Oh, I picked it because it is on the southern part of Fulton County.

[500] A. Yes.

The Court: But I was using it to test the validity of the use of county lines.

A. Oh, yes, sir, I think if you would cut off that southwestern piece of Fulton County that you would have been left with a market that was no less valid than the one you started with, and probably would be more valid than the market——

The Court: What do you mean by southwestern corner?

A. Well, where Fulton County juts down into the—in the southwesterly direction; I don't know if you pick a line, say, at the corner of there, at the corner of Fulton County, and that is Clayton County below it, and just draw a line northwest across there that that would—that would leave you with

a market that was no less realistic than a market defined as the whole county, probably more realistic, in fact.

The Court: How about the northern bulge of Fulton County, what is that, old Milton County?

A. Yes, sir, that's right. It was at the river, the line was at the river until, I believe, it was 1940——

The Court: How does that fit in **[501]** with your market?

A. I think you could possibly cut off a significant piece of North Fulton County; look, for example, at that piece that juts out to the east from what looks like a straight line, at the northeast or top of Fulton County. You could probably cut that right off and not damage the market that you have, and have an equally realistic market. You might be able to cut off that crown of Fulton County up there and not damage the market, or possibly even more of it.

I think it is really just impossible. It would be a pure chance event if you found any county lines anyplace in the country that corresponded precisely to geographic markets.

The Court: All right. You may step down.

Mr. Kinkaid: Your Honor, except for one very small detail, which we raised yesterday, that is, the depositions, we are finished. Five of the depositions I understand—now, there's one that still hasn't arrived, I guess, from the clerk's office.

The Court: All right.

Mr. Kinkaid: But, it is our understanding——

[502] The Court: Identify them and they will be admitted.

Mr. Kinkaid: The plaintiff rests, Your Honor.

The Court: You want to identify the depositions?

Mr. Kinkaid: Yes, sir.

The Court: I don't imagine there's any question about it, but you can identify them now, if you wish.

Mr. Kinkaid: We have already designated them in a document.

The Court: At the end of your list of witnesses, as I understand it, you have the depositions.

The Clerk: I have them in order except for Mr. Morris Pierce.

The Court: Well, Mr. Pierce will be admitted on the same basis, his deposition, when it arrives.

Mr. Kinkaid: Yes, Your Honor. We have a document that we have submitted entitled "Plaintiff's Designation of Deposition Testimony", and this lists the various depositions which we took, and they **[503]** are listed alphabetically, and I would propose that we just simply begin the first one, the deposition of James H. Aldredge, as Government's Exhibit 196, and simply give consecutive numbers to the others, and that would take care of it.

The Court: All right. The clerk will do so, and they will be received.

The Clerk: Government's Exhibit No. 196 through 215, then.

The Court: All right. The Government rests. Is the defendant ready?

Mr. Hodgson: Yes, Your Honor.

If Your Honor please, on Monday we reserved a privilege of making an abbreviated opening statement in light of the issues that have been a little more sharply drawn through the trial briefs that were filed, and I would like to take a few moments at this time to emphasize these points.

The Court: All right, sir.

Mr. Hodgson: The things that seem significant to us at this time, Judge, are these: the Government's brief ignores our **[504]** charge or our assertion that these five small banks are, in name and in fact, Citizens and Southern banks; that they have been from the time that they were organized in the eyes of their shareholders, the public, the regulators, their competitors and their own officers and directors. Not only does the Government's brief ignore these as C&S banks to the pointed end of describing them without the name C&S, it also asserts that they are, in fact, vigorous and significant competition to the Citizens & Southern National Bank, ignoring the significant relationships we claim, and doing so with an emphasis on the legalities of officer and director responsibilities to their various corporations. Ignoring the areas of voluntary control that do exist in this case, and have from the beginning.

Now, that is one major facet of the brief that we intend to focus on as we introduce our evidence. And we will do this by emphasizing the history, and showing these are C&S banks and that they are not competitors in the sense of the anti-trust laws. Those laws have been **[505]** observed, and that they have competed among one another as friendly branches, but that to the public and to themselves they have been C&S banks.

The next significant feature of the Government's brief, it seems to us, is that it ignores the question of whether or not the mergers will reduce competition but argues in terms of what would be the effects of nonmergers. That is an enforced separation of relationships that have been voluntarily entered into and enjoyed with the full expectation that mergers will occur.

Again, the Government's brief ignores the history that led to these relationships, ignores the pro-competitive aspects at all times, not only of the attitude of the Citizens & Southern system generally, but in these particular instances, better to serve the conveniences and needs of the communities. That they are not anti-competitive, they are not merely not anti-competitive,

they are indeed pro-competitive factors. All of this we expect to do in the light of the constantly changing laws in these areas, which Your Honor **[506]** has come to recognize as being numerous and confusing on occasion, but particularly we will ask that Your Honor bear in mind as, the evidence unfolds, the facts that in the Atlanta market no C&S bank, no C&S National bank could branch at all until 1960, and that after 1956 it could not engage in holding-company expansion previously permitted by the ownership of more than 15% of the voting stock of any bank. And, after 1960, by the ownership of more than 5% of the voting shares of any bank.

We ask Your Honor to bear in mind that it wasn't until 1963, less than ten years ago, that the Philadelphia decision came down for the first time, and to the surprise of many, applying the standards of Clayton 7 to bank mergers, and it was only the next year that the Lexington case applied, the Section 1 of the Sherman Act of these mergers, and it's only been six years that the Congress decided to immunize those relationships that had been taking place before July 1, of 1966 against the impetus of these laws, against those backgrounds.

Your Honor, we will present the testimony **[507]** of these classifications of witnesses: four senior executive officers of the National Bank & Holding Company; Mr. Lane, who through most of this period was president of the National Bank.

Mr. Howard Starks, who is in our marketing department, in our branch supervision department, and who was directly related, in large degree, to many of these activities. The current president of our holding company, Mr. Joe Hall, who has been in the controller's office of the National Bank and an officer of the holding company right along.

And, Mr. Dan Handley, who currently is particularly in charge of branch supervision.

We expect to follow these four major witnesses with representatives of regulators who have been kept fully apprised of

our activities, of our competitors, seeking to show that they recognize each of these banks as a C&S bank; by our customers who traded with us for that purpose; by the presidents and selected directors of each of the six banks, to show their attitude.

Dr. Nevins Baxter, our economist who **[508]** filed our economic report, will be our last witness. We trust and believe that when our evidence is fully in, Your Honor will agree that the decision that the Federal Deposit Insurance Corporation, undoubtedly the toughest of the bank regulatory agencies on these issues today, was right when after a full year's study and examination of these separate facts which the Court is obliged to examine de novo, was right when it approved these mergers.

I would like to call Mr. Lane, please.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

CITIZENS AND SOUTHERN NATIONAL BANK, et al.

On Appeal from the United States District Court for the Northern District of Georgia

JOINT APPENDIX

INDEX

VOLUME I

	Page
Relevant Docket Entries	1
Complaint by the United States Filed November 2, 1971	9

Answer to Complaint Filed by the Defendants May 5, 1972 24

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia Commencing September 25, 1972:

Appearances [2] 45

Testimony of W. D. Padgett—
Direct examination [7] 49
Cross-examination [74] 89

Testimony of William Farr, III—
Direct examination [85] 96
Cross-examination [123] 118

Testimony of Herbert Leonard Megar—
Direct examination [151] 135
Cross-examination [161] 142
Redirect examination [171] 148

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 26, 1972:

Testimony of James A. Parker—
Direct examination [180] 151
Cross-examination [227] 178
Redirect examination [245] 188

Testimony of Charles B. Ginden—
Direct examination [256] 195
Cross-examination [296] 219
Redirect examination [309] 226

Testimony of Warren Jackson—
Direct examination [312] 228
Cross-examination [352] 251

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 27, 1972:

Testimony of Warren Woolsey—
Direct examination [361] 257
Cross-examination [408] 284
Redirect examination [424] 292

Testimony of Samuel L. Skogstad—
Direct examination [425] 293
Cross-examination [426] 294
Redirect examination [476] 322
Recross-examination [494] 333

VOLUME II

Testimony of Mills B. Lane—
Direct examination [508] 343
Cross-examination [539] 361
Redirect examination [562] 374

Transcript of Proceedings Held Before the Hon. Charles A Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 28, 1972:

Testimony of Howard S. Starks—
Direct examination [582] 386
Cross-examination [604] 400
Redirect examination [633] 417

Testimony of Joseph Hall—
Direct examination [637] 420
Cross-examination [683] 445
Redirect examination [744] 481

Testimony of Robert Daniel Handley, Jr.—
Direct examination [747] 483
Cross-examination [765] 494
Redirect examination [774] 499
Recross-examination [774] 500

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 29, 1972:

Testimony of Warren L. Berry—
Direct examination [777] 501
Cross-examination [784] 505
Redirect examination [802] 516

Testimony of Roy B. Holland—
Direct examination [802] 517
Cross-examination [805] 519

Testimony of Hubert Harris—
Direct examination [808] 521
Cross-examination [812] 523

Testimony of Lewis C. Beasley—
Direct examination [815] 524
Cross-examination [821] 528

Testimony of Joseph M. Ream—
Direct examination [824] 530

Testimony of Henry T. Collingsworth, Jr.—
Direct examination [830] 534
Cross-examination [837] 538

Testimony of Gordon B. Trulock, Jr.—
Direct examination [842] 542
Cross-examination [853] 548

Testimony of Ben C. Cook—
Direct examination [854] 548
Cross-examination [859] 552

Testimony of Merrill Autry, Jr.—
Direct examination [862] 554
Cross-examination [865] 555

Testimony of L. R. Gellerstedt, Jr.—
Direct examination [873] 559
Cross-examination [881] 564

Testimony of King Cleveland—
Direct examination [888] 569
Cross-examination [892] 571

Testimony of W. M. Jackson—
Direct examination [895] 573
Cross-examination [905] 579

Testimony of Evans Bruner—
Direct examination [932] 594
Cross-examination [940] 599

VOLUME III

Testimony of J. Mack Robinson—
Direct examination [942] 601
Cross-examination [946] 603

Testimony of Walter Eaves—
Direct examination [953] 607
Cross-examination [956] 609

Testimony of E. D. Dunn—
Direct examination [960] 611

Testimony of Nevins Dennis Baxter—
Direct examination [974] 619
Cross-examination [1004] 636

Depositions:

Warren Lanham Berry—
(GX-198) 671

Dr. William M. Cason—
(GX-199) 4.1-6.13 739

Gus Lockett Connelly—
(GX-200) 4-29.3; 53.13-54.22 741

Thomas E. Cook—
(GX-201) 4-26.4 760

Edward E. Elson—
(GX-202) 10.23-12.7 774

Louis J. Fortuna—
(GX-204) 19.6-22.3 775

Hubert L. Harris—
(GX-206) 4-28.7 778

T. Robert Hazelrig—
(GX-207) 4-28.13 793

Dr. W. Andrew Irvin—
(GX-208) 12.4-12.21; 18.10-18.24 811

Hugh F. Lane—
(GX-209) 812

Alva G. Maxwell—
(GX-211) 4-6.13 848

Dalton F. Scott—
(GX-215) 34.24-36.3 851

Economic Report (Excerpts):

Volume 1—[5-14]
[83-84]
[114 "E"-130 "B"]
[139-147] 852

Volume 2—Exhibits 20, 28, 29, 53, 54, 55, 69 877

Government Exhibits:

GX-33 B E-1
GX-33 C E-5
GX-33 D E-7
GX-33 E E-10
GX-35 ..... E-13
GX-36 ..... E-24
GX-37 ..... E-28
GX-38 ..... E-38
GX-104 ..... E-57
GX-105 ..... E-89
GX-106 A E-113
GX-107 ..... E-121
GX-108 ..... E-122
GX-109 ..... E-123
GX-110 ..... E-124
GX-111 ..... E-125
GX-112 ..... E-126
GX-113 ..... E-127
GX-114 ..... E-128
GX-115 ..... E-132
GX-116 ..... E-133
GX-117 ..... E-134
GX-118 ..... E-135
GX-119 ..... E-137
GX-120 ..... E-139

GX-121 ..... E-140
GX-122 ..... E-141
GX-123 ..... E-142
GX-124 ..... E-143
GX-125 ..... E-145
GX-126 ..... E-146
GX-127 ..... E-147
GX-128 ..... E-148
GX-134 ..... E-153
GX-136 ..... E-155
GX-138 ..... E-156
GX-139 ..... E-158
GX-140 ..... E-160
GX-142 ..... E-161
GX-148 ..... E-162
GX-151 ..... E-164
GX-153 ..... E-165
GX-162 ..... E-166
GX-163 ..... E-172
GX-164 ..... E-198
GX-166 ..... E-204
GX-169 ..... E-206
GX-170 ..... E-215
GX-177 [1-15.6] E-217
GX-177 B E-232
GX-177 D E-235

GX-188 ..... E-240
GX-189 ..... E-241
GX-190 ..... E-242
GX-191 ..... E-243
GX-192 ..... E-249
GX-193 [1-6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 28] ... E-251
GX-194 ..... E-268
GX-216 ..... E-269

Defendants' Exhibits:

DX-94 ..... E-305
DX-113 ..... E-329
DX-125 ..... E-330
DX-152 ..... E-331
DX-266 ..... E-337
DX-267 ..... E-460
DX-268 ..... E-502-2
DX-269 (Sections A, D, F, K and V) E-572
DX-270—Vol. I, GOG 9.27 and GOG 9.6 ..... E-692
Vol. II, GOG 26.01 and 26.011 ..... E-699
DX-277 ..... E-703
DX-278 ..... E-705
DX-300 ..... E-706
DX-301 ..... E-835
DX-302 ..... E-840
DX-310 ..... E-860

DX-311 ..... E-1024
DX-313 ..... E-1717
DX-316 ..... E-1804
DX-317 ..... E-1816
DX-318 ..... E-1822
DX-320 ..... E-1826

Notice of Appeal filed March 25, 1973 ..... E-1841
Order Noting Probable Jurisdiction dated October 29, 1974 ..... E-1842

MILLS B. LANE,

being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Hodgson

Q. Would you tell the reporter you full name, please, sir? A. Mills B. Lane.

Q. Mr. Lane, what is your occupation today? A. I am vice-chairman of the Citizens & Southern National Bank.

Q. When did you become vice-chairman? A. July 8th, 1971.

Q. What was your position before that date? **[509]** A. I was president.

Q. And when did you become president? A. July 8th, 1946.

Q. What are your credentials, so far as the Citizens & Southern Holding Company is concerned? A. I am at present a director of the Holding Company. I was its president from '46 until Mr. Hall was made president, I think, in 1970.

[510] Q. Who is the current president of the Citizens and Southern Bank? A. Mr. Richard Kattel.

Q. And has been since July of 1970? A. '-1.

Q. When did you come to Atlanta with the Citizens and Southern Bank? A. October, 1939.

Q. At that time, Mr. Lane, what was the competitive posture of banking in the Atlanta area? A. Atlanta had three banks that were domiciled here. Two of them had—one or two of them had banking in Decatur prior to the Banker Freeze of 1926. One had a branch in Buckhead which is also a grandfather bank. The C&S was a branch of Savannah with the competitors using that as heavily as they could, that they were just a branch of Savannah. We had two little branches, one on Mitch-

ell Street that is now a pawn shop, one at Tenth Street, that is now a nightclub. That was all we had with no opportunity for any increased facilities whatsoever.

Q. When did you become free to branch in Atlanta? A. We did not become free to branch in Atlanta through the C&S Banks until 1960.

Q. What did you do to expand in the meantime? A. We were fortunate in being able to acquire the [511] Bank of Atlanta which was a small bank, less than $7 million, as I remember, with an office out on Bankhead Highway, just at Peachtree and Marietta, Bankhead Highway, and Little Five Points. The bank was in serious trouble and we, I think part of the characteristics of our bank has been it's ability through its Board of Directors to give management the leeway to make decisions without having to hold multi-committee meetings.

Another bank in Atlanta was trying to purchase the Bank of Atlanta, but it's interesting that the Directors of that bank accepted a lower cash offer per share from us than they were willing to hang around and go through the Board of Directors from an upcoming bank. That gave us through the holding company a vehicle for taking banking to the people.

Q. In Atlanta? A. In Atlanta.

Q. Did you ever get into Buckhead? A. We were, in 1950, a small bank had been started in Buckhead. The owners of that bank decided they wanted to get out of the banking business. The owners of the bank were more friendly to a competitor bank than they were to us, but again, we had the vision, I guess, and the audacity, if you want to call it that, or foresight to make an offer for the bank with no strings [512] attached to it. Although, the ownership of the bank was non-friendly to C&S, they sold us the bank.

Q. What is the plan of improvement as an historic fact? A. The plan of improvement which, I think, went through two elections before it was adopted incorporated the Buckhead area

into the City of Atlanta. The interesting thing about that, when I came to Atlanta we had, the way I looked at it, three banking capitols, Five Points, Decatur Square and West End. There was groupings of banks in those areas. When the plan of improvement went through, instead of there just being an office of C&S Bank of Atlanta and a branch of the Fulton, every bank in Atlanta went out with more than one branch starting with Buckhead Village going up Peachtree Street, branching out up Roswell Road and the plan, what happened was that within a period of three years after all the banks went there, the total banking deposits and resources in Buckhead were over a hundred million dollars, and it had made Buckhead a fourth financial capitol.

At a period where housing and real estate development and construction lending, we didn't have the major developers like Tom Cousins, the smaller corporations, individuals like Red Gerrin and others, but this putting together a pool of capital with branch management that **[513]** have authority to do, I'm sure, led to the area development of Buckhead and it began to spread right out as a concentric circle north, which is, of course, we had the development of Chamblee-Dunwoody as a result of the war with the bell bomber plants there.

Q. Did this cause the spreading out of the city limits? A. It had to.

Q. As far as banking is concerned? A. As far as banking in the City of Atlanta, it's in the same fix as the corporate City of Atlanta is. We have the metropolitan area hemmed in by unofficial legal boundaries and yet in the banking business the same thing is true in government, that the City of Atlanta now provides all the policemen for the whole county. The small police force of Fulton County was inadequate. The same is true of banking. Atlanta, in the post war years, has become the major financial center of the entire southeast. It's both in national new business, of the reputation and character of the major banks of this town, has meant that the citizenry, both small and large, this town

brags about being big. One of the newspaper reporters said last week, I believe Atlanta believes its advertising. People want to do business with the big banks. We felt that way and that's what was needed and was necessary.

[514] Q. How did, if I may use the shorthand, your five percenter or correspondent's associate program come about? A. It came about when a group in Sandy Springs, where two banks, independent charters had been turned down by the State Banking Department. Jim Aldredge was a close friend. He was at that time, I think, Chairman of the County Commission. He had a building supply in Sandy Springs, and I'm sure that he had seen the, really, the renaissance of Buckhead as the result of being a financial capitol. What it had done. He came to me and said, "Sandy Springs is growing, it's the new section of town, it's going to, it needs banking, and I want to urge you to go take a look at Sandy Springs as it is, see what you think it is going to be in the future. We need a bank."

Q. What did you find? A. We found that Sandy Springs was indeed beginning to overflow. We had our bank at Buckhead, the people in Sandy Springs had to either come to Buckhead or go to Roswell to do any banking business at all and the convenience was absolutely a necessity. We saw that a bank would not only support them but would grow. The interesting thing about opening new branches is that you can put a bank in a location where there has never been a bank and **[515]** money seems to come up out of the ground. People that have never had a bank account before all of a sudden money comes out of shoeboxes or somewhere, I don't know.

But, you start a bank or a branch and resources begin to grow. We knew when looking at what had happened to Buckhead that obviously the City of Atlanta was either going to have to expand or certainly the banking laws in the State of Georgia were going to have to be changed.

Ever since I have been in the banking business there's been some action every year to try to do something to liberalize the

tight laws that hindered banking from taking business to the people.

Q. Taking business to the people? A. Yes, going where people are, just like the neighborhood theatres or anything else. People didn't want to come downtown, they wanted to bank, they wanted convenience, they wanted to have a friend in the bank, too. It was with the knowledge that either the banking laws were going to be changed or Sandy Springs would come into the city that we organized that bank. We picked up a group of people, some from Sandy Springs, some who were just friends of ours, new to C&S Bank, and organized the bank providing it with a manager, a president for whom we financed a considerable purchase of stock. We sold stock to our friends and in the area combining a degree of **[516]** ownership that tied it to the Citizens and Southern, but with a sufficiency of local interest to make this at one and the same time an integral part of Citizens and Southern, what it was doing as well as having a local flavor that's bragged about so much by independent banks.

[517] A. (Continued) At that time we didn't have the courage to give the bank the name Citizens & Southern, but we picked the closest thing to it, Citizens National Bank of Sandy Springs. And when we put the big sign up there, we featured C for Citizens, and S for Sandy Springs, and from a distance of a mile, you would think the sign was Citizens & Southern, and not the Citizens National of Sandy Springs.

Q. I presume the shareholders and directors didn't object to this? A. No, sir, I think we all enjoyed the fact that we came as close as Mr. Fortuna did of putting C&S up there as we could at that time.

Q. What understanding was there, if any, with respect to the Citizens & Southern Bank and Holding Company furnishing management to lead this bank? A. Have to give me that again.

Q. What understanding was there, if any? A. Oh, we irrevocably said that we would provide the management, the direction and the supervision of the bank. After all, the directors of the bank had never been directors for any bank before. It was not a business they knew. They had value; they knew the bank was going to need a gentleman like Aldredge in helping direct business to the bank, in giving a new president local knowledge about credit and people doing **[518]** business with it, but it was a learning process for directors of a bank. It is a right interesting thing that when you organize a brand new bank, the directors have a feeling of pride and interest that is amazing. They want to learn; they want to help build the bank. When a bank has been in business fifty years, the directors pay very little attention to it, I am afraid. But, directors of a new bank have burning desire to see it succeed.

Q. Did you furnish this management? A. Yes, we did.

Q. At Sandy Springs? A. Yes, we did.

Q. Who did you furnish? A. We supplied a young man by the name of Tom Cook, whose father was a banker in Cochran, Georgia, and whose brother was working for his father, and the young man had worked for us here in Atlanta for several years.

Q. Did Mr. Cook remain president of that bank to date? A. No, he did not. Mr. Cook, unfortunately, did not have good credit judgment. We, ourselves, this being the first bank we had a five-percent interest in, did not have a director on the board, other than from **[519]** our law firm. We did not have the techniques of branch supervision that we have now, with a result that with a board of directors that were not really knowledgeable, we woke up one day, the supervising authorities, and found that the bank was in serious trouble.

Q. What did you do? A. We promptly saw that—recommended to the board that Mr. Cook be relieved, and recommended Mr. Lou Fortuna, a Dartmouth graduate, a man who

had both real estate lending and installment lending in the C&S Bank, as well as having helped collect bad loans several times, while a Yale man doesn't like to stomach a Dartmouth graduate, they, having beaten our team while I was in college, Lou Fortuna was elected to be president and has been president ever since.

Q. The board elected him? A. Yes.

Q. Did the board look anywhere else for a president? A. No, sir.

Q. Did the board expect you to find a president and produce him? A. Yes, sir. And to show you the extent of our feeling that this was a C&S Bank, we promptly bolstered the bank's capital by the purchase of $100,000 worth of **[520]** capital notes.

Q. Were the regulatory agencies aware of the relationship that was formed here between yourself and the Citizens & Southern Sandy Springs bank? A. I feel absolutely positive that, two charters having been declined by independent groups, that only the name Citizens & Southern, our participation in the bank, the knowledge of our style of banking, made possible the granting of a charter in the first place.

Q. Was this a national association charter? A. Yes, sir.

Q. So, from that you are testifying that, at least, the office of the controller of the currency and his then chief national bank examiner were aware of it? A. I am sure that the State Banking Department was aware of it, too, because all applications for banks are circulated among all supervisory agencies.

Q. Would you say you exercised any influence over the management and policies of this bank or not? A. You talking about the Citizens & Southern National Bank or me, individually?

Q. The Citizens & Southern National Bank and Holding Company. A. As though it were a branch office.

Q. Did you so influence it as to tell the board [521] members exactly how to vote? A. No, sir.

Q. Well, then, how do you equate those two? How do you reconcile them when you say that you treated them like a branch but they made the decisions? A. They had their legal responsibilities, which they have very great feeling in. They were looking to us for guidance, advice and suggestions upon which to act. Certainly the past history of Citizens & Southern, since its beginning, had demonstrated both in depression years and in good years, the style that had been developed, that it was deemed toward helping other people before you help yourself, and that led them, I am sure, to looking to us for advice and guidance which, in the past, have been sound. They had seen us replace a president who did not measure up. They looked to us for that, but as far as legal control is concerned, no.

Q. Moving, Mr. Lane, if we may, to Chamblee, what was it like out there in 1960? A. Chamblee was a strip city, we call it, with the railroad on one side and a group of stores and offices on the other, and a little bit on the other side of the railroad tracks. But Chamblee was in an area that was industrialized with the building after the war of the Chamblee-Dunwoody whole industrial [522] development, which, in turn, had been brought about because of the building of the BPO Automobile Plant and the opening up of Peachtree Boulevard. And it was in, I would say, just a lag of a year or so, you go from Buckhead to Sandy Springs to Chamblee. It is nothing but an ever-widening circle of economy of metropolitan Atlanta.

Q. To the extent, recognizing the fact that you were then the chief executive officer of the National Bank and of the Holding Company, and not, therefore, always involved in each of the details of these, to the extent that you participated and have personal knowledge, Mr. Lane, please tell the Court how this bank got started, the Citizens &—the bank that is now the Citizens & Southern Chamblee Bank. A. The business people

of Chamblee, two senior citizens, Mr. Frank Berry, and then Mrs. Miller, who is now Mrs. Berry, together with a doctor and other people, were meeting together talking about the organization of a bank. Mr. Berry, like Mr. Aldredge and others in Buckhead, was in the real estate business. He saw what had happened, I am sure, in Buckhead and in Sandy Springs, that there was no convenient place for people to bank in the first place, but, second, that if you had a bank with capital and deposits and with adequate **[523]** management tied to downtown Atlanta, that it would be the greatest single asset that Chamblee could have.

When I heard about that, I got in touch either with Dr. Mosher or with Mr. Berry, and I believe that I said, "Look, you people want to start a bank. We are a retail bank; we know more about branch supervision of big banks and small banks than anybody else. We are not blue stocking; would you let me have an opportunity to meet with you and tell you what I think the Citizens & Southern can mean to you, who will organize it for the bank itself, for its management and for the future of the community."

And they were kind enough to let me have them out for supper or lunch at Peachtree Golf Club, and later we used to meet at the dog and cat hospital. And out of that came a bond of friendship and understanding that led to their saying we would rather join hands than anybody we know in the banking business, because we like your style; we like you as an individual; we like what your bank has stood for, and you can do more for this community than anybody else.

Q. In each of these two cases, did you participate in the selection of people who would organize and then be directors of the banks? A. I did, but the selection of the directors in **[524]** this case was the work of the organizing group that let us join hands with them. We did supply the president and key personnel to the bank, although Mrs. Miller, who became an officer of the bank herself, again, did the same thing that hap-

pened in Buckhead and Chamblee, in Sandy Springs, tying together the capacity and knowledge of a big bank with local interest and feeling for the community. That combination is what has spelled success.

Q. Did the people at Chamblee have the same expectation with respect to management that you have testified about with respect to Sandy Springs? A. Yes. And I would think that they would not have participated or asked us to share in the organization of the bank if that hadn't been a requirement.

Q. In each of these instances, was there any expectation—well, let me come back and ask a prior question.

You testified a little earlier, Mr. Lane, that unless the city limits expanded or the branch-banking laws were liberalized——A. Right.

Q. ——there was no way to go directly out into these areas either by branching or by holding company expansion? **[525]** A. Absolutely.

Q. Were the city limits ever expanded? A. Not since the plan of improvement that I know of.

Q. And were the branch banking laws liberalized? A. Yes, they were.

Q. When? A. 1960—no, 19—countywide branch banking was passed in the legislature in 1971 to become effective a year later, in '72.

Q. If I may, Your Honor, I believe it was one year prior to that, the law was a '70 law, effective January 1, '71. A. Right.

Q. After the F.D.I.C. took a while with the application, remember? A. Right.

Q. Now, with respect to each of these two banks, was there or not any expectation that should either the city limits expand

or the branch-banking laws be liberalized so as to allow these separate banks to become branches? A. I believe——

Q. That such would take place? A. I believe that in both cases the presumption [526] at the time of organization was that if there ever became an opportunity to put these two banks together, it would be done.

[527] Q. Now, Mr. Lane, though the Citizens and Southern Bank at Tucker is not a part of this litigation with respect to merging, it nevertheless is a part of the whole litigation and I'd like for you to tell the Court what it was like out in Tucker in 1965 when we first went in there. A. In 1965, Tucker was a totally undeveloped little patch with a railroad running through it and the old Lawrenceville Highway connecting up with Lilburn and a spur road that went over Stone Mountain. The only industrial plant of any consequence was a small operation by DuPont. The Cofer family dominated Tucker and had for many years in the real estate, mercantile business and a very large building supply business.

The Cofers, when Tucker was very small, had organized a bank partly for the convenience of the people but more pertinently to be able to finance the homes and construction as an adjunct to the building trade business. The bank was in a building not as large as this courtroom. They had no male employee except Mr. Cofer, who had a little office in the back and he would go over in the afternoon in the back and do a little bit of business.

Mr. Cofer and I got to be very close friends. He moved his correspondent relationship from another bank to ours and he came to me and says, "I am old, I don't [528] understand modern banking, I haven't got a man in this bank. My sons are in the mercantile business. I've watched what you all have done; you all would be good for this community. I'd like to make an offer to you and your friends to buy a majority of our interest in this bank and to provide management and new life to it." And that was done.

And here was the beginning of the real meaning of the five percenter bank. Charlie Thwaite, then president of Georgia Bank or Georgia Bank hearing over here at the capitol, had chided me that he thought we were wrong putting a five percent in a bank that other people owned ninety-five percent of and yet being its sponsor and its father with five percent ownership. We were going to be responsible for a hundred percent assets of the bank. And Sandy Springs—Mr. Thwaite proved out to be correct because we did not only have to, but wanted to back up one hundred percent of deposits liabilities of that bank. Mr. Cofer, the first thing he wanted to do was build a new building. We made him chairman of the building committee. We found it was going to cost $1,700 for a sign and he called me up and said the building committee isn't going to approve this sign unless you put C&S's name on it. I said, well, if you want to. He said, we want representation in this community, and I said, what you want is what **[529]** I want. And that was the beginning of the use of the name of Citizens & Southern which led to the changing of the name of the other five percenter banks not only in Atlanta but around the State of Georgia as well.

Q. Mr. Lane, why would you give your name which we lawyers represent holding out of your goodwill and take only five percent of a voting share of a bank and still be a hundred percent responsible, as you put it? A. We don't mind accepting responsibility of the banking business because our belief is—this goes back to the beginning of this bank—that you have got to serve people, you've got to serve them right. Obviously something was going to change in the banking laws of the state someday, they had to either by liberalizing the holding company or branch banking. We knew that if we gave it our name now that it would be our name then. Then we would have, not at that time the claim, but we would have built the bank in the beginning for what it was going to be in the future.

Q. You said a while ago that you were taking a substantial percentage of the stock in Tucker, but that the holding company

had only five percent. What happened to the rest of it? A. It was divided mainly among officers, their wives, and close friends of the Citizens and Southern.

[530] Q. Why was this done? A. To insure that the ownership would be in friendly hands for the future and for the purpose of helping some people make some money.

Q. Did you have any control over those voting shares? A. Not one iota, or in the buying or selling stock after the original placement either.

Q. Did you personally have anything to do with the beginning of Park National, Citizens and Southern Park National out at Executive Park? A. Yes, that was again a major development in the economy of Atlanta. That was the first office park building with major companies, national companies moving from downtown to the periphery of the city, and it seemed obvious that that was going to be a continuing trend throughout metropolitan Atlanta. It had been brought on by the expressway system and then by the circumferential highway and we wanted to be in Executive Park for that reason.

From there on I had little to do with the selection of management. But, other than set the pace that this was a long-range objective and the first step, this was the first time that a major company, Sinclair, moved from Fulton National Bank Building downtown to [531] Executive Park as its prime tenant and we were its prime bank.

Q. What is your recollection of your participation in the formation of Citizens and Southern North Fulton Bank out at Roswell? A. I had practically nothing to do with that. By then we had, had permission to merge our bank at Belvedere. It seemed obvious that the trend among banks was for liberalization of branch banking that was to come, that we were then embarked on meeting the competition of other banks. By then the First National Bank of Atlanta had gotten friends of theirs

to organize a bank not far from the Citizens and Southern South DeKalb.

Q. North Fulton? A. Roswell, now. I got the wrong one. I thought you were back down—I was down at the wrong place. Roswell had always interested me because of the presence of our director, Mr. William D. Ellis, who had had a mill out there. There was a bank there owned by Mr. Simms Garrett, who also owned a bank at Alpharetta. Mr. Garrett had been in bad health. He was active in politics. He did not live, I don't believe, in Roswell, and he approached me asking me if I would like to purchase the bank at Roswell and Alpharetta, and we came to an agreement to under which he would sell Citizens and Southern five [532] percent and I was to place the rest. That was in the form of a written contract. When the time came to deliver, Mr. Simms Garrett wanted to renegotiate the terms of the contract. I refused to do that. The Superintendent of Banks begged me to. He said Mr. Garrett was sick, he ought to be out of the banking business. Roswell needed a Citizens and Southern, Alpharetta needed a Citizens and Southern. He urged me to renegotiate the contract with Mr. Garrett, which I refused to do.

Subsequent to that, Mr. Garrett sold the bank to someone else and in the same vein that we had gone from Sandy Springs to Chamblee, we applied for a charter with friends for a new bank in Roswell which has again shown that when you start a new bank, competition doesn't hurt.

Simms Garrett's bank has grown, the Bank of North Fulton is now about a $7 million bank, plus. It has grown, it was probably unusual that the bank at Roswell was in the black within six months.

Q. Now, tell us about South DeKalb. A. Well, you want me to repeat it all?

Q. You can pick up where you left off, for better or not. A. I must be getting senile, I can't remember. But, I turned over to

Dan Handley, who was then the [533] aggressive vice president in charge of branches and five percent banks, and left it entirely up to him, as I have since the change in branch banking laws, the location of all new branch locations. From there on out, I had nothing further to do with South DeKalb.

Q. Are you familiar with the fact that the Government's assertion in this complaint that these are not Citizens and Southern Banks, do you differ with that view? A. They're as much Citizen and Southern Banks in every way, with only one exception. We only have a five percent degree of ownership.

Q. And this is true from the beginning as to each of them? A. Yes.

Q. I suppose then you would resist the Government's assertion that they were vigorous and significant competition to the Citizens and Southern National Bank Emory and East Point? A. There is no competition between the two. As a matter of fact, as Sandy Springs, Roswell came into being we urged customers of C&S to move for convenience to those banks, including major national corporations.

Q. Have you had any experiences that you can advise the Court of which would lead you to believe that [534] competitors feel that they are not C&S Banks or are Citizens and Southern Banks, these five? A. I feel positive that as far as competitors are concerned that they consider themselves absolutely the Citizens and Southern National Bank, and I'm sure if this case hadn't properly displayed [illegible], they couldn't identify which ones were the five percent banks.

[534-A] Q. Mr. Lane, there is a bank that has been talked about in this litigation, which was the Stone Mountain Bank, and later the Citizens & Southern Bank at Stone Mountain, and now I believe it is the Citizens Bank of DeKalb. How do you compare that bank with these five, and its relationship and their relationships to the Citizens & Southern National Bank? A. Let's go back to the organization of the Stone Mountain

Bank. I had developed, since I was twelve years old and my father took me out to see Gutson Paulson working on the mountain, a love for that rock. And I undertook, over a period of several years, to get the Venable family together. Nobody had ever been able to do it, and finally the Venables incorporated the mountain, put it in a voting trust, made me the sole voting trustee, and from that, although we didn't—weren't able to develop it as a private thing, later sold it to the State. The love of that mountain and the city of Stone Mountain was such that I became very friendly with lots of the leading citizens of Stone Mountain. There was a rapport between us because of what we had done for the rock. Stone Mountain had once had a bank that went broke; it went broke because the character of the people in Stone Mountain is as different as day and night from any other part of the state of **[535]** Georgia. It was founded by Scotchmen and Welshmen who were stone cutters.

The bank failed because individual credit in the city of Stone Mountain had never been any good. Nobody had any confidence in it, and yet the little merchants said, "We need a bank." And I met with them at the Plantation House, gave every one of them a brand new, sparkling Stone Mountain half-dollar, and from that came the organization of the bank at Stone Mountain. We had not gotten into the philosophy of the five-percent bank at that time; otherwise, it would have been organized, I think, in the same spirit that Chamblee, Sandy Springs and others were. They wanted an independent bank, and the five-percent interest had never occurred to me, but I said, "Look, we can't give you men out of the C&S Bank, but here is Arthur Drew, who is retired as an assistant cashier, and Arthur wants something to do. Maybe Arthur Drew would be interested in coming out here and buying a little bit of stock and being head of the bank. So this bank started with an entirely different embryonic stage. The character of the people of Stone Mountain, provincial. Stone Mountain was a sleepy little place. I don't think to this day it has been able to attract a chain grocery store, although they have had me working for

several years to try to [536] get them a Winn-Dixie. It is a little pocket of between Decatur, Lithonia, with a sense of pride that is unusual.

At the time the bank was operated, one of the problems of developing the mountain was that the entire sewage system of Stone Mountain was an open cesspool. On the property that we had bought for the state park, it had no sewage system. It did not look like anything that was—other than as an adjunct to the development of Stone Mountain as a park, and the desire of a few people to have a bank, that it ever came into being. I have been amazed that it, too, developed deposits and profitability. The only similarity between this and the five-percent bank was that because we did not have an interest in the bank financially, did not have a member of the board of directors, did not really have a qualified president, the bank got in trouble. It got into serious credit trouble, and though we didn't have an interest in it, not five cents, when they got in trouble, because I had helped them organize it and kept them coming, I said, listen, we have got to get rid of Mr. Drew; we have got to have a president. All right, we can do it under these circumstances. We can either own five percent of the bank, so personnel can flow back and forth, and [537] you can occupy the same status, and that is what took place. We provided them with two men, Mr. Angus Parker, who was here, and Mr. Robert Maughon, who is now president of the bank.

Q. Previously you supplied Mr. Gibson, did you not? A. Mr. Gibson before that, too.

Q. How would you compare the relationship of the voluntary control, as we have called it, between those board members and officers and those of the other five banks and your bank? A. Now, give me that again.

Q. How do you compare the relationship of trust in asking for control and relying on it, as between those various boards of directors and yourself? A. I still don't understand.

Q. Well, let me go back, Mr. Lane, to your testimony about the dependence for expert advice that you testified about with respect to Chamblee. A. All right.

Q. And Sandy Springs. What was the relationship at Stone Mountain? Was it the same? A. Oh, no, entirely different.

Q. How do you compare them? A. Different as day and night. There is no **[538]** comparison. The only reason I think that the Stone Mountain directors were willing to let us own five percent was that is the only way they could get a C&S bank man that wanted to come out and run it. But they wanted to tell him what to do.

Q. And did so? A. Oh, yes.

Q. Consistently? A. Oh, yes, elected a chairman of the board without even telling us they were going to do it.

Q. Any other instances that you can, yourself, recall evidencing this mistrust? A. Probably only one, and I don't know that it is pertinent. We had suggested to the Keeper of the House that Mr. Hugh Jordan, a legislator in the General Assembly, be put on the bank's study commission for changes in the bank-branching law, and he was one of the few that voted in the committee against any liberalization of branch banking.

Q. Who was the dominant shareholder group at that bank? A. The McCurdy family.

Q. Did any of your employees or officers or shareholders, so far as you know, other than the Holding Company, own shares of stock in that bank, or friends? **[539]** A. I think that I may have owned fifty or sixty shares that came about a good deal after the organization of the bank. I am not sure how I got that little dab of stock. The only person connected with the C&S Bank that had any shares, Mr. Drew, owned five hundred, and he was already retired from the C&S Bank at this time.

Q. I suspect, Mr. Lane, with respect to any of these five things that we have been talking about, the shareholders or the

board members could walk away from the C&S Bank and Holding Company's name any time they wanted to, couldn't they? A. Yes, sir.

Q. In your view, what is the likelihood of this happening? A. I can't possibly conceive of it.

Mr. Hodgson: He is your witness, Mr. Kinkaid.

Mr. Kinkaid: Can we take a break, Your Honor?

The Court: All right. We will take a ten-minute recess.

(Whereupon a recess was had.)

Cross-Examination

By Mr. Kinkaid

[540] Q. Mr. Lane, basically, I would like just to see if we can sort of clarify a few points on which I am a little bit confused here. A. Certainly.

Q. As I recall, you indicated that there was some intent with respect to the sign that was used for the Sandy Springs bank to, I think as you pointed out, stress the C from Citizens and the S from Sandy Springs. I was wondering, was that reference made to the time when the Sandy Springs bank moved into its new building out there on Roswell Road? A. Yes, yes.

Q. You weren't at that point referring to the early days of Sandy Springs? A. No, no, when they moved into the new office building.

Q. All right, sir. In the early days before Sandy Springs was formed, I got the impression from what you said that Jim Aldredge came to see you alone; am I correct in that? I had always thought that there was a group of people out in the Sandy Springs area, including Mr. Aldredge, who were interested in forming a bank and came to you seeking assistance. A. My memory is not clear on that. Jim Aldredge is the only one I remember.

[541] Q. There may well have been other people? A. There may well have been.

[542] Q. It may not be, you may not be able to completely remember then whether, when you said you picked the group, I can't remember your exact words with respect to the organization of Sandy Springs. I think you said something like, "We picked a group, provided management, sold some stock to friends." When you said we picked a group, what did you have in mind there? A. I had in mind that we had invited Mr. Ivan Allen, Jr., Mr. Lawrence Gellerstedt, Mr. Weinberg, all associated with our C&S Bank and friends to become founding directors. That is the group I refer to.

Q. When you say "we" there, would that be Mr. Aldredge and anyone else from the organization group that came to you, if you can recall? A. I really can't recall the logistics of it.

Q. I realize it's been a long time, I don't want to quibble with words thirteen years after the event. I have a little bit of problem with the statements you made that we provided management. Wouldn't it be more correct to say that you suggested to the directors at Sandy Springs, experienced officers that were to run the bank; wouldn't that be more correct than saying we provided management? A. I believe that you can use it both ways. We suggest the man to run it, when we are providing management [543] we are talking about all the back-up services, installment loan and all, management assistance.

Q. When you said management, I thought you mean the man that's representing management. A. No, we suggested the man we would like for them to look at to be for president. That has been true for all banks, all affiliates. Whenever a new man comes in, even in a branch city, we have never told an advisory board or bank that we, this is the man we want you to take, here's the man that we want you to look at.

Q. And whether or not that man actually becomes the president is up to the Board of Directors? A. Yes, sir.

Q. You mentioned a situation that developed with respect to Mr. Cook of credit judgment out of Sandy Springs. I believe you indicated that there came a time when you recommended to the Board that Mr. Cook leave and that Mr. Fortuna take his place. Do I recall you correctly? A. Yes, I think I'd better give you a little additional explanation of that. We did not have a Citizens and Southern man as a director of the bank at that time. The bad situation came to light as a result of routine bank examination and I recall that I recommended to Mr. Weinberg and the directors that Tommy Cook had not performed, and that I thought he ought to be replaced. They **[544]** didn't want to do it at first. They were very loyal to him. And it seems to me it was over a period of a month or longer or perhaps three months before I persuaded them that they ought to let Tom Cook go. They were very reluctant to do so.

Q. Well, doesn't the fact that there was no C&S man on the Board at Sandy Springs, and I believe that you also mentioned the branch supervision wasn't keeping an eye on Sandy Springs at that time, doesn't that indicate to you that up to that point in time there was a significant difference between the Sandy Springs Bank and C&S five percent picture that you have painted for yourself as to the five percent bank today? A. Not Tom Cook because of this case we did pick the majority of the Board of Directors from people intimately associated with the Citizens and Southern Bank, including a member of our law firm. Only in credit judgment were we lacking in things we had done for this five percent bank. Everything else, mechanics, bookkeeping, machinery to run the bank, only in credit review were we shortcoming at Sandy Springs.

Q. Wasn't it true that in the organizational stage of Sandy Springs that the original small group of organizers in turn

went out and picked the rest of the directors themselves? Can you recall back thirteen years [545] ago on that? A. I believe that they were responsible for the selection of local directors without concurrence back and forth on either one of the two slates that we had. But after the original get together, Tom Cook, Mr. Aldredge and the rest of them put the bank together, the mechanics of it.

Q. I believe you mentioned that Citizens and Southern treated Sandy Springs like a branch, but the Board had legal responsibilities? Again, I apologize for not being able to quote your exact words. A. That's about it.

Q. Is that about it? Fine. What were the legal responsibilities that you had in mind in that stage? A. I don't think I want to be specific on that, but it would be the legal responsibility that any director has by law that is expected from a supervisory authority.

Q. Now, would that include the responsibility to make basic policy decisions for the bank? A. Yes, sir.

Q. I think you also indicated with respect to Sandy Springs, and this may have been true for the other thing, I think you also said this for Chamblee, basically, the directors at Sandy Springs were looking for Citizens and Southern advice and guidance. This, you indicated, was [546] an essential part of the relationship between Sandy Springs at that time and your bank; am I remembering you correctly in that regard? A. Yes. Let me get back a minute to the question of the broad decision of policy. Policy decision in any Citizens and Southern affiliate or five percenter is a matter of mutual confidence between one another and agreement. The actual physical carrying out in legal form by resolution and official action is done by the Board, the leading up to that in broad policy or other things. The second question is a matter not of supervision but of cooperative work in trust and confidence we have with one another, both at the directors' level and management level.

Q. Does that mean that basically the policies of one of these five percent banks is determined as a result of consultation between the management and directors of the five percent banks and the people representing the Citizens and Southern National? A. And the actual president of that bank, too?

Q. Yes, include him in it. Would that—would that procedure apply to all decisions of the five percent banks? A. I am not and have not been for quite a number of years in the daily management and relationship between **[547]** any of the five percent banks beyond the point of organization and policy that we try to give for the bank as a whole. I can't really answer that one specifically for you. I would if I could.

Q. From your standpoint, more or less in terms of what you were looking for? A. Right.

Q. At the time of organization, were you intending or expecting that that type of concurrence would take place with respect to such practices of the five percent banks as interest rates paid on savings accounts or service charges on deposit accounts? A. I never gave that any thought in my mind. Citizens and Southern with 115 locations or more, the executive officers that handle that do that, not me, so I wouldn't know that either.

Q. Executive officers are whom? A. I'm talking about Mr. Dan Handley and Mr. Joe Hall.

Q. Okay. Could we go back to this business of the advice and guidance. Could you spell out just a little bit more what you, the significance of the folks out at Sandy Springs looking to Citizens and Southern for advice and guidance was? A. All right, I think we can do that. Are you **[548]** going to put in a modernization loan program for underprivileged people; help do some property finance; or are you going to use the Citizens and Southern charge card; are you going to amend your pension and profit sharing funds and liberalize them as National Bank has done. Are you going to employ minority people in

the bank. That would be the type of things that I was referring to.

[549] Q. As I recall, you mentioned with respect to the stock in the Tucker bank that—I think Mr. Hodgson asked you about what happened to the bulk of the stock. A. Right.

Q. Outside the five percent that the Holding Company bought. As I recall, you indicated that was sold or distributed to friends of C&S, to ensure ownership in friendly hands. Now, again, I am probably getting your words all garbled up, so would you—— A. No, I think that is exactly what I said.

Q. Again, could you give us an idea of what you had in mind there so far as what is the significance of having the stock of Tucker in what you call friendly hands? In other words, what does that do for you with respect to the bank in Tucker? A. Let's go back to the selection of the—there were two ingredients that I mentioned in placing of the stock in Tucker, most of which was done by Mr. Hall and Mr. Bennett A. Brown, who was then vice-president in charge of correspondent banking. In that primary relationship we saw Tucker as probably one of the great growth areas of Atlanta, that this bank was going to have to have increased capital as time went by, that the price at which stock was sold, that it was going to be one of the most lucrative investments [550] anybody could make. And of course it has turned out that way. It is worth over ten times what was paid for it. I think that whenever you sell stock in any institution, where you are participating in it, that you want your stock in friendly hands. I wouldn't say that Tucker is any different than when we went out and got ten thousand new stockholders for the Citizens & Southern National Bank ten years ago. We sold them to our friends, because friends build things together.

Q. Does that situation have any connection in your mind to the voluntary control that you were discussing with Mr. Hodgson while ago? A. I don't think so.

Q. So far as you know or can recall, were the Chamblee and Sandy Springs banks identified to the public as C&S banks during the organizational stage and in the early years of their operation? A. Whether or not we did it consciously, I am not sure, but certainly with the presence of the Citizens & Southern people, it had to be common knowledge, certainly from the supervisory level on down, that we worked together. Now, whether we ran newspaper ads saying that or not, I don't know, but I would say it was common knowledge that it was a C&S-sponsored bank.

[551] Q. Well, I had in mind, by public, it was not the regulatory authorities but the general public that would be affected either by advertising—— A. Well, the same thing, the same thing would be true.

Q. I am not sure if I understand you. Are you saying that the public was made aware of the relationship? A. I am sure the public was. Now, whether we consciously bought advertising in the newspapers to do it, I am not sure. I don't believe we did, but John Q. Public in metropolitan Atlanta, ever since we began developing retail banking, would almost bet that if anything was being done around town, it was the C&S Bank. Nobody else was active in the bullpen.

Q. You say C&S is the only bank that helps banks get started in communities where there are no banks? A. I am sure that up until that time there hadn't been a single move by another bank in Atlanta to do what we had been doing.

Q. Well, in terms of forming or helping a bank start, wasn't a bank—the formation of a new bank assisted by Trust Company in Chamblee at the same time? A. The Trust Company of Georgia acquired a bank **[552]** because it had been organized by Mr. Malcolm Bryant, who became uneligible—ineligible to own it when he became president of the Federal Reserve Bank of Atlanta. And he had to dispose of it to legally qualify. That is the way the Trust Company got started.

Q. Oh, excuse me, are you speaking of—I'm sorry. Are you speaking of Trust Company itself? A. Yes, sir.

Q. Oh, I am sorry. I misled you. A. Yeah, Trust Company.

Q. I was thinking of—— A. No, no, the Trust Company.

Q. I wasn't going back that far. No, I was thinking in terms of—I was asking you about the situation in Chamblee. A. Well, I think——

Q. The formation of the Peachtree Bank. A. Well, I think they were playing copycat.

Q. But it was at the same time that you folks had—— A. No, not at the time. They didn't organize the bank in Chamblee; we did.

Q. No, they didn't organize the Chamblee National Bank, right. A. I don't keep up with what the competitors do; **[553]** they don't do much.

Q. So far as the Stone Mountain situation is concerned, I sort of got the impression from what you were saying that the real difference, so far as your concern at Stone Mountain, from other associate banks, was the independence of the people who were making up, by and large, making up the board of directors. Is that a fair reading of your statements as to Stone Mountain? A. Partially. I think probably more important is that at the time the bank was organized, I did not spell out to the organizing directors what association with the Citizens & Southern could mean, why they would benefit if we organized the bank with a five-percent interest without being able to apply our young, aggressive management, and we were looking forward together, as we did in Chamblee and Sandy Springs; we are going to be lacking. That was my first chance; I was inexperienced, and we hadn't developed a philosophy or a policy at that time. That was a plaything, went with the rock.

[554] Q. And do you allow banks to use the Citizens and Southern name who are not part of the Citizens and Southern system? A. No, sir.

Q. Well, then, doesn't the fact that you allow Stone Mountain to use your name indicate that Stone Mountain is part of the system? A. When the other banks, five percent banks, were changing their name, we offered to the directors of that bank the privilege of changing the name if they thought it would enhance the growth and development of the bank. At first they were reluctant to do so and then realized it would be wheat in the bin and money in the till if they could draw the association closer together in the public's mind.

Q. I'm not sure if I—perhaps you didn't understand my question. Maybe I'm not understanding your answer. But, let's maybe back up a step. At that time, the time that Stone Mountain began using your name, in the subsequent years, wasn't Stone Mountain by virtue of that fact a part of the Citizens and Southern system? A. With the exception of personalities involved, yes.

Q. And here by that you mean the personalities on the Board of Directors? **[555]** A. And to some extent the officers of the bank as well.

Q. Mr. Lane, can you recall back, this would be back in April of '68, going up to Washington with, I think, it was Mr. Hall and Mr. Starkes and Mr. Fortuna and perhaps some other folks? A. Yes, sir.

Q. To meet with some of the staff members at the Reserve Board? A. Yes, sir.

Q. Can you recall at that time having discussions with the Board staff about the questions of control? Do you recall the issue of control? A. The entire purpose of the meeting was to discuss control, manner of control and how it evolved.

Q. As I recall, that hearing, and if you like, we could get into specific stages, but let's see if we could just get some broad items out. As I recall, the hearing, I got the impression that you had made it plain to the Reserve Board that Citizens and Southern did not have any control over its five percent banks? A. That is to say we had no control over the voting shares or the election of directors.

Q. In other words, that's what I was trying to clarify, but that was the context of your remarks? **[556]** A. Context with the Reserve Board hearing entirely with the question of legality and compliance with the Georgia statute. I guess with the Federal Reserve statute, too, sure, obviously.

Q. Can you give me a little bit more on what you mean when you indicate that the five percent banks or correspondent associates don't compete with Citizens and Southern National? Let me ask it a different way. By that are you indicating that they, the five percent banks, involved in this case, have the same competitive practices as Citizens and Southern National or have the same interest rate on savings accounts or service charges? Just what are you indicating in terms of there is no competition.

Mr. Hodgson: If Your Honor please, I ask that Mr. Kinkaid rephrase the question. I object to what he has asked because it has words of art in it to the extent that he is talking about competitive practices. I'd like for him to ask Mr. Lane, if he wishes, specific ones in serial, but not as a broad matter because Mr. Lane might not know what Mr. Kinkaid meant or what is on Your Honor's mind.

By Mr. Kinkaid

Q. We will try here again. A. All right.

Q. First of all, maybe I'd better establish that **[557]** I am recalling your direct testimony correctly, did you as a matter of fact have an occasion to indicate on direct testimony that the five percent banks don't compete with C&S National? A. No,

sir, you're exactly right. In fact, we have helped them get business for themselves.

Q. Okay. Then, what I'm trying to get at is when you say that they don't compete, does that mean that they have the same—— A. They do not.

Q. ——interest rates? A. It means they do not compete for business and the help for customers of the bank in services or otherwise.

Q. Perhaps I could ask it another way. This would help me. From your standpoint as a banker, how would they be—how would banks or how do banks compete for the customers that you have just indicated? A. You advertise, use the direct mail, you get on television, you go calling and say, "Give me your bank account, don't keep it where you've got it."

Q. Now, are you saying that someone from a correspondent associate would not call on a Citizens and Southern National customer and try and take the account away? **[558]** A. Yes, sir, they will do that for convenience, and we urge them to. In fact, we have helped build these banks by putting them in places that were more convenient to Citizens and Southern National Bank customers than places where they were banking with us before.

Q. Well, the idea of convenience suggests to me, for example, that this would mean only a Citizens and Southern National customer, for example, up in Sandy Springs would be closer to C&S Sandy Springs than it is to National. A. Right.

Q. Does it go beyond that that wouldn't Sandy Springs call on a Citizens and Southern National customer who was located closer in than where he would be just as convenient to a National office? A. I don't think so.

Q. Is there any particular reason for that? A. I don't know what calling they would do, to tell you the truth. We are speculating. I do not know.

Q. And am I right in recalling that when Sandy Springs and Chamblee were formed there, that most of the stockholders of those banks were unrelated to the Citizens and Southern? A. I do not know. I think the stockholders' list would show that. I just don't know.

[559] Q. What I had in mind was there was a statement that you made in that Federal hearing that we just mentioned, would you like a copy of this to take a look at for yourself? A. No, I don't.

Q. I will try to read it accurately. A. Okay.

Q. Incidentally, Your Honor, this is Government's Exhibit 177. I think it also has a defendant's number on it, too, but I don't see it.

Looks as though this starts on the top of page 118, Mr. Noble, one of the attorneys on the Federal staff, asked, "I mean is it true that someone has an ownership interest greater than the combined interest of Citizens and Southern and the president's?"

Now, your answer was, "That is true at Warner Robbins, it was true at Pelham." Then following your statement then Mr. Hall indicated that is true at Chamblee, it's true at Sandy Springs and true at Fayetteville.

Then, on page 119, you got into a discussion with the Federal attorneys about divorces following marriages and what not, and you made a remark that there are also some common-law brides, too, and at which one of the Federal attorneys noted which the law recognizes as being marriages some place and then Mr. Noble popped in **[560]** with the Chamblee National Bank, whereupon you said that "This is a bank where there was a group of citizens, there was no bank in the community, it was at the north end of Atlanta, and a group of citizens were being put together by a Trust Company of Georgia." Reading on, after you met with these folks from Chamblee Springs, you "probably have less affiliated interests

of any kind in that bank than in any of the five percenters that started. They organized the bank and I said, please, I am a better partner for you than the Trust Company." Does that sort of refresh—that was four years ago—your memory would be better than it is now. A. The organizing group—I think I said this a while ago when Mr. Hodgson was questioning me, I found out they were talking about organizing a bank themselves. I got a hold of them to try and sell them on Citizens and Southern. When I did that I found out they were talking with Trust Company of Georgia.

Q. Do you recall—is this right, the unrelated interest in Chamblee would be the unrelated stock and stockholders? In other words, there was a large proportion of the stock in Chamblee held by people unrelated? A. People we didn't know.

Q. Yes. A. I think that's probably so.

[561] Q. Does that sound reasonable to your memory at this point? A. I think so.

Mr. Kinkaid: Would you excuse me a moment, Your Honor?

Q. In view of the fact that as you seem to recall that there were a lot of people that held stock at Chamblee who were not affiliated or related to Citizens and Southern at that time, how would you characterize that in terms of Stone Mountain? It sounds to me like in those earlier days with a great many people having, being unrelated to Citizens and Southern, that the situation at Chamblee then would have been very similar to the situation at Sone Mountain that you described. A. Only in, different in one respect, that the organizing directors of Chamblee started their bank with the express interest of not only having the name Citizens and Southern, but being a part of Citizens and Southern. When the merger came to pass that was contemplated. That was not contemplated at Stone Mountain.

[562] Q. Did you just say that they contemplated having the Citizens & Southern name? A. No, they did not, because we hadn't—they hadn't changed the name yet but contemplated being a part of the Citizens & Southern.

Q. Okay. A. That was their—that is the way they started out. Stone Mountain just didn't start that way.

Q. We were just talking a minute ago about the competitive practices, interest on savings accounts and the like. Let's go back to that for one second. If a loan customer is rejected for a loan, let's say, by C&S Chamblee, now he is then looking for another bank to try to borrow. If he goes to a National branch or if he goes over to, say, C&S Tucker, would he automatically be rejected for a loan just because he had been rejected by Chamblee? A. I would like to answer that, but I don't have any part of that daily supervision.

Mr. Kinkaid: No further questions, Your Honor. Thank you, Mr. Lane.

A. Thank you, Mr. Kinkaid.

Redirect Examination

By Mr. Hodgson

Q. Mr. Lane, Mr. Kinkaid asked you some **[563]** questions about your verbs in providing management or recommending and so on. The fact is that you did supply and provide management to these banks, didn't you? A. Yes, sir.

Q. From the Citizens & Southern National Bank. A. Yes, sir.

Q. And when Mr. Kinkaid was asking you about ultimate legal corporate responsibility for making decisions, it is a fact that these boards and management did follow your advice, didn't they? A. Yes, sir.

Q. And in talking in terms of stock being in friendly hands, that doesn't hurt voluntary control, does it? A. No, sir.

Q. With respect to the Federal Reserve Board hearing in April of 1968, you did go into this entire relationship, did you not? A. Yes, sir.

Q. And there was a representative of the Anti-Trust Division of the Department of Justice there, was there not? A. Yes, sir.

Mr. Hodgson: No further questions, **[564]** Your Honor.

The Court: Let me ask you a couple of questions, if I may, Mr. Lane.

A. Yes, sir.

The Court: You were asked a question by both counsel that dealt with an area which, as I understand the defense, is critical to the defense. The concept, as I would articulate, would be that these five banks that are involved are five-percent banks.

A. Yes, sir.

The Court: The five-percent banks are a part of the C&S system, that there has been no competition between C&S and these banks in the past, and there is no likelihood of competition between the C&S and these banks in the future; therefore, if the merger is allowed and they become branches of the C&S Bank——

A. Uh-huh.

The Court: ——there will be no diminution of competition.

A. Right, yes, sir.

The Court: That is the argument, as I understand.

[565] A. Yes, sir.

The Court: Now, with that argument, it becomes important to know what difference does five-percent ownership make. Five percent is just five percent of the ownership of the stock in a small bank; now take two banks and maybe both correspondents of yours, I don't know, but which are identically located, and neither affiliated with another bank. What difference does it make to you that you have got five-percent ownership in one of them and you don't in the other?

A. I don't believe I understand that.

The Court: All right. Take two banks similarly situated, like Sandy Springs or any one of these.

A. Right.

The Court: And they are not affiliated with any other bank.

A. Right.

The Court: Does the five-percent stock ownership mean that much to the C&S that you would treat one differently from the other?

A. It binds the cheese together.

The Court: It is sort of a symbolical **[566]** situation, isn't it? It isn't a monetary situation?

A. No, but only through that we have the ability to transfer personnel without fringe-benefit changes, pension-to-pension plans.

The Court: How does it do that?

A. Well, if you go to work for the Citizens & Southern National Bank and we pick up your pension and you draw the C&S pension fund, and you move to Sandy Springs, you are still a member of the pension plan with past service going from the time you first went to work for the bank.

The Court: Why is that? Because the C&S pension plan is so written as to allow that?

A. No, the—yes, that the relationship between the five-percent bank and the National Bank permits movement of personnel as though it were a branch.

The Court: Is that a legal concept or one that the C&S had adopted, that it will so consider the five-percenter as a branch?

A. Judge, I don't know about the legality, but it is true that when Stone Mountain disassociated, the pension interchange came to an end. When we sold our interest in Brunswick, that came to an end. When we **[567]** sold in Pelham, that came to an end and did not continue. That is, as far as I know that that —well, I don't know but I would assume that our qualification for the instrument by the IRS is that this is all you have an ownership in and you can extend this to it. We don't have a so-called master plan.

The Court: All right. Well, let me go a step further with respect to the cooperation and the sponsorship and the responsibility of the C&S. Five percenters are still separate corporations?

A. Yes, sir.

The Court: Have you gone so far, for example, say, in the C&S in the Sandy Springs situation or any other place to have to bail them out of a financial loss, and, if so, how can you do it?

A. In the case of Sandy Springs, we put in capital notes to meet supervisory requirements. In the case of Tucker, we purchased convertible debentures to increase its capital.

The Court: But you made loans to them, in effect, which would have to be repaid?

A. In Tucker it is convertible into common stock. **[568]** In Stone Mountain, the additional capital is convertible into common stock. And I want to give you what you want; I am not trying to withhold anything.

The Court: No, I am trying to see how it is when you can say a five-percent bank is a C&S bank, and it will never change, and one which is identically situated except for that five-percent ownership that falls in a different category. What is the magic or the ecstasy of five-percent stock ownership, which may be simply a few thousand dollars, which I am sure means not very much to the C&S as a system, just that particular amount of stock?

A. Well, as I say, it binds the cheese. It gives us a contemplation of acquisition or merger; the willingness to allow it to use the name Citizens & Southern, to have all the merger——

The Court: You could do that to someone else, I take it, if the C&S wished to?

A. We would never do that.

The Court: What is in the five percent that makes you wish to?

A. Contemplation that we would be able to **[569]** acquire these banks down the road. If the law said your minimum is three percent, I think we would have taken three percent.

The Court: All right. Do you make any difference in classification among your five-percenters as among those that you expect to acquire down the road and those you don't?

A. Yes, sir.

The Court: And where did that differentiation take place?

A. It takes place where there is interest in the bank on one hand larger than ours that could become incompatible at some point in the future that is compatible today. We were once compatible with the Hands of Pelham. They owned the bank; we did not have the persuasive influence because it was a bank already in existence. It had not started with us as a new bank. The same thing is true in Fayetteville, where they rely on us, where they are operating just as much as they would a C&S

bank today, the same as the five percenter. But, its name is still the Farmers & Merchants Bank of Fayetteville, because the Redwine family own the bank. We are friends. The Redwines have been in court before on family squabbles, in **[570]** estate things that they have to settle. We don't have the same assurance with the Redwines, although they have got a C&S man down there, and young Redwine, who is the president of the bank, was trained in the C&S Bank.

The same is true at Hogansville. At Hogansville we have a five-percent interest. The Heinz family control the bank, fifty-one percent of it. He wanted us to have a five-percent interest so he could have the advantages of our helping him, but with never the contemplation that it would be a part of the Citizens & Southern in full.

I don't think the Redwines ever contemplate that even if we could go to Fayette County that they would like to be a branch of the Citizens & Southern.

The Court: Why do you own five percent in those banks? Why don't you just have——

A. I guess sometimes I made a career out of being misunderstood, but Old Man Kil Redwine came to me and asked me and asked me and said, "We would like to have your pension plan and we need your help," as a matter of fact. In Fayetteville's case, this was the only bank left in the state of Georgia that was not a member of the F.D.I.C. It had been a private bank, and I used to travel through **[571]** Fayetteville on the way to La Grange, where I was a director, and I would stop in and see the old man and sit around the hot-stuff stove, and I would tease him, say, "Why don't you make me chairman of the building committee? Let's build a new building. Let's join the F.D.I.C." And out of that came a personal friendship, and there came a day when Mr. Redwine, who at that time was banking with another bank and wanted to make a substantial loan of $100,000, and he got turned down. And he came to

see me and said, "My brother, Charley, didn't like you all because you turned him down in the Depression, but I would like to have $100,000." I said, "Sign right here." And from that came a personal friendship and his asking me to help him get the F.D.I.C. insurance, train his son, build them a new building, design it, which we did, purely a personal relationship and a desire to help Fayetteville. I am not always motivated by economic gain.

The same thing was true at Hogansville.

The Court: Well, let me ask you the question which perhaps may not even be answerable. We have heard, in cases of two other banks, similar attempts such as this, and following opposition, apparently there was a divestment of whatever stock ownership **[572]** there was.

A. Yeah, sure.

The Court: What are the economics or what is the situation with respect to these five banks that are under consideration if the Court is required to forecast, what is there——

A. Future?

The Court: Future, absent, approval? What is it as a continuance of a five-percent bank or a divestment, and why and wherefore?

A. Well, I think that is the most important question you can ask me. It would be a tragedy and a calamity, because we have never contemplated that that would ever come to pass. Now, we only have five percent of these banks, for the most part, the stockholders have.

The Court: Let me stop you at that point and throw a time factor in there. You have indicated you openly contemplated, if it was ever permissible, that it would become a part of your bank.

A. Right, yeah.

The Court: But, was there ever, in the original formation, any time factor attached to that forecast or was it simply [573] an indefinite partnership on a five-percent basis?

A. I think it was the latter, but with the feeling that it was going to come sooner than we thought, that the mood of Georgia banking and the—for the first time, the unanimity of thought among the Atlanta banks working together to try and get expanded city limits, that we thought it was going to be much shorter than that.

[574] The Court: Unless you were committing yourself for then an indefinite time to a five percent partnership?

The Witness: Yes, sir.

The Court: Assume a disapproval here, what happens and why?

The Witness: I do not know, it would be the biggest dilemma we would ever face.

The Court: What would be the motivating factor for you to divest? I assume one thing would be to free your skirts, so to speak, for branching if you could get approval, or what would be the factors as to the retention of the five percent? Doesn't it keep those banks closer to you in the event that you can't get in those areas yourself and in closer cooperation? How do the factors balance out?

The Witness: If that were to come to pass, it's going to take an awful lot of weighing on the part of the stockholders of these banks and their directors, and Citizens and Southern National Bank management to decide just what in the world to do. On the one hand is a market place and your name on a shingle that you want to keep giving people Citizens and Southern banking, and yet here is a [575] bank that has got its name on it already. If you took it off, you would damage it. I don't know, I just honestly don't know. I wish I knew.

The Court: Let me ask you a related question. How can you justify sending a customer of the Citizens and Southern to the C&S Sandy Springs and call it convenience?

The Witness: I guess it gets back to Mills Lane as individual and the way I was raised and trained. All my life I've done things to help other people unselfishly without, I guess, it's part of the way I was brought up.

The Court: Well, as I understand it, the effect is that you lose ninety-five percent of whatever profit there is in that account.

The Witness: Yes, as far as profit to the stockholder is concerned. You've got friends of the Citizens and Southern that are both the directors and stockholders and you've got a whole separate different set of stockholders and directors for Citizens and Southern National Bank.

The Court: The stockholders of Citizens and Southern Bank have a duty to maximize profits to that corporation.

The Witness: That's right. I've thought **[576]** about this. I do not know what in the world we would do. It would be the worst drastic dilemma we could ever face. I don't know what in the world to do.

The Court: Well, what basis has the Court got to say that absent this suit these banks would continue forever as Citizens and Southern Banks?

The Witness: I can't speak beyond my lifetime or the lifetime beyond Dick Kattel or C&S management. I'm paid by C&S Bank, my investment majority is in C&S National Bank, that's my heart, that's my love. The same with all these men out here who are presidents of these five percent banks. If anything ever happened to those five percent banks, we had to divest ourselves of them, they would be welcome back in Citizens and Southern National Bank. It's been their past, it's their present. It's what they want to make their future. It

would be painful and costly to the stockholders of these banks. When the rate of exchange was determined from Sandy Springs, took Sandy Springs' bank stock, the ratio was at that time as Citizens and Southern National Bank stock was selling for $23 a share. It's now selling for forty-seven. They are going to take a terrific financial loss with that rate of **[577]** exchange. It was fair to them in the first place, but now has doubled in value. Without the Citizens and Southern tie with an adverse decision, that exchange is gone. The little bank is cast adrift and as we both agreed, we have got a five percent stock and they've got our name, and yet their daddy and mother, aunt and uncles in Citizens and Southern National Bank, every bank merger in Atlanta that any of the major banks have proposed, including the Peoples American, have been challenged. Everybody else dropped off and wouldn't contest the issue. Here's the FDIC that's giving us approval of mergers and in the same breath says, "You can't have a new branch," and in this year and a half that we have labored and suffered, twenty-seven banks have been opened in DeKalb County by competitors. We are losing a share of the market in a most unfair way. It just leaves you gasping. The war between banking bureaucracies, Federal Reserve doesn't see things like the Comptroller of the Currency. The Comptroller doesn't see things the way the FDIC does. You take and scramble up the approval of these mergers which are totally unrelated to whether or not we ought to have a new branch and new market place, it deliberately makes us stand by for over a year and **[578]** with the contemplation that this litigation, if it were settled in our favor, would not bring it to an end, but could go another year, has punished the Citizens and Southern Bank, disturbed the morale of its officers and directors, employees. I'm sure it's very pleasing to our competitors.

The Court: Well, it occurred to me that about the only basis I could think of where the Citizens and Southern really could change Citizens and Southern National customers where their

banks would be an ultimate contemplation that that is to become a part of your system. I assume that, though from your testimony, that that was applicable, say, to Stone Mountain.

The Witness: Of course, we contemplated from our side that Stone Mountain would become a part. I don't think we would have urged them to have taken our name if we hadn't thought that. I misjudged the character and attitude of Stone Mountain because I was not in touch with their management organization. There was a misjudgment on my part.

The Court: People's attitudes, of course, can change. It really boils down to the fact that the only place where you can really have a continuing contemplation that what you went into it with would **[579]** stay the same, the situation would stay the same, would be where the ownership other than that of Citizens and Southern was so fragmented that there was no possible court, antitrust action possible.

The Witness: That's certainly a possibility. I wish I knew what we would want to do and would have to do if that came to pass. It would be a decision that Mr. Kattel will have to make. I will probably be retired by the time this thing is resolved.

The Court: I suspect that everybody has to reconcile themselves. This has got to go to one more level at least, if not two.

The Witness: And in the meantime, we are hurting, banking is hurting. You can't hurt one bank without hurting the banking industry. Atlanta banking stands out in the nation for its progressiveness, what it's done. I don't know of any community where four banks have the mutual respect, trust and confidence that exists in Atlanta today. It wasn't always that way, but an adverse decision would set Atlanta's banking back as well as Citizens and Southern.

The Court: What I am seeking is not the results of this decision because that decision here has to be made on the record, but a forecast as, **[580]** which is purely a hypothetical one, if absent a decision by this Court, what would happen to those five banks?

The Witness: I don't know. There are, of course, several things that could happen. I don't know which one would take place.

The Court: Well, thank you very much. Anything further?

Mr. Kinkaid: No, Your Honor.

The Court: You may step down.

Let's see, it's a quarter of five. How long is your next witness going to be, or do you wish to wait until tomorrow morning?

Mr. Doyle: I'd prefer to waiting until in the morning.

The Court: We will recess until 10:00 A. M.

(Whereupon, court was recessed at 4:45 P. M. to reconvene at 10:00 A.M., September 28, 1972.)

[581] **Volume IV**

(Title omitted in printing)

Transcript of proceedings had before The Honorable Charles A. Moye, Jr., Judge, United States District Court, on the 28th day of September, 1972, commencing at 10:00 o'clock A.M., in Atlanta, Fulton County, Georgia.

[582] The Court: Are we ready to proceed?

Mr. Hodgson: I call Mr. Howard Starks.

HOWARD STARKS,

being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Hodgson

Q. Will you state your full name for the record? A. Howard S. Starks.

Q. What is your position with the Citizens & Southern Bank? A. Executive vice-president.

Q. Of the Citizens & Southern National Bank? A. Yes.

Q. What are your responsibilities in that position? A. I concern myself with services that we sell to people as opposed to those we sell to corporations.

Q. What is known as retail banking? A. Yes.

Q. What was your position before that? A. I was executive vice-president in charge of branch supervision.

Q. When did you become in charge of retail banking? **[583]** A. I believe it was '69.

Q. How long had you been in charge as a branch supervisor? A. Since about 1963 or '64.

Q. Previous to that, what was your position? A. I was assistant to the president.

Q. Mr. Lane? A. Yes.

Q. When did you become assistant to the president? A. In 1962, I believe.

Q. Mr. Starks, have you had experience in banking in the area of marketing? A. Yes.

Q. What experience have you had? A. Well, in the late 50's, I was marketing director.

Q. Have you had anything to do with the question concerning joint identification of banking services of Citizens & Southern? A. Yes.

Q. And the development of the logogram and how it is used? A. Yes.

Q. Will you describe for us exactly how the **[584]** bank came to use the logogram? A. Well, it dawned on us, I believe in the late 60's, we had been having architects design our banks; we saw the value in having a common identification, especially when we became known as the C&S Bank as opposed to Citizens and Southern National Bank. We felt this would be helpful, let everyone know when they saw this logogram full banking services were available. Much the same as when you see the sign on the Waffle House or a Gulf station.

[585] Q. Why did you allow—well, let me ask you this question. Do you or do you not allow the banks, the correspondent associate banks in which you own a 5% interest to use the name in Logogram? A. Yes, we do.

Q. Why do you allow them to use it? A. Because this is where Citizens & Southern's services are available.

Q. Is this true in each instance where you own 5% interest in the stock of the bank? A. Wherever the name C&S Bank is a part of the 5 percenter relationship, yes, we permit the use.

Q. Correspondent associate relationship? A. Yes.

Q. Do you have any banks that you own five per cent of the stock which you do not have correspondent relationships with? A. No, sir. Restate the question.

Q. Are there any banks in which the holding company owns a 5% interest which you do not consider to be correspondent associated banks and which do not bear the name and logo? A. Yes, there is one in Cartersville; there is one in Fayetteville that do not carry the C&S Bank for a name, nor use the logo.

[586] The Court: It would be most helpful if you would get for me the definition of what is correspondent associate. What is the difference between a correspondent bank and correspondent associate bank? Is there something at an associate bank that there is not at a correspondent bank? What is the difference of putting the two words there?

Mr. Hodgson: I will speak in my place, Your Honor. Apart from the words, such as subsidiary and affiliate which do have those confusing differences, do have specific connotations. This one does not.

I will, therefore, ask Mr. Starks what the word correspondent associate bank or associate correspondent bank mean to you?

A. It's a phrase for identification which we have given to banks in which we own a 5% interest.

The Court: It is completely interchangeable with the 5%?

A. Yes, not completely interchangeable because we do have banks, we have a 5% interest that do not carry the Citizens & Southern name.

Mr. Hodgson: Frankly, I think Mr. Hall can testify much more in depth as to this question than Mr. Starks. I simply wanted him to state the distinction at this time.
[587] There are banks which do not carry the name and are not considered correspondent associated banks and have 5% interest. There is a difference.

The Court: You can tell me in your place, it will be just as useful, correspondent associate bank is a bank that has C&S correspondent services, plus the 5% interest generally?

Mr. Hodgson: Let me put them in three categories, if I may, because we are using two names, correspondent and associated. There are banks, and we'll put these aside. There are banks in which the Citizens & Southern Holding Company own 5% of the shares purely as an investment without any other rela-

tionship, which may include a correspondent relationship or may not. That is really not important whether it does.

There are some in which we have a purchase investment, some of them outside the state even. These appear in our annual statements which are part of the record. That is the purchased 5% interest.

Then there are those in which we own a 5% interest of the stock, which is the maximum that is allowed us in banks under the Georgia law, and if we wanted more than that under the Federal law, we would have to make application under Section 3 of the Federal Bank Holding Company Act to acquire it, **[588]** even if Georgia law permitted us to have more. But there are some of those in which, as I think Mr. Lane testified to an extent, Your Honor. These witnesses will testify there are some of those with which we feel such a close relationship that in addition to their being just 5%, we also call them correspondent associated banks or associate correspondents or frequently the word five percenters is used with respect to these, even though we may have a 5% interest in others.

So when Mr. Starks is talking about 5 percenters, I believe though he will testify to this, he is talking only about those with which we claim this very close relationship which we say gives us that variety of management control. So, that they are the same thing as affiliated with the technicalities of law permitted or the same thing as branches with technicalities of law permitted. That is when I say affiliates, I am going back to the Federal Reserve Act, related statutes, which affiliate is where you have a majority control of stock.

Did I pursue this far enough?

The Court: I think so. I get the idea that the correspondent associate tag or definition then is indicative of the somewhat subjective feeling on **[589]** the part of the Citizens & Southern in respect to——

Mr. Hodgson: No, sir, we feel it's a lot deeper than that. That's what we wish to develop during the day. It's far deeper than subjective. There is neither the legal control or ownership of more than the voting stock in a holding company itself. But there are shareholding by many friends, there are shareholdings by those who invited us to these banks for the purpose of expressing a desire that this relationship exists. There are Directors whose invitations caused this to come about in a mutual endeavor. There are officers who have supplied us who are Citizens & Southern born, bred and trained. There are systems in management and policies and all these things that go along and all of these relationships that enable us to rely as surely as if we owned the stock on those banks, being part of our system just as much as though they were a branch in which case there is simply divisions of the corporate structure where an affiliate being one which is part of the majority stock ownership of the holding company structure.

We do not quarrel with the legal results of that, that there is a possibility, this possibility that we lawyers talk about all the time, anything can **[590]** happen. That these banks could then, should they change their minds and their desires to have these relationships, re-sever themselves, nevertheless, because we were invited, because of our friendly shareholders, because of our friendly Directors, because of our management which is our management, all of which has been invited and which we give, when that happens, we then allow them to use the name and the logo. We then call them associated correspondents. Up until that time, the relationship is the existant one over which we would have no possibility of making a prediction.

We cannot say there is no possibility that there would be a separation, but we can, as we argued to the FDIC, argued strongly, that there is no reasonable possibility that it will take place absent it being forced upon us and that is, I think, the heart of the whole investigation, if Your Honor please, and it's

for this reason that I'm asking these witnesses to testify with respect to this relationship.

Now the ones in which we simply own a 5% interest and have not tagged with the word correspondent associates, are just plain correspondents. There are just correspondents in **[591]** addition to that.

[592] The Court: What you were sponsoring was not intended to minimize the familiarity or the strength of the relationship you have just mentioned. In using the word "subjective," I still understand it to be a subjective determination by the C&S Bank to the point that the relationship amounted to such a bond that the C&S gave it its designation and called it a correspondent associate.

Mr. Hodgson: I guess, Your Honor, there is no one stand when you get to the correspondent associate. I will make one point, it is a mutually agreed-upon thing; it is not opposed by either party. It is invited by either party, so they jointly agree and decide.

The Court: But it becomes subjective; I think that is the point, when the C&S is willing to entrust its goodwill and logo to the other bank.

Mr. Hodgson: It is obviously agreed it is an evolution that came about through a change in directors as the restrictive banking laws change.

[593] By Mr. Hodgson

Q. Mr. Starks, you heard Mr. Lane testify yesterday, I believe, with respect to Sandy Springs? A. Yes.

Q. In an effort to avoid duplication of the testimony already in the record, I will not ask you to state anything that you know of that he has already testified to. Will you tell the Court, if you don't mind, what your experience actually was with respect to the beginnings of Sandy Springs? A. Well, it was in

late '63 or early '64 we were developing a branch supervision in our organization; primarily, at this time we had sufficient banks that warranted branch supervision. Along about that time, as part of my activities, I was given the opportunity to review such audits and credit examinations as were being made of the bank in Sandy Springs. It became apparent that the bank was headed for trouble. I went to Mr. Lane and asked him if I might sit with the board, if I might not put them on the same system we were in the process of developing for the branch so that we might be able to detect these problems and cure them before it became cancerous. It was agreeable, and at first I sat there informally with the board and was later elected to the board and later having to resign **[594]** because the area was viewed as contiguous to Fulton County.

Q. That is under the Clayton Act? A. Yes.

Q. Mr. Starks, why do you feel it was your responsibility to take charge over the credits and loans of this bank when all you had was a five-percent stock interest? A. Well, there was a C&S man running that bank. It was recognized by a lot, if not most people, that this bank was organized by the C&S Bank, and we certainly had more than even a moral obligation to see that it met the convenience and needs of the Sandy Springs and that it was a valuable and profitable operation.

Q. Would you advise the Court of after this time how you treated the Sandy Springs in relation to how you were beginning to treat all branches in your supervision. A. We asked them to send in the same reports; we gave them the benefit of our sales information. We did this in an attempt to make these banks more effective.

Q. What was the attitude of the board members who were already there to your presence? **[595]** A. I think the relationship developed here very quickly that was the relationship that existed and has existed all along was one of mutual trust and confidence, one of respect.

Q. Will you tell us about the Chamblee branch, as far as you have recollection of it? A. Well, George McKinnon and Mr. Lane were involved in that organization of the bank. The selection of the organizers, the selection of the directors, and I guess I got into the stream about in '64, somewhere along that line. Again, I was first as an advisor to the board and later as a board member, in more or less the same role I played in Sandy Springs.

[595-A] Q. Tell us something about Mr. McKinnon. A. He was first vice-president. I thing he was cashier at one time and later vice-president and cashier. When we acquired the Bank of Atlanta, he became president of that bank. When that bank merged with C&S National Bank, he was first vice-president and later assistant to the president.

Q. Do you recall the opening, say, at the Chamblee Bank? A. Yes, we had a lot of fun with those.

Q. Will you describe for us some of the things you did? A. Well, at the Chamblee opening, we thought it was important for the people to know we were in the community and we were anxious to serve them, and over and above the usual newspaper announcements, we had a formal opening where we invited the people to come by and look us over. In order to do that, we sent invitations to them telling them to come by. Hopefully, they would do some business. We also decided to take a group, a C&S group of employees, junior officers and so on, to Chamblee and go house-to-house and door-to-door extending invitations to the opening, inviting them to come and bank at the Chamblee National Bank.

Q. How many people do you recall were involved **[595-B]** in this? A. Maybe as many as forty or fifty.

Q. For how long? A. Two or three days immediately preceding the opening.

Q. Is that what is known as a blitz? A. Yes, that is what we referred to as a blitz. A few got bit by a few dogs, too.

Q. Did you do this consistently with other bank openings also? A. Yes.

Q. Was there a distinction as to whether it was a branch or a five-percenter opening? A. No.

Q. Tell us your recollection of the C&S Park National. A. Park National was started when we recognized really that Executive Park was a developing area. Even though we had an office at Toco Hills, we felt some of the C&S National Bank customers were moving out there and there was growth in that area such that it warranted a banking office in the Executive Park proper, and the only way we could get it there was through a five-percent correspondent associate. So negotiations were begun for a lease.

[595-C] Q. Who negotiated that lease? A. I believe I had a good part of it, along with Bob Hazelrig, who was president of that bank.

Q. Why was Bob Hazelrig selected to be president? A. Well, he had to deal with the corporate accounts division, and when this office opened, it was felt these were business relationships rather than what I would refer to as a bedroom community. This was a business community.

Q. Where did the shareholders come from? A. Well, the shareholders came from the customers of the C&S Bank. People who were corporate customers of the C&S Bank and friends of Mr. Hazelrig's. The directors were primarily people who we did business within that area.

Q. How were the organizers and directors selected? A. If my memory serves me correctly, Bob Hazelrig and I selected them or made up the slates and Mr. Lane referred them.

[596] Q. Tell us your recollection about Citizens & Southern at North Fulton out at North Roswell. A. There was a group in

Roswell which felt that they needed additional facilities out there and this was after, I believe Mr. Lane's testimony of yesterday with Mr. Sims Garrett, and I was not involved in that negotiation. I was invited to lunch one day with Dr. Irving in that community, Mr. Harold Benson, I believe, and the bank, it was decided that we would put a bank in Roswell and that Mr. Lane, who had formerly been in Sandy Springs would go out to run it. Lou Fortuna, who was at that time at Sandy Springs, was serving a great number of customers from Roswell. It was very apparent that there was a need, that they had to come by several banks to do business with Citizens & Southern Bank. And so we wanted to go out there. This was the way it was evolved. Lane sold the stock, the friends at Citizens & Southern Bank, officers, employees of the Citizens & Southern Bank bought a little stock in it, too.

Q. How was the Board selected? A. In much the same fashion, Hugh Lane mainly made the nomination, we submitted them and they were approved by Mr. Lane.

Q. Who provided the economics research? A. Our market research department at the Citizens [597] & Southern National Bank in the person of Mr. Ray Herman.

Q. Who provided and warehoused the property for eventual use? A. We bought the property, as I recall, in the Citizens & Southern Holding Comapny. We also bought a building, what was termed then a portable building, temporary quarters which, unfortunately the bank still occupies and leased it to that particular bank. It's now inadequate.

Q. What did you have to do with South DeKalb, Citizens & Southern at South DeKalb? A. Very little, then, other than to anticipate the development in that area and to acquire two pieces of property, even though we couldn't get there at the moment, we anticipated there'd be changes in the branch banking laws. We knew it had to be there ultimately. I merely acquired

the property and then Dan Handley subsequently organized the handling of it.

Q. Did you ever have anything to do with the Citizens & Southern Bank at Stone Mountain? A. Yes, I did.

Q. Would you explain to the Court how that came about? A. I'm just trying to remember, refresh my memory on that date. I know the bank was organized in '57. **[598]** I had nothing to do with that. I know in '59, we acquired a 5% interest in the bank. Mr. Hall went on the Board. It was sometime after that, in the middle of '60, that Joe was, felt that he needed a little help. That two people might be more effective on that Board and the bank, at that time, was having some credit problems and I had had some credit experience. We felt that we were complementing one another. I subsequently went on that Board after some hassel trying to get qualifying shares.

Q. By Joe, you mean Mr. Joe Hall? A. Mr. Joseph A. Hall, III.

Q. Let me ask you this, Mr. Starks, how many of these 5 percenter boards did you sit on, either as a Director or as an advisory Director, or with whom, or with which you met from time to time? A. All of them in the metropolitan area.

Q. All of them? A. All of them.

Q. Including this one at Stone Mountain? A. Yes, sir.

Q. Was there any difference between the attitude of the Board at Stone Mountain as compared to the others? A. Well, yes, there was a great difference.

Q. Would you describe that difference? A. Well, first of all, Bob Maughon went with that **[599]** bank when it was organized before it became, before we had any interest in it.

Q. Bob Maughon was whom? A. Bob Maughon, I believe, at that time was Cashier at the bank. He had severed his con-

nection with The Citizens & Southern Bank. I think he felt closer to the Board than he did The Citizens & Southern Bank.

I think the fact that the 40% of the bank was controlled by the McCurdy family, they needed us, but I don't think they really wanted us. They called for help when they had credit problems. I think they wanted to get all the good out of it, but they really didn't want to participate and let us really help them manage the bank so it might be most effective.

I recall in trying to institute operational procedures or trying to suggest that certain action be considered or making recommendations that it was often the habit of the Board to postpone any action until the next meeting. I always had a feeling or I do as I reflect it anyway, that they wanted to meet privately after the meeting and bring it up during the meeting again at the next meeting. This is not a fact, this is the way I felt about it.

Q. Do you have any opinion as to whether or not The Citizens & Southern National Bank and Holding Company, **[600]** through branch supervision or otherwise, exerted and exerts today any significant influence or control over the management of the five banks that are the subject of this litigation, Citizens & Southern at North Fulton, at Chamblee, Park National and South DeKalb?

Mr. Frisbie: Your Honor, if I might, that's two questions, actually, and both of these are critical to the issues in this case. If we could break that down into two questions.

Mr. Hodgson: I'm perfectly willing to break them down. What are the two parts?

Mr. Frisbie: You said, did they exert any significant influence or control over management. I believe that is the two separate questions.

Q. Let me ask you, did they exert control over these five banks?

Mr. Frisbie: Your Honor, if I may again, could we have Mr. Hodgson, the same as he required of us, to define control that he is speaking of in this instance?

Q. Let me ask you this, Mr. Starks, what was your view of the relationship between The Citizens & Southern National Bank and Holding Company on one hand and each of these five banks, on the other, with respect to management of those banks? **[601]** A. There's no difference than between our relationship with the branches and the five percenters because what we had to offer was solicited, invited, wanted, received, and our recommendations were readily accepted. I think that even sometimes you have to sell branch managers on a course of action that even makes good sense. But, all of our—we never had any trouble with the exception of Stone Mountain of having the new services that we wanted to offer through the five percenters, as well as the branch accepted, promoted and enthusiastically received, procedures that we wanted to put in, control methods. After all, the guy who ran this bank was a Citizens & Southern man and the Directors respected us and had confidence in us and readily accepted the recommendations that we made.

Q. Had they invited you? A. They invited us, solicited our help and took our advice.

Q. You heard yesterday, I presume, the colloquies between the Court and Mr. Lane and the question was asked somewhat like this, I think. How can you justify serving a five percenter bank correspondent associate bank, with the business of one of the customers of the National Bank when the proprietary interest in that five percenter is just five per cent? Would you respond to that question? A. Well, then this bank, although it may be disbelievable, perhaps, or hard to believe, in some people's minds, has an attitude that the interest of the community comes first and that customers service is our number one business value, and that if we serve the community and do the job for the customer, that ultimately there will be a payoff. And a case for directing customers to a five percenter bank, if it makes sense for

them to bank there, if that's where they want to bank, we certainly have no objection. In fact, we would encourage it. After all, we would much rather have that customer go to a Sandy Springs or Chamblee or South DeKalb or Roswell Citizens & Southern Bank and to be served than to see them go to the Trust Company of Georgia or First National Bank. For them, it's a matter of convenience. It would be kind of shortsighted on our part. Frankly, we hope some day to have them all back in the same family.

Mr. Hodgson: May I have just a moment, Your Honor.

The other colloquy of the Court that I want to remind you of, Mr. Starks, was when the Court and Mr. Lane were wrestling with the dilemma of suppose the mergers are denied, what would then happen. I ask you that question and in your opinion? A. Well. Well, the Vice Chairman——

The Court: If you are going to ask that **[603]** question, I want to repeat, as I did yesterday, I'm not sure that that inquiry is relevant.

Mr. Hodgson: I'm not either.

The Court: What would happen if the merger were denied or this Court ruled adversely, the relevant question is what would happen absent any action, absent approval. In other words, would they stay the same absent any favorable action on an acquisition.

Mr. Hodgson: Absent this application never having been made.

The Court: That's right, what would happen.

Mr. Hodgson: I didn't perceive that distinction. That's always been my view that that's a much different question.

The Court: I think that's the relevant inquiry. I don't think—so far, I don't see the relevance of what would happen if this Court issued an adverse decision. That's the matter at issue.

A. Would you like to restate the Judge's question or have him restate it. I know I didn't know the answer to the other question, I don't know if I would know the answer to this one or not.

Q. Mr. Starks, I may be as chicken as you, I may turn you over to Mr. Kinkaid and make up my mind later.

[604] **Cross-Examination**

By Mr. Frisbie

Q. Mr. Starks, I would like to go back to some of your first testimony for just a second. When you were talking about the definition of a correspondent associate, in your words, you made some replies; as I understood your definition of a correspondent associate from your testimony, it was a bank in which the C&S was holding five percent, and the bank enjoyed the use of the name and the logo of the Citizens & Southern National Bank. You also talked about a few banks that were five percenters but not correspondent associates. What did you mean by that? A. I mean by that banks that we had a five-percent interest but were not correspondent associates.

Q. In your opinion, what relationship, if any, does the Bank of Woodstock have? A. The Bank of Woodstock, I would say, was a correspondent in which we have a five-percent interest. The degree of influence and control, I cannot testify to.

Q. Was the Citizens Bank of Hapeville known as either a correspondent associate or a five percenter? A. I think not.

[605] Q. The C&S Holding Company never, to your knowledge, owned five percent of the stock of that bank? A. They may have had five percent in the bank as a casual investment, I would say.

Q. What about the Bank of Stone Mountain? Would you classify it as a five percenter or a correspondent associate? A.

I would think in 1959, when we took a five-percent interest in the Bank of Stone Mountain, when Joe Hall went on that board, that bank was considered by us to be a correspondent associate. I don't think now that the board out there knew the stockholders of the C&S to be in control in the role of what we term a correspondent associate.

Q. What it boils down to then, actually, if you take a five-percent interest and designate it with the title "correspondent associate"; then it is a correspondent associate; is that correct? A. Not in my mind. As I testified in my testimony earlier, it is a question of mutual trust, mutual confidence and respect and interdependence.

Q. I believe you also testified that wherever the C&S logo would appear, this would mean that C&S services are available there; is that substantially what you testified to? **[606]** A. Substantially, yes.

Q. When you say C&S services, what services are you talking about? A. I'm talking about all of the C&S services. We have never made a designation between the services that are available in our branches and those that are available through our affiliates and correspondent associates. We do income taxes at both places, for instance, with a back-up central crew where such back-up is necessary. When you initiate new services such as the payment holiday, it is available to the associate correspondents or affiliates.

Q. Trust services are not performed at that particular branch? A. No, but they are available. We would not risk losing your customer to somebody else, let me put it that way.

Q. Then you would consider that if the C&S Bank of Sandy Springs offered one of its customers trust service that the service that bank in Sandy Springs would be offering would actually be the services of the C&S National, would it not? A. They would.

Q. And the same would be true with the tax [607] services you perform at each branch, say Sandy Springs, for instance? A. That service is being performed by Sandy Springs personnel. We trained people.

Q. Is that a Sandy Springs service? A. Well, it's a C&S service being offered by the Bank of Sandy Springs.

Q. Does Sandy Springs have an international department? A. Of course not.

Q. Would you consider services offered by the Sandy Springs bank to be yours in this field? A. I would consider it to be a service available through the Bank of Sandy Springs, by the fact that the president or an officer of the bank might bring the customer to our international banking service. Or, our international banking officer may contact the customer without the manager, but it would be at his suggestion; it would be his referral.

Q. What about checking-account services? Would that be a Sandy Springs service or a service of the C&S? A. It's considered a service of Sandy Springs. The deposit may be taken at the Sandy Springs office, but the computer work is done down on Mitchell Street.

[608] Q. Do you offer demand deposit accounting to your regular correspondents? A. Of course, for those banks, non-correspondent associate banks.

Q. Do you consider when they offer them through their banks that it is a service of the C&S National? A. I think it is merely an economical handling of the check or a handling of the deposits, that it is a service of the C&S, rendered by the C&S people offering that service. We had to be helpful to the customer; we have to compete on the basis of being problem solvers. That is still the C&S philosophy of doing business. It is just not the mechanics of pushing the button and stamping the receipt.

Q. And when income-tax season rolls around, I believe last year you had what you called tax shelters? A. Yes, we called them tax shelters and we had little tents in each office.

Q. Was one of them set up in Sandy Springs? A. Yes.

Q. And the earnings or revenue that come from this tax shelter, to which bank are they attributed? A. The income goes back to the Sandy Springs branch. The services that we perform, we charge the overall cost of the computer runs. We share the **[609]** expenses and they get the income. The expenses are pro-rated out and the difference is their profit.

Q. Are they staffed by C&S people? A. They are staffed by C&S-trained people.

Q. If a customer came to the international department for service in Sandy Springs, who would the income be attributable to? A. As the situation stands now, I would say it would be attributable to the international department. They did the work solely, so they would get the income.

Q. The same as the trust department? A. Yes. But we are trying to work out a method to compensate for this. Eighty percent of our business is through referral. We haven't done it yet, but we are looking for a way.

Q. How about services and income that originates from checking accounts? To which bank would this be atributed? A. They go to the bank who afforded the service.

Q. Would that be true with savings accounts and interest earned? A. True.

Q. I believe you mentioned that you had to get off of the board of directors of the Sandy Springs bank at one time. **[610]** A. I had to get off of all of them as an official member of the board. It made no difference in the role I played; I continued on as an advisor to the directors. This is what they called me.

Q. Why were you told to get off the board? A. Well, I am not familiar with all of the laws and regulations. I know orig-

inally, when we asked to go on these boards, it was felt there was enough wasteland between Sandy Springs and Atlanta and Chamblee so they would not be contiguous; however, later on it was ruled, I believe, they were contiguous.

Q. That was Section 8 of the Clayton Act? A. Yes, I believe that's what Mr. Hodgson says.

Q. Mr. Starks, you also testified as to what you did on the board of directors out there a little bit, you alluded to your functions out there on the board. To which banks did that refer? A. To any of the correspondent associates.

Q. Maybe my question should be were your functions and duties any different than as a voting director of the correspondent associate banks? Were they any different? A. No.

Q. You did mention you were on the board at Stone Mountain also? **[611]** A. That would be correct.

Q. And in 1968, did you accompany Mr. Hall and Mr. Lane to a hearing before the Federal Reserve Board in Washington, D.C.? A. I did.

[612] Q. During the Federal hearing, a question was directed to your group concerning the function of the directors on the boards of these banks. I will read to you and offer to you to inspect. Your reply to the question which was generally, "What were your duties there?" says, "after all, in most cases the men who were running these banks, particularly these smaller ones in the greater metropolitan Atlanta area, are representing a lot of talent, a lot of ability, but are of limited years of service in the depth of experience. We feel we give them this depth of experience by sitting on the board." This is on Page 26; I'm sorry.

Do you recall this statement, Mr. Starks? A. It sounds like me.

Q. Do you still believe that that is a true statement? A. Yes.

Q. For that period of time. And you have stated you were on the board at Stone Mountain and that was in 1959. Who was the president at that time? A. I was on the board in 1959.

Q. I beg your pardon. When were you first on **[613]** the board at Stone Mountain? A. Gosh, I don't know, '60 sometime. It was certainly after '63. I'm going to make a stab at it, maybe '63, '64 or '5.

Q. Can you remember who the president was at that time? A. At what time?

Q. The time you originally got on the board? A. I believe that Walter Gibson was the president at that time and subsequently became sick. We replaced him with Angus Parker.

Q. How many years of banking experience did Mr. Walt Gibson have? A. I guess he had the same experience for twenty years.

Q. Mr. Angus Parker, how much banking experience did he have? A. Angus had several years of experience, primarily, however, only in the installment-loan area or, basically, in the installment loan area. I should say not only——

Q. You were on the board at the Chamblee National Bank also, were you not? A. Yes.

Q. How many years had Mr. Harris been a banker? **[614]** A. Mr. Harris had been a banker a long, long time. However, there were areas where Mr. Hall or myself were still in the position to be helpful to him in areas for which he had not had direct experience.

Q. Now you also are on the board at Sandy Springs, at the C&S National Bank of Sandy Springs? A. Yes.

Q. How many years' experience has Tom Cook had at C&S? A. He had about twelve, if I recall correctly. Tom, however, as Mr. Lane I believe testified yesterday, was a liberal lender and needed help. He was also a little independent and hard-

headed and perhaps over-evaluated his capacities, and we found it necessary to try and encourage him not to make loans on dump trucks or against contractor retainage. Things you just don't do and not get in trouble.

Q. Mr. Starks, have you ever bought any stock in any of these five-percent banks? A. You'd better believe it.

Q. A good deal? A. It's a matter of definition. I have a little piece of every one of them.

Q. Did you borrow any money for these purchases? A. Indeed I did.

[615] Q. Did you borrow at a preferred rate? A. I did.

Q. Do you still have any of this stock? A. I do.

Q. I believe you stated that you went to the branch supervision department about 1963 or—— A. '63, '4, I can't remember exactly. I think about that time, organized it. I mean it didn't exist then.

Q. Oh, this was the original organization? A. That is correct.

Q. Mr. Herb Dickson was in that department also? A. Mr. Herb Dickson. He and I had a drink that night. We decided he would take the retail, I would take the wholesale.

Q. Was Mr. Lou Fortuna ever a member of the branch supervision department? A. I don't believe so.

Q. Mr. Starks, in an attempt to try to refresh your recollection—— A. Please do; it's lousy.

Q. Just a second. In a deposition taken by this Department of Mr. Louis J. Fortuna on August 7th of this year, on Page 63, I spoke to Mr. Fortuna and established that he went out to Sandy Springs back in September of **[616]** 1964. My question was that, "And prior to that, you were in branch supervision?"

This was in response to earlier testimony. Mr. Fortuna's answer is, "That is correct."

Question: "What was your position in branch supervision at that time?"

Answer by Mr. Fortuna: "Let's go back two years prior to that, when the National Bank was expanding branch operations in Atlanta, set up under a fellow named Herb Dickson, who was executive vice-president of coordination team. I, having been trained possibly in retail banking as such, was coordinator of retail banking in the Atlanta area, metropolitan area. This, then, particular division then came under Howard Starks. When he took over branch supervision, my function was working with Howard Starks in retail banking under branch supervision."

Does this refresh your memory at all? A. Yes, it's hazy, and, yes, I do remember there was an interim period in there when Bob Adamson left, and I believe this was it, that Lou did work with Herb on, particularly, some branch credits. I think that's right.

My mind is hazy on it; I really don't remember. **[617]** Branch supervision, basically, in those days consisted of me and Connie Nesbitt in the early days.

Q. Can you identify Connie Nesbitt? A. She was my secretary.

Q. That was my next question. How many people were in branch supervision at the time it started? A. There were two, and then John McIntyre, who was then vice-president in charge of the Tenth Street office, and Bill Mathis, in charge of the Howell Mill office, came in, and then we eventually supplemented the staff. I think the trouble over Lou Fortuna is a matter of semantics and definition. I don't think it's significant.

Q. I don't want to belabor a point unnecessarily; I do need to establish one thing. We established, or the deposition estab-

lishes, that Mr. Fortuna went to Sandy Springs back in '64? A. On my recommendation.

Q. Two years prior to that time is when the branch supervision department was started. Now that would place it about '62 or early, possibly, '63. A. This is a matter again of definition, what was branch supervision.

Q. Which banks came under the supervision of the branch supervision department? Not by name, by classification. [618] A. All of those in metropolitan Atlanta.

Q. All branches? A. Yes, and all affiliates and five percenters.

Q. Any regular correspondents? A. No.

Q. And at that time, in 1963 or '64, can we establish that there were only three correspondent associates banks in existence at that time?

Mr. Hodgson: Excuse me. Is counsel referring to the whole state or just metropolitan Atlanta?

Mr. Frisbie: I'm sorry. In the metro area.

The Court: Why don't you name them and let him see.

Mr. Frisbee: Sandy Springs, Chamblee, Stone Mountain.

The Court: Do you recall any more?

A. Well, there were—no, five percenters. Could I refresh my memory on some dates here? We are talking about the period what?

Q. 1963 or '64. A. Sandy Springs, Chamblee and Stone Mountain; of a variety, yes, I believe that's correct.

[619] Q. I don't believe you ever stated what the original function of that department was. A. It was responsible to the needs of the branch initially; then it was felt they would like a staff office in the bank where they would like to have one guy to whom they might have access for help and guidance in all mat-

ters, so that they wouldn't have to run all over. Essentially, they needed to have one guy to talk to, whether it was a credit or an operations problem.

Q. In 1963 and '64, we have established that you were the supervisor over that department. Would you have been the person that these branches and correspondent associates would likely come to? A. Mostly. We are a very loosely-knit organization. If somebody wanted to talk to Joe Hall or Dan Hodgson, they had a perfect right to.

Q. Did you ever go out and visit any of the five-percent banks? A. You better believe I did.

Q. How often did you do that? A. Certainly, with few exceptions, not less than once a month, and even more frequently whenever possible.

Q. Did you supply the Sandy Springs Bank with **[620]** a copy of the general operating guide? A. It was furnished; whether it came through my office or not, I couldn't say.

Q. Were they furnished at that time, in '63 or '64? A. I can't remember whether they were given to them. I'm sure people took them with them when they went.

Q. Were the correspondent associate banks, were they on the regular correspondence list in the same manner as the branch affiliates at that time? A. Yes.

Q. In looking through the general operations guide that has been furnished by the plaintiff in this case, the addressee portion is to the president of the bank or the manager of the branch or the president of the affiliate banks, but there is no mention in those years of any correspondence going to any of the correspondent associates. A. In what years?

Q. '62, '63 and '64. A. I can't testify to that for sure. I think most of the information that we furnished to the banks, to the best of my knowledge, was information to all correspondent associates.

Q. Well, my investigative manual is very large [621] and I may have overlooked one. A. I think the proof of the pudding would be whether they're in the files of those banks. I don't know.

Q. You stated in your direct testimony that these banks were recognized as being part of C&S. What do you mean by that? A. Referring to Sandy Springs and Chamblee, they were recognized by a lot of people as being organized by C&S.

Q. Did any of these, either the Chamblee or Sandy Springs, have a sign or put anything on their stationery to designate to the public that they were correspondent associates of the C&S National? A. Some of them did; some of them did not. I think, however, it was generally understood by the people that it was the C&S National Bank who took part in the opening. It was common knowledge that we had something to do with it.

Q. Are you referring to the people who took part in the blitzes? A. Yes.

Q. And those persons who did the blitzes, did they identify themselves as being C&S National employees on all occasions? [622] A. I couldn't say on all occasions.

Q. On some occasions? A. I know I had a badge on at the Chamblee opening identifying myself.

Q. How many people attended those openings? A. We had a system; we had two or three bank officers on the scene at all times during the openings.

Q. You said something about some of the banks having some manner of identifying themselves as correspondent associates. Can you give us any detail on that? A. No, I can't. I remember a sign, I believe, which designated one as an associate correspondent.

Q. Which bank was it? A. I don't remember.

Q. None of these banks bore the Citizens & Southern's name at that time, is that correct? A. That is correct.

Q. And the logo had not come into existence until what year? A. '68—'69, I believe.

Q. Are you aware that what is known as the bank of Stone Mountain had at least two signs that were placed at the city limits of Stone Mountain designating themselves as correspondent associates of the C&S **[623]** National Bank? A. At what time?

Q. In 1963 or '64. A. Those might be the signs I just recalled.

Q. You don't recall any other banks? A. I just recall seeing the sign. I don't know.

Q. When was the first credit audit by C&S National done at Sandy Springs? A. I can't testify to that.

Q. Does the bank supervisor take care of the credit audits for the correspondent associate banks? A. Yes.

Q. You stated earlier in testifying that in reviewing the audits—— A. I want to distinguish that credit examinations were functions of the branch supervisor, but operational audits were done by our auditing department.

Q. Those are coordinated? A. Those are not coordinated. They are just as big a surprise to me as the guy who is running the branch.

Q. Can you tell me when the first operating audit was? Do you know? A. No.

Q. Can you tell me if there was one prior to **[624]** '64? A. I would think so.

Q. Is it true that the problem at the Sandy Springs came to your attention only after an audit by the federal agency? A. I think that was part of it. I have the impression that we also

picked up some problems of our own, maybe from the supervisor's audit. I am not positive.

Q. This problem at Sandy Springs was considered serious by you and by the Sandy Springs Bank at that time? A. Yes, when it was discovered.

Q. And it was considered serious by the regulatory authorities? A. Later, yes.

Q. And serious enough that you had a special meeting called of the directors to raise more capital? A. Yes.

Q. How was that capital raised? A. By a capital note.

Q. It was purchased by whom? A. C&S National Bank.

Q. How did this credit problem develop out at that bank? Was there a bank supervisor supervising **[625]** the bank? A. You will note in '63 or '4 that the branch supervision that included the correspondent associates was being developed, and it was at my suggestion that we then put it in control, and so forth, the same as we had for the branches and the five percenters, because we uncovered these things.

Q. Prior to the creation of the supervisory department, there was no one looking after the correspondent associates? A. I think we looked to various people in the bank to look after that. That was one of the reasons we formed the department, because it was not being adequately done in our judgment.

Q. If you had been supervising and reviewing the credit at Sandy Springs then as closely as you do now, wouldn't you have discovered the problem at that time? A. I believe so.

Q. Then, it is fair to say that your degree of supervision over that bank is greater than it has been at any time before? A. We are getting better every year.

Q. Mr. Starks, when application for merger with Emory and East Point was filed after that time—— **[626]** A. I beg your pardon; I am not with you.

Q. After the period of time where an application was filed for permission to acquire the assets and assume the liabilities of each of the correspondent associates, East Point and Emory—— A. Okay, I am with you.

Q. After that period of time, there was a document called a supplement to the application that was filed, containing additional information about the bank. You may or may not be familiar with that document, but it purports to show how the Stone Mountain Bank was different from the others—— A. In the middle of '59, some of the original Stone Mountain people came to the C&S National and asked for help. They had credit problems, and they felt they needed someone who was more familiar with the day-to-day operations than they were.

Q. At this point was C&S guidance given to them in this first year of existence? A. No C&S guidance was given to them during the first few years of their existence.

[627] Q. Were you sitting in the courtroom yesterday, Mr. Starks? A. Yes, sir.

Q. Did you hear Mr. Hodgson state in his opening remarks there that the plaintiff has ignored the defendants' assertion that these five small banks, in name and in fact, are C&S Banks? They have been from the time they were organized in the eyes of their shareholders, the public, the regulators, their competitors, and their own officers and directors of Citizens & Southern Bank. This is what they are referring to, in name, and in fact, they are Citizens & Southern Banks and have been from the time they were organized. Isn't it a fair statement, based on your previous testimony you have just given, that for several years after the Sandy Springs and Chamblee were formed, after they were organized, they were

not C&S Banks in the eyes of the public? A. No, I do not think that is a fair statement. I think they were Citizens & Southern Banks in the eyes of the public.

Q. Do you think it's a fair statement to say for several years after Chamblee and Sandy Springs were organized, they were not Citizens & Southern Banks in the eyes of their competitors? A. I think they were Citizens & Southern Banks **[628]** in the eyes of their competitors.

Mr. Frisbie: Your Honor, could we have a ten-minute recess?

The Court: All right, we will take a ten-minute recess.

Q. Mr. Starks, you stated in your earlier testimony that one of the differences between a correspondent associate and regular correspondent was that a correspondent associate enjoyed the mutual trust, confidence, freely asked for and gave advice, respect, and inter-dependence, one dependent on the other; is that substantially what you said? A. That's right.

Q. If you take a regular correspondent bank you don't own any five per cent in, do you feel that you have mutual trust between those two banks, Citizens & Southern National and that bank? A. Yes.

Q. Do you feel the two banks have confidence in each other in their dealings normally? A. Yes.

Q. Do regular correspondent banks ever ask Citizens & Southern National for advice? A. Yes.

Q. Do you believe the banks respect each other? **[629]** A. Yes.

Q. Do you believe that there is an interdependence on the banks? A. To a degree, the correspondent associates, we are partners; we are married.

Q. But there is some interdependence among the banks in that one gets correspondent services and the other pays for it? A. To a degree, it's semantics.

Q. You also stated in your direct testimony, I believe your words were "later on"; I think you just referred to the time the branch supervision department started. You said later on, you started treating them the same as the branches, no different.

When did this start, when you started treating them no different than branches? A. Immediately after Sandy Springs; I would say after we discovered the problem at Sandy Springs. That's a fair statement.

Q. You also mentioned the wording "management control" as being one of the essential elements when we were talking about the differences between a correspondent associate and five percenters or regular? A. Right.

Q. Could you briefly define what you mean by **[630]** management control, in your own words? A. Management control result because we have a C&S-raised, C&S-trained, C&S disciple running these banks. It results because the board of directors has the confidence, the respect, the other things that I previously referred to, of the Citizens & Southern National Bank and we, in turn, in them, and there is a great deal of interdependence to a great degree not present in a correspondent bank.

Q. So then the management control you are speaking of, the management you are referring to is the management of the correspondent associate bank? A. No, no. Certainly that is part of it. What I am saying is that they readily accept the new services that we develop; they readily accept our suggestions and recommendations. They want and find useful the credit examinations and the audits that we do, the reporting that we have put in. It's the working-together business relationship. We, the Citizens & Southern National Bank control the role that this bank plays in the economy, the role that, the effectiveness that—

we increase the effectiveness of this bank much beyond the point that they could possibly do for themselves alone.

Q. Is this management control the same **[631]** management control you had over a branch? A. Other than legal, yes.

Q. Can you fire a branch manager? A. Can I fire a branch manager today or when I was in branch supervision?

Q. Can Citizens & Southern National fire a branch manager? A. Yes.

Q. Can Citizens & Southern fire the president of the Bank of Sandy Springs? A. I think it's done in a different way. The end result is the same. You go to the board; you say, "Hey, we have got a real problem here, and a divorce has to be", and they have the trust and the other things that I have been talking to you about. I have never had any problems accomplishing this if it were necessary. It's pretty damn drastic.

Q. How long did it take you to get Mr. Cook out of Sandy Springs? A. I would say there was probably a period of maybe three weeks, thereabouts. I talked to each board member individually.

Q. In the same Federal Reserve hearing we were talking about earlier, on Page 27, Mr. Lane testified:

Let's take Sandy Springs again. We had a **[632]** Citizens & Southern man out there as president. He got in trouble. We went to that bank board and said, 'This buy (I'm sure it means boy) can't cut the mustard.' They wouldn't replace him.

We went back six months later to the board and said, 'This guy can't do it.' They said, 'No, he is a nice young guy. We aren't going to get rid of him.'

Mr. O'Connell stated: "Was this nice young guy your man?"

Mr. Lane: "Yes."

Mr. O'Connell: "You had him put in there?"

Mr. Lane: "Yes, sir, it was a year later that the board that had its own chairman, I guess the largest stockholder in the bank, he finally said, 'You all were right. Give us somebody else. We have got to get rid of Taylor Cook.' "

A. My recollection of the time span and Mr. Lane's at that time are obviously different. I don't recall it being that long.

Q. You also stated earlier you were expecting about this referral of customers back and forth from Citizens & Southern National Bank to the correspondent associates? **[633]** A. Yes, sir.

Q. I believe you stated something to the effect that you encouraged them to use the five-percent banks because you would rather see them go there than to Trust Company or First National? A. Certainly, if a matter of convenience, particularly.

Q. Well, isn't it a fair statement to say that this occurs because you would rather have five percent of something in form of stock and the correspondent business rather than ninety-five percent of nothing? A. I wouldn't put it that way. I think that what we were really looking at here is the ultimate merger of these two banks that were all one in the same family and we eventually would recapture that customer. It was a short-term, unselfish thing that would ultimately bring us return.

Q. Isn't it also true in your own mind that, as Mr. Lane testified yesterday, an important part of the correspondent associate relationship is the fact of expectation of merger? A. I would say yes.

Mr. Frisbie: No further questions.

Redirect Examination

By Mr. Hodgson

[634] Q. Mr. Starks, Mr. Frisbie was reading you out of the Federal Reserve transcript of April, 1968 and called your attention to some of your testimony to the effect that you were representing a lot of talent and a lot of ability, the presidents,

but are of limited years of service. We feel we give them this depth of service sitting on the board. Then he talked, I believe, about Mr. Parker and Mr. Harris and some others. Do you recall this question by Mr. O'Connell? Indeed, he included Mr. Fortuna in the illustration, I believe, and the answer by Mr. Fortuna to this end.

Mr. O'Connell: For instance, in your bank then, we are speaking of the Sandy Springs Bank, if at a point in time an analysis of the loan portfolio of that bank indicated that you are very heavy in a particular long-term type of loan, and, in the judgment of C and S, that that portfolio should have a major adjustment to short term loans, to more local type loans, to meet the local business needs, and that suggestion is made, Mr. Fortuna, could you say, no, I won't change, and feel free that that decision would stick?

Mr. Fortuna: I think the approach is having had the experience of twenty years, **[635]** seventeen years with the Citizens and Southern, and realizing that their experience is greater than mine. I would certainly listen to counsel and we would make the change because we would all benefit thereby, because Citizens & Southern has given me a long-range point of view. I'm going to go the long-range way.

Do you recall that testimony? A. Yes, sir, I believe I do.

Q. Mr. Starks, have the five-percenter banks in the Atlanta metropolitan area ever been under any other organization in the National Bank than branch supervision? Any other organization? A. No.

Q. Mr. Frisbie was asking you some questions about the distinction between these correspondent associates here and an ordinary correspondent relationship there. I would like for you to distinguish for the Court this relationship to the extent you see it in two particulars, first with respect to the degree of reliance that the management of an ordinary correspondent places upon you and the degree of reliance that a correspondent as-

sociate places upon you with respect to management. A. Well, I can't think of an instance unless **[636]** we were called upon to give up a man for, in an emergency period, where a correspondent would rely on us for management, other than to assist him with investments and that sort of thing.

Q. I ask you the question in reverse style and ask you with respect to responsibility for furnishing management from the point of view of yourself to compare that responsibility or sense of responsibility, to compare an ordinary corerspondent to a correspondent associate. A. From a branch supervision standpoint?

Q. Yes. A. None.

Q. You find no distinction between—— A. No, I misunderstood your question then.

Q. What distinction do you find with respect to responsibility to furnish management on to a correspondent, on the one hand, and to a correspondent associate on the other? A. Well, one, if we are asked to try to find somebody to help run a bank, if this is the point you are trying to make, and part of the correspondent, this is one thing. We have an obligation more than moral to furnish management for a five percenter or correspondent associate.

[637] Mr. Hodgson: No further questions.

Mr. Frisbie: We have no further questions, Your Honor.

Mr. Hodgson: We call Mr. Joe Hall.

Whereupon,

JOSEPH HALL

was called as a witness by and on behalf of the defendants and, having been first duly sworn, testified as follows:

Direct Examination

By Mr. Hodgson

Q. State your full name for the reporter, please, sir. A. Joseph Albert Hall, III.

Q. What is your position with the Citizens & Southern, Mr. Hall? A. First vice-president of the bank and president of C&S Holding Company.

Q. When did you become president of Citizens & Southern Holding Company? A. About two and a half years ago.

Q. Before that, what was your position with the Holding Company? A. Well, last twenty, thirty years, I guess I had been—started out as assistant secretary-treasurer of **[638]** the Holding Company, and then secretary and treasurer, and vice-president, executive vice-president and president connected with the Holding Company, with the Holding Company as well as the comptroller operations in the bank.

Q. Have you been entirely in those two offices throughout your entire banking? A. Just about.

Q. And you have been there at least since before 1959; is that right, Mr. Hall? A. 1935.

Q. Let's start, Mr. Hall, with respect to some of these banks and the beginnings of their relationships with Citizens & Southern National and the Holding Company and ask you to add whatever you think you can to the development of these relationships as to what they were; and let's start with the bank out at Stone Mountain first.

Tell the Court what you know of it. A. Well, where I got in on it was with a group from Stone Mountain came to us and said that they were in trouble. This was in 1959. This was a bank that had been formed about two years previously. I didn't really have any direct knowledge of the formation of the bank beyond the fact that they asked us in the **[639]** comptroller's department to see if they could find them a vault door, I believe it was. **[640]** But in '59 they came to us and said they were in trouble. The bank was making money but losing some credit, so Mr. Lane suggested to them that the C&S Holding Company take a five-percent interest in it and suggested I go to the board and try to get somebody out there to take over the branch, since the main problem at that time was credit losses. Since this was a consumer-oriented area, we picked the man most experienced in our bank in that area of consumer loans, and we asked him if he would go there. After we solved the credit problem, the bank turned around. It was simply a thing of stop losing money from credit losses.

Q. Who was the officer who went out there at that time? A. Walter Gibson.

Q. What did you do next with that bank? A. Well, I worked with the directors from time to time.

Q. Did you go on the board in '69? A. I went on the board in '59. I tried to sell them on the things that I thought were right for the bank. It got to the point where I felt it would be better if we had two C&S voices on the board instead of just one. I asked Howard if he would join me, and **[641]** I asked if they would accept both of us, and we both continued to serve as directors and did so until—I forget which one of the regulatory agencies raised the question about a regulation, whether or not we were in violation of that regulation what had to do with not being officers or directors or employees of a member bank if the two are in a contiguous area. I believe the Feds here in Atlanta interpreted that we

were now related, and we simply resigned. I believe that was in connection with the hearing we had in '68. When that took place, it was sort of a by-product of the hearing.

Q. Mr. Hall, what was your and Mr. Stark's relationship with these board members at Stone Mountain, how did you get along? A. Well, I thought we got along with them pretty well. Apparently we didn't, apparently we didn't do the job we should have done because when we talked about whether they wanted to join us permanently, they turned us down. Apparently they had found somebody else, and we just parted company.

Q. Let me ask you this: do you sit on the board as a director or as an advsor to the directors through the Atlanta area on the five-percent banks? A. Yes, the Fayetteville, Tucker, I don't know, **[642]** several others, and some throughout the state, as I recall.

Q. How would you compare the relationship that exists between yourself and those boards and those various banks and Tucker? A. Well, in Stone Mountain the directors were not picked by us. In Tucker, for example, as were most of the directors in the other banks, they were C&S-oriented directors. At Stone Mountain they were C&S-oriented. They were more —I think most of them had connections with other banks that were closer than any connections they had with us. The only reason I think they came to us was because of Mr. Lane. My recollection is most of them dealt with the Fulton Bank out in Decatur because we did not have any. We did not have any in Fulton out there when they probably started in the banking business. I think probably at the beginning of their business, Fulton was the closest bank.

Q. How did the stock ownership at the Stone Mountain Bank compare in stock ownership in the other five-percent banks in the Atlanta area? A. Well, in the Stone Mountain Bank it seemed to me the profit-sharing owned five percent, and

the Holding Company owned five percent. It seemed the **[643]** shares of stock were bought from Sonny Kellogg. I know when I went on the board I got one hundred shares from Mr. Horne. He was an Atlanta man, not from Stone Mountain. All throughout the period we were involved with them, we had trouble getting stock whenever anybody came in. When Howard or Walter Gibson came, it was a fight to get stock because nobody wanted to give it to us.

Q. How does this compare with the stock ownership in the other five percenters? A. We never had that problem. Probably in most other instances we were able to allocate the stock out and it went to enough C&S people so there was no problem of a new man coming in and getting stock for him. Maybe somebody was leaving or was in some way connected with the C&S in some way.

Q. Mr. Hall, I hand you some sheets which are sheets that have been marked in this case and identified as Defendant's Exhibit 269, with the exception of one sheet which I will hand to the clerk for inclusion, and I believe that's been identified as 334. Mr. Hall, these purport to be sheets analyzing stock ownership in these various five-percent banks, and I am going to ask you to look at the last column there and identify the percentage of the stock owned by the various categories. **[644]** And let's just start with the Park National Bank and ask you the percentage owned by the officers, directors and employees of the National Bank and affiliates. A. 18.31%. And the officers, directors and employees of the C&S Park National, 31.34.

Q. And the total of those two is approximately how much? A. 49%.

Q. And the customers of the National affiliates? A. 38.71.

Q. And the customers of Park National and the other five percenters? A. 10.7.

Q. Do you have knowledge of whether or not a significant number of these customer stockholders were stockholders who were solicited by Hazelrig? A. I believe so. My recollection is that we made a survey of all of the stockholders and asked how many of them expected to merge when they bought the stock, and I believe we got back, as I recall, something like a 98% reply. So these were people who were solicited by Bob Hazelrig and his group, and that is how the stock was sold.

Q. Turning then to Chamblee, looking at the second page, the last column, I will ask you the same **[645]** question as to the officers, directors and employees of the National Bank and affiliates. A. 12.56.

Q. And then officers, directors and employees of C&S Chamblee and other banks? A. 16.64.

Q. And the rough total of those two? A. 29%.

Q. Would you say of the C&S affiliates, 29.4, and the customers of Chamblee and the other five percenters? A. 41.40.

Q. We referred a moment ago to a survey that was taken with the shareholders with respect to obtaining a consent or a desire to merge. What is your recollection of the results of it there at Chamblee? A. My recollection is that in all but five or six instances, they were in favor; this was something in excess of 95% of the people said that was the original intention, that it would ultimately be merged. When they voted on the merger, I don't think there were more than one or two individuals who didn't vote in favor of it.

[646] Q. These figures were exhibits which were submitted to the application to merge; is that right? A. Right.

Q. Turning then to Tucker, Mr. Hall, I ask you to look at the last column, which is December 31 of 1970, officers, directors, employees of the National Bank and affiliates. A. 41.48.

Q. Former officers, directors and employees of the National Bank and affiliates. A. 6.51.

Q. Officers, directors, employees of the Citizens & Southern of Tucker and other five-percent banks. A. 9.97.

Q. What is the rough total of those three? I wouldn't ask you if you had not been a comptroller. A. About 58%.

Q. Customers of National Bank and affiliates. A. 4.72.

Q. Customers of Tucker and others, five-percent banks. A. 37.32.

Q. Who was instrumental in placing these shares of stock, Mr. Hall? A. Bennett Brown, Mills Lane, Joe Hall.

[647] Q. Turn now to North Fulton Bank, Citizens & Southern North Fulton Bank at Roswell, and I ask you in the last column, which is the second page, June 30th of 1970, Category A, officers, directors and employees of the National Bank and affiliates. A. 17.82.

Q. Former officers, directors and employees of National and affiliates. A. 2.63.

Q. Officers, directors and employees of North Fulton and other five percenters. A. 25.36.

Q. What is the rough total of those three? A. 45.

Q. Customers of Citizens & Southern National and affiliates. A. 49.48.

Q. And customers of North Fulton and other five percenters. A. 4.73.

Q. Look at Sandy Springs next, which is much longer. I believe you have to go to the second page, officers, directors and employees of National and affiliates. A. 1971?

[648] Q. Yes, sir. A. Well, 10.7.

Q. Former officers, directors and employees. A. 13.1.

Q. Officers, directors and employees of Sandy Springs and other five-percent banks. A. 28.1.

Q. What is the rough total? A. 51.52%

Q. Then customers of National and affiliates? A. 24.3.

Q. And customers of Sandy Springs and other five percenters? A. 23.7.

Q. And then our most recent baby, South DeKalb, officers, directors and employees of National and affiliates. A. 46%.

Q. Former officers, directors and employees of National and affiliates. A. 2%.

Q. Officers, directors and employees of South DeKalb and other banks, five percent. A. 18%

Q. Rough total of those? [649] A. 66%.

Q. Customers of C&S National and affiliates. A. 14%.

Q. And at South DeKalb and other five percent? A. 40%.

Q. Mr. Clerk, would it be easier if these stayed all together or just the one sheet?

The Clerk: The one sheet, please.

Q. And I believe that was Fulton—National. We have talked then about Stone Mountain and its share ownership. Let's turn to the next one in chronology, Mr. Hall, Sandy Springs.

What was your direct part in the organization and operation of that bank? A. Well, working in the comptroller's department, we were responsible for the physical location, insurance, those kind—audit control, those kinds of things, and so I worked, or some of my people worked with Tommy Cook in locating the branch, remodeling the store that we decided on renting. We worked with getting insurance for them. We did about the same things we had done several years previously when the Citizens & Southern Holding Company had organized

a bank over in Augusta. We did basically the same things with them we had done there.

[650] Q. Incidentally, talking about the bank over in Augusta, whatever happened to it? A. I'm talking about the Augusta National Bank, which was ultimately merged into C&S National Bank.

Q. When was that? A. Oh, I can't remember, really. It's been——

Q. Been within the last fifteen years? A. I believe so.

Q. How were the shareholders and directors at Sandy Springs determined? A. Mainly the impression I got was that they were picked by Mr. Lane. I can tell from the list of them that they were his business associates or personal friends.

Q. Have you anything that you could offer with respect or additionally to what Mr. Lane and Mr. Starks have testified about the severe credit loss that occurred out there and resulting possible capital impairment? A. No, it's rather vague in my mind. The only thing that I think I could add is the fact that there was some question about why there wasn't a credit examination out there. I'm not sure it wasn't or not, but I do know this, that there is a requirement under law that the directors have to conduct what is called a directors' examination. This consists of a **[651]** verification of the assets and liabilities of the bank. It has nothing to do with an appraisal of the assets. Credit review is an appraisal, and while we now make credit reviews, we didn't at that time, and one of the main reasons was because we were not—it was not a requirement, as far as directors of Sandy Springs were concerned.

We were giving them the things that we thought they should have, plus the things they were required to have, and we subsequently found out that we needed to give them all credit reviews, and we do that now.

Q. This was not the time of change of relationship of any kind? A. No.

Q. The relationship had been the same from the beginning as it is today? A. Except that we give them more services now because as we find that they have needs, we try to fill the needs and the same thing would go with our own branches. But we find that we need the credit reviews, and we put them in our own branches. As experience of the people changes, why we have to put more or less control on them.

Q. What was your direct experience and what is your present recollection of the beginning of Chamblee? **[652]** A. Well, there was a gentleman by the name of Les Bailey who was chief national bank examiner here in Atlanta, which is the same thing that's now called Regional Administrator of National Banks. He had come from California. He was a branch-banking man. He was a very outspoken person. He would always chide us about why we didn't do something about the branch-banking laws, why we didn't do something about fulfilling the needs of the people in the area outside of Atlanta, and he is the guy who told us he thought that maybe a branch or bank in Chamblee would be a good idea. And also he mentioned the Belvedere area. In fact, at Chamblee, he said that he thought that would be a good place for the C&S to go. The only way we could go was with a five-percent interest.

We took his advice; we went along with his advice, and we got together with this group at Chamblee. We got together also in a group at Belvedere. Unfortunately, the gentleman passed away before he could approve the application, so that when the applications were submitted to the Comptroller of the Currency, they turned down the branch.

Q. Of Chamblee? A. Of Chamblee; turned down completely the one at Belvedere. But we did get the bank at Chamblee and **[653]** about—I don't know, two years, year or two years later, we got permission from the Comptroller of the Currency to open

a branch of the Chamblee Bank on Buford Highway as he, as Les Bailey has originally predicted was the thing to do. The Belvedere location, it was some four or five years afterwards.

[654] Q. I will come to the Belvedere later. I am taking these chronologically and I am trying to keep them in sequence. With respect to Chamblee, Mr. Hall, what recollections do you have on the comptroller's office with respect to buying and warehousing land for a premises there? A. I remember working with Hubert L. Harris. He went out there to pick a temporary location. We rented a storefront, I believe on Peachtree Road. It runs along the side of the railroad tracks. It seems like we got a teller counter from some of our old banks somewhere and fixed this thing up temporarily. I thought we did a pretty good job, and inexpensively. We began to look for a permanent location, and we ultimately decided upon Peachtree Industrial Boulevard.

Hubert came back to us and said we needed a little more space, and we talked to the people who owned the property next to it to see if we could use part of it. We bought it and added it to what the Chamblee branch originally needed and held the rest of it, which was ultimately disposed of with the approval of the Chamblee bank.

The C&S Holding Company bought the original land and held it for the Chamblee bank. They then held onto the unoccupied portion until a purchaser was found who was acceptable to the Chamblee bank, **[655]** and we sold to that purchaser.

Q. What recollection do you have with respect to underwriting salaries at Chamblee? A. We paid Hubert Harris for six or eight months for two reasons. One to help get the bank on its feet and, secondly, because we had to get the bank's profit-sharing plans formally approved. We didn't want to lose any continuity to the profit-sharing, and it was easier to keep him on the bank payroll.

Q. What is your recollection of how the Tucker relationship came about? A. Well, Tucker was a place that needed a bank. For a long time, Cofer had a bank out there which was being operated really as an adjunct to his lumber supply business. I remember going out to Stone Mountain as a director and would go by Belvedere and my mouth would water. That was going to Stone Mountain. And on the way back, I would go through Tucker and my mouth would water going through Tucker. These were two areas that needed a progressive bank.

Somebody else obviously felt that way, too, because another group got together in Tucker and made an application for a bank charter. Mr. Cofer realized he wasn't going to be able to compete with them; he either had to give up his lumber supply business or **[656]** give up the banking business or get somebody to run the bank. He decided on the third, and he came to Mr. Lane and asked him if we would be interested in trying to run the bank. He didn't think his company could compete with the new bank.

Of course we accepted, and we bought 80% of the stock and put it in the hands of the C&S officers, directors and employees. We changed the directors, and I think we named three or four new directors to the board. Bennett Brown was with the board as a representative of the C&S Bank, and again, later, when Bennett left to go to Augusta, I went to the board. And it's been a very good relationship. I think it has grown from $3,000,000 to now where it is a $35,000,000 bank.

Q. Did you warehouse any land for this bank? A. Yes, when we were discussing acquisition with the Superintendent of Banks, we talked about the area that looked like to him might be a good place for a branch. I went along with Bennett to look at it with him and I thought after I saw it the first time that he had bought a pig in a poke, because it was the biggest hole I ever saw in my life. We had already bought it, and I think it was about two and one-tenth miles from the main office of

Tucker, and the law only **[657]** allows you to go two miles. But, fortunately, they put the expressway right in there at the two-mile mark, so the Superintendent of Banking allowed us to technically exceed the law by about one or two-tenths of a mile. We bought it and held it in the Holding Company until they were ready to put the branch in.

Q. Did you help Tucker with respect to any of its capital needs? A. It seems we in the comptroller department worked with any of the five-percent banks with respect to capital problems. We would counsel them as to what we thought was the best, a straight note, a convertible or a debenture or straight capital. I believe that we got a debenture out there in Tucker.

Q. Okay, now let's go to Belvedere. What is your recollection of that? A. In about 66, it seems to me, we came back and got a group of people together, men, and made application for a bank there at the corner of Columbia Road and Memorial Drive.

This time we went to the Superintendent of Banks and we got a favorable reaction from him and we were able to open that bank on the corner. My recollection is Celeste Dupree and Bill Jones worked on picking the directors and stockholders. We operated **[658]** in that location for quite some time, and then after that I believe we moved maybe a block or so away because it really was very congested. It was not the best location. While it was very visible, it was not the best in the world for getting into and out of, and as it got bigger and subsequently merged, I think was sort of really an important point to us. We maybe misread the sign, but this was a bank that asked to be merged, I believe it was in '70 or '69, and we asked that it be allowed to be merged in with the bank.

They asked for an opinion letter from another agency and the Justice Department. The Justice Department, I don't know what the exact words were; it's somewhere in one of these exhibits. The Justice Department felt this was no more than a

corporate reorganization; that this had been a branch bank, that there was no difference between this and a branch bank, and therefore there should be no lessening of competition.

We bought this bank and operated it as the rest of the five. We thought what we had done was right and that we would be able to merge. That is why we took an active interest in getting the bank, because we felt the position was that these banks could be merged.

[659 thru 662] Q. You did not make the effort with the other five percent banks in 1969 that you did make in '71? A. We did not merge them at that time. The only reason we could merge Belvedere at that time was because of a change in the definition of a village, as far as the state banking law was concerned. By the change of definition, we were able to bring in the banks in Avondale and the Belvedere bank, which was defined as a village. Therefore one could be the branch of it.

Mr. Hodgson: Judge, I have finished a section of the testimony related to these. There are some general matters I wish to cover with the witness which will take maybe fifteen to twenty minutes, so now might be a good time to break for lunch.

The Court: We will now recess for lunch and resume at 1:45 p.m.

(Whereupon a lunch recess was had.)

[663] **Direct Examination** (continued)

By Mr. Hodgson

Q. Mr. Hall, will you resume the stand, sir.

Mr. Hall, can you tell the Court what steps were taken, what activities were engaged in to keep the various banking regulators informed of what was going on? A. Most of these banks were, that we were involved with, I guess, right now are state non-member banks and as such, there is a provision in, I be-

lieve, in the law or maybe it is one of the Superintendent of Banks' regulations, I believe it's FDIC regulations, that you have to keep them informed of changes in ownership. Of course, on a new bank, they know all about it.

We talk to them quite frequently, the Superintendent of Ba[illegible], the FDIC, Federal Reserve, the Comptroller of the Currency. I think every one of them will tell you that they are thoroughly familiar with the operations of all our five percenters.

Q. You say you keep in touch, tell the Court, if you don't mind, how you keep in touch with the Commissioner of Banking and Finance, who was formerly known as the Superintendent of Banks, State of Georgia. A. Well——

Q. As a routine matter. A. I would guess that we call on them once every **[664]** couple of weeks, that I remember an instance within the past two years where he asked us if we would not, if we would ask the people in the five per cent banks to stop coming to see him, that he was tired of listening to their stories as to what they wanted to do when he felt that we could tell them things that would be helpful without—that would be questions in his mind without having to send them back. And we told everybody at that time and every one of the associate correspondents that we would appreciate it if they would not contact the Superintendent of Banks any more about any matters without talking with either me or Rountree's Youmans. It was just a matter of him not wanting to repeat something to every one of them on every application. For example, if they wanted to get in a real estate holding company, there were certain things that he knew that had to be done. He told me, he told Rountree he didn't want to have to tell ten others the same thing. He would rather that they would come to us and let us tell them.

[665] Q. Now, when you say "he", to whom are you referring? A. Mr. Jackson at that time.

Q. Mr. W.A.M. Jackson? A. Right.

Q. Then superintendent of banks? A. Right.

Q. You said you would make calls every few weeks; did you ever otherwise contact Mr. Jackson? A. Oh, yeah.

Q. On what, for what sorts of—— A. Well, anytime anything would come up about five-percent banks or our bank or our affiliates that was under his jurisdiction, why, we would call him.

Q. How about the regional administrator for the controller of the currency, formerly the chief bank examiner, the same sort of relationship or not? A. Oh, yes. Of course, there weren't as many in the banks that were National banks. I think the only one that was involved here was Park National. And, of course, anything that was involving it, one of us talked to Joe Ream or John Gwinn or Les Bailey, depending upon the particular time.

Q. How about with the Federal Reserve Bank and Federal Reserve System? A. Of course, we, as you know, had an extensive **[666]** hearing at the Fed, and that thing went on for a period of about two years. It started in 19—I believe it was at the tail end of 1966, one of the things that we are required by law to do is to make an annual report. Every holding company, every registered bank holding company is required to make an annual report to the Federal Reserve Board, and it was at that—in 1966, in our report, one of the requirements of the report is to list the loans, and there were a number of loans in there listed in various individuals' names as agents. And they asked us what these agents were, and I remember telling them that this is just a separate designation of the individual, separate and apart from himself; that we just did this to facilitate the brokerage of the stock, where we might acquire the stock in a bank and then parcel it out to other people. The sellers usually wanted their money right away, and it sometimes was impossible to get the money from the ultimate buyers immediately. Usually—or not—I don't guess "usually" is the

right word either. Frequently we were able to close these things out in a matter of months. There were one or two instances where the stock was held by the holding company in an agent's name for a period in excess of a year. They wanted to know if we felt like that through these agencies we controlled the [667] banks. I told them that is a question that they would have to answer, but in my opinion, good management controls every bank, because management always sends out, in a bank, proxies to their annual meeting, and I believe in most of the cases 95% of the stock is set—is voted on by proxy, and proxy has been—the attorneys have been named by the management, and, as a result, management, in effect, controls that bank. I said I can't tell you whether this is control or not. You will have to decide it. But, as far as I'm concerned, when you go down to the bank in——

Q. Take—— A. Tucker.

Q. Take Tucker. A. That the president will send out to the stockholders proxies, and the stockholders will execute them and send them back. At the time of the annual meeting, he will have proxies for maybe 95 to 98% of the stock, and as a result he, in effect, through this is able to control the election of the board of directors and, through that, to control the bank.

Q. Now, whether or not that is the control that they talk about in the Bank Holding Company Act, I am not qualified to answer, and I don't think—it doesn't seem to me like they have ever answered it either.

[668] Q. Well, proceeding with this hearing you were speaking of, when they found the shareholdings and the names of individuals as agents, what happened as a consequence? A. Well, we finally—they asked us to come to Washington. They asked us to give them a lot of information, which we gave them. We went to Washington and spent a day there with the Federal Reserve Board. Invitations to the hearing were extended to the Federal Deposit Insurance Corporation, the Controller of

the Currency, the Justice Department and, of course, the Fed was there itself. I think everybody had a representative present except the Controller of the Currency. I don't know why he didn't—didn't accept the invitation.

We spent the best part of a day talking with members of the Federal Reserve staff, and went over in detail the relationship of the C&S National Bank and the C&S Holding Company to these banks in which we had a five-percent interest. As a result of the hearings, they concluded that they did not—or we were not in violation of the Bank Holding Company Act. They asked us, in going ahead, that when we acquired—when we had these similar situations to develop, what usually happened was that a bank would get to the **[669]** position of where their executive officer was maybe sixty-five, seventy, seventy-five years old, and they needed a replacement. One of the hardest things in the world for a small bank to do is keep people, so that when the senior officer leaves they have an adequate replacement. And about the easiest way I can explain it is, in a big organization you will have maybe twenty steps between the salary of, let's say, $10,000 and $40,000. The ten thousand being the lower officer and the forty thousand the top of the—the president of the bank. Whereas, in a small bank, you might not have but five steps, and it is very difficult for the small bank to keep, to get and retain qualified replacements because the guy that is in the No. 2 spot can move somewhere else and get a better paying job, and so he does.

Consequently, many banks, many small banks come up to the situation where they don't have a replacement for their senior officer, and this is the—these are the instances in which the banks throughout Georgia have come to us and asked us if we would supply it. **[670]** When we did that, we always made an offer to acquire five per cent of a stock and then to place any other stock, any other stockholders that wanted to dispose of, we would, in effect, guarantee that we would place it somewhere.

Q. At as good a price? A. We always offered everybody the same price. This is another one of the things that wherever we did this, we were sure that every stockholder was offered the same per share of sale, that they would place it somewhere. What we had been doing previously, previous to our meeting in Washington was to make a loan in the Holding Company to somebody as agent and then as the stock was sold out, it would be credited on that note. They asked us to stop this. They asked us to go to—in the future, so through some kind of a stock broker if we had to hold the stock more than overnight. They asked us also to report any of these instances as they occurred.

Q. Did you do so? A. We did so, yes. We had, as a result of whenever we did become in one of these situations, we would always notify them just by letter saying that such and such a bank asked us to do such and such. We were going to acquire so much stock and so forth, so on. It was also at this meeting that, well, one of the results of this is, I always felt and actually, the counsel, Federal Reserve **[671]** expressed to me, he felt like we had control. Of course, control is—I use that word very hesitatingly because it means so many different things. He had expressed the opinion that we probably controlled these banks although we were probably not in violation of the Federal Bank Holding Company laws dealing with control. As a result, he asked Congress to include in the Bank Holding Company Act a provision where a situation like this, that the bank would be deemed to be controlled by the holding company, and this is the way I look at our associate correspondents now.

Q. How do you look at them as being controlled or not controlled? A. As being controlled within the definition of the Bank Holding Company Act. We do not control the stock or voting of the stock, but as I see it, one of the provisions—one of the provisions about it is that if a holding company exercises substantial influence over the management of the bank,

it, I think it says, it's deemed to be under the control of the bank and should be classified as a subsidiary. This is one of the things that I say is one of the distinguishing characteristics of an associate correspondent. It's one of the banks that would be classified as a subsidiary under the Bank Holding Company Act.

Q. Mr. Hall, going back to your keeping the [672] regulators informed, you got into at this Federal Reserve hearing. What was the final result of that hearing? A. Well, as I say, they said everything we were doing was all right as far as the Bank Holding Company Act was concerned. There were no violations. They asked us, though, going ahead, to do certain things to handle any future acquisitions through a broker. Two, there was a few stocks they asked us to dispose of which really had nothing to do with the hearing. It was just a by-product.

Q. Do you recall whether or not at the outset when Mr. O'Connell, who was, I guess, he was then Deputy General Counsel with the Federal—— A. Right.

Q. ——before Mr. Heckstall left, do you recall his mentioning anything about the commercial and savings merger in connection with the hearing? A. I think that there were a number, probably a number of reasons why they called—had the hearing. One was the question that came up as a result of our listing the loans in the annual report. The other is that commercial and savings bank merger in Augusta, as I recall, one of the parties, maybe it was the Justice Department, had cited the Federal Reserve on whether or not they had enforced the Bank Holding Company Act. Maybe we were in violation of the Bank Holding Company Act, when we originally [673] acquired the interest in Commercial Savings Bank in Augusta.

Q. Was that bank eventually merged? A. It did merge, yes, we merged it with Citizens & Southern National Bank in, I believe it was 1968. I believe that's right.

Q. Without any problems? A. No, no problems. No.

Q. Mr. Hall, in addition to routine calls and keeping in touch, you might say, with the various regulators, I presume you also kept counsel advised of what was going on, general counsel? A. Oh, yes.

Q. Legal counsel. A. Yes.

Q. Let me ask you some opinioned questions, Mr. Hall. From your experience in this position, how would you compare a definition in the Citizens & Southern Bank and system, the relation between that bank and an ordinary correspondent in relationship with one of these banks you call a correspondent or associate correspondent? A. Well, I say that there are three classifications. The easiest, simplest way for me to say it is that there are three different groups of banks. There is a correspondent bank, there is a super-correspondent bank and there is an [674] associate correspondent. Now the correspondent is a regular bank, just a regular correspondent, just like everybody else everywhere has. The ones I call super-correspondents are ones that get these extra services that we offer them, but which we do not feel will, which have not committed themselves to being interested in merging with us at some later date. And the correspondent, associate correspondents are the ones that receive all the services and we have also got some kind of understanding with them that if the law ever allows it, they will merge into the Citizens & Southern group, if possible. So, it's really fairly simple in my mind because that puts in the classification of super-correspondent banks like Woodstock and Cartersville and Fayetteville and Seynoia, some of the places where there is a single large block of stockholders and who have not expressed a wish to become a part of the C&S Bank at some point in the future.

Q. Now you have mentioned two elements then. One is mutual intention, if possible, to merge? A. Yes.

Q. Another related to another block of stock? A. Yes, as far as correspondent associates are concerned, I believe there are

four elements that seem to me to be present. Number one, there has to be a small, no large block of stock that's held by any one individual **[675]** or group of individuals. The large stock has to be owned by the Citizens & Southern Holding Company, which is 5%.

Then there has to be an understanding that if and when it is, becomes possible, that this bank will merge into the Citizens & Southern family bank, then there has to be a determination, there has to be—there has to be a bank which would qualify as a subsidiary under the Bank Holding Company Act. Let's see, there's one other, I can't think of it right now.

Those are, it's got to be classified as a subsidiary. It's got to be a bank that will merge with us. It's also got to be a bank which understands that we are responsible for its management, subject to the veto of the Board of Directors. I think those are the four things.

Q. Do you have an opinion as to whether or not Citizens & Southern National Bank or Holding Company, or both, have working control over the management and policies of these five banks? A. In my opinion they do.

Q. In your opinion, is it exercised? A. It is.

Q. Is it accepted? A. It is.

Q. How do you compare that with control, working control over the management and policies of the bank at **[676]** Stone Mountain? A. Well, there was a lot more hesitancy and a lot more delay, for example, they had a capital problem out at Stone Mountain. We talked to them about what we thought was the best thing for them. They just insisted that they didn't want to go twenty-five years on a debenture. They wanted a five year debenture. I never could convince them that it was to their advantage to go ahead and take a twenty-five year one.

When we did the same with Tucker, we had no problem at all. They immediately accepted exactly what we recommended. I

think the way the name got on at that bank, Mr. Lane explained it yesterday, Mr. Cofer insisted that he be allowed to put the name Citizens & Southern on the Bank of Tucker. When they did, I informed the Board of Directors of the Bank of Stone Mountain that Tucker was going to change its name to Citizens & Southern Bank of Tucker and told them I wanted them to know before it happened, that if they wanted to use the name and they were willing to do so, we were willing to do so. By, I believe it was six months to a year later when they came back to us, they said, we would like to use the name. We said, "Okay, you can use it." Again, it was something they took their own time about doing.

[677] A. (Continued) When we had to move the—when we outgrew the quarters, the rented quarters in which we were located in the city of Stone Mountain, our research department made a study, survey of the Stone Mountain area, and decided on one particular geographic location which we thought was the best one for a bank. We recommended to them that they put the new bank on that spot. They did not choose to accept our recommendations and put it on another lot somewhere else. But it was all—I mean these are just three examples. Ultimately, they did most of the things, but it was always much slower and some of the advice we gave them was not even accepted, not that there was any hard feelings, as there wasn't, and, in fact, when they finally said that they didn't want to merge in with our bank, we went—I went back to the board and told them, if this is what they didn't want to do, it was perfectly agreeable with us to leave the situation just exactly like it was then.

We would continue the five-percent relationship as we had operated over the last, at that time I guess it was the last ten or eleven years, but apparently they had already committed themselves to some other course of action.

Q. Mr. Hall, there was some conversation [678] yesterday with Mr. Lane in which the question was asked, and I believe I

may have asked the question in another way, why would you assume this responsibility toward these little things and take only five percent of the stock? A. Well, Howard——

Q. Well, let me ask you an obvious question, if I may, first. Why didn't you take more than five percent? A. We weren't allowed to.

Q. By law? A. That's right, except in the instance of—I believe in the instance of Sandy Springs, and at that time I believe the law was fifteen percent. However, at that time there was an indirect control provision in the law that said that officers, directors and their wives, ownership by officers, directors and their wives, would be attributed to the company and, as a result, our counsel, your associate, Mr. Henry Miller, told us that none of us could buy any stock in the bank at Sandy Springs. So the stock that we own in Sandy Springs now has all been acquired subsequent to the change in the law, and which occurred in 1960.

Q. Why did you take any stock at all? Why **[679]** didn't you just have the relationship without the stock? A. Well, I think there were—to my way of thinking, several reasons, the main ones being that as long as nobody else had any substantial block of stock, that made us the biggest stockholder. We were able to buy five percent of the bank in the Holding Company and five percent of the bank was acquired by the Citizens & Southern Profit-Sharing Fund, because they were also excellent investments. This meant that there was ten percent of the bank that was controlled in—effectively by us, according to the Bank Holding Company definition. Because, they subsequently attributed ownership by a trustee for the benefit of the employees to be ownership by the company itself. So we had effectively a ten-percent interest in it, and therefore we are the largest stockholder, by far, in the bank.

In addition to that, I think it said to the other people who were investing, "Look, the C&S is willing to put its money

down here." And it was just an example, an illustration that we were willing to risk our money if anybody else wanted—else wanted to, they at least knew that we were risking ours also.

Now, those are the two things that I say why we—sure, I think technically we could get—we could **[680]** have accomplished everything without even having a five-percent interest. I mean the pension plan could have been written that way and everything else could have, but I think these two things were reasonably important.

Q. Was there a separate and independent block of stock at Stone Mountain? A. There was. The McCurdy family, and you can attribute anywhere from thirty—I don't know, thirty to fifty percent of the bank being in the hands of——

Q. You spoke in terms of Tucker, of putting stock—in placing stock among employees and officers and so on as investments. What is the importance of friendly stockholders to you under these circumstances? A. Well, I think it is two-fold. It is a two-way street. It is really a good investment to them. I think, like Mr. Lane said yesterday about you could put a bank almost anywhere and make money, at least over the last ten or fifteen years, and that therefore we were giving the purchasers an opportunity to make a good investment. From the standpoint of the bank, it meant that your stockholders were people who knew you, who knew about you, who knew the way you did things and who approved of the way you did things. So, it just made for a more harmonious operation; that's all.

[681] Q. In your belief, does it help in the view you have of having control of these—having control of the management and policies of these banks that stock is in, as you put it, friendly hands there? A. Oh, yeah.

Q. How do you justify or would you even justify what Mr. Lane testified to yesterday and Mr. Starks this morning, that you would feel quite comfortable in recommending that a cus-

tomer of yours, for his convenience, go to a bank in which your holding company held only a five-percent share interest? A. Well, I think what Howard says is right, that we want to do what is the best thing for our customer, that actually we get more than five percent of the net profit because we also get a relationship that is certainly not unprofitable. We are getting the account of the bank, and it depends upon how much money they carry with us. It is more or less lucrative. So we really get more than five percent out of any five-percent bank.

Of course, I think all of these arrangements, these de novo associate correspondent banks, were all started with the thought in mind that they would some day be either wholly-owned subsidiaries or branches as a result of a merger.

[682] Q. How would you feel, if you can project your mind to such a circumstance, and this is just an opinion and an hypothetical situation, how would you feel that your relationship would be or that your actions would result if no merger approval or effort to merge these banks had been made at all? Would your relationship be continuing or would it not? A. Well, that would have to be—that would be a two-way thing, because it would have to be a bilateral agreement, bilateral decision. Both sides would have to agree. But from our sides, I think we could say that we would continue it, and I think the evidence of the answer is what we told them at Stone Mountain. We would be willing to leave the thing just like it is. We don't try to merge it, just go ahead with a five-percent relationship. They didn't accept—didn't decide to accept that, but that was our offer or our position I think has already been demonstrated, that we would just go along just like—like it had been. But I must say that seems to me to be an impossible situation, because I don't think there was ever any thought in mind of operating that way permanently. We just felt that the minute it was possible to do so, the banks would be merged in some way, consolidated or something.

[683] Q. When you include blocks of stock in your definition of correspondent associate, you are talking about blocks of stock and the importance of your five percent, none being greater than yours. Where do you place the president of these banks in that computation? A. The guys that were brought up by us, and if we want him I would say that he would stay with us, and therefore I would say he would be just as much on our —in our group as would my stock.

Mr. Hodgson: No further questions, Your Honor.

Cross-Examination

By Mr. Sims

Q. Mr. Hall, some of the questions I ask you might appear to have been asked before, but I am just trying to clear up a few areas. First of all, I would like to make clear—you said you had been with the C&S Holding Company for twenty or thirty years? A. Well, that's right.

Q. Is that correct? Is that since the time C&S Holding Company was established? A. No, the C&S Holding Company was organized in 1928. Actually it was originally started—I think there was a capital subscription as to the bank and [684] $400,000 of it was allocated to the formation of the Holding Company, and the stock of which was held in trust for the benefit of the shareholders of the bank. Then here, oh, some ten or fifteen years ago, that stock was distributed by the shareholders to the bank, so the bank actually owns the Holding Company, and it is one of the few arrangements in the country like that.

Q. All right. Now, you have been—have you been with any other banks other than C&S? A. No, sir.

Q. All your banking life has been with C&S? A. Been real lucky.

Q. Have you been—would you describe your activities with C&S in relation to the establishment of the correspondent associates, the acquisition of five-percent interest in various banks throughout the state, the attempts up to the present day to merge, some of which have been successful in the past? Could I assume that you have been involved in those activities right along? A. Well, involved, or knew about what was going on?

Q. Would it be not fair—would it be fair to describe your role as a supervisory or coordinating role in that effort? **[685]** A. In some areas. We all work together in the C&S Bank and I think that is one of our—the secrets of our—what little success we have had, is that everybody does anything they want to, and everybody gets in everybody else's way, and we are all interested in doing the job, which is supplying the best type of banking service we can supply to the State of Georgia.

Q. Based on your experience in banking, Mr. Hall, who are the policymakers in the bank? A. Mills Lane.

Q. No, no, not just the C&S Bank, in a bank, who are the policymakers in terms of roles, officers, directors? A. It all depends on the way a bank is run, as I see it. And it all depends on whether the directors are groups who are sitting there to veto the actions of the management or whether they are a group who actually run the bank. In all of our banks, and in any bank that we have anything to do with, we have a very positive understanding that we know more about running a bank than the directors do. And that if you don't want to do it this way, well, let's don't get together; let's stay apart. But if you want us to help you with the bank, you have got to understand that we believe that we know how to run a bank. Just like, and it is **[686]** a very simple thing to explain to a director, because you say to the man who runs a drugstore, "We know nothing about nothing about running a drugstore, so you run the drugstore". You know nothing about running the bank, so we run the bank. You don't like the way we run the bank, you tell us and we will get out.

[687] Q. Okay. Now taking Citizens & Southern National Bank as an example, and would you say the policymakers or maker, C&S National Bank, is or are the officers or the Directors of the bank? A. I can only, yes, and I think the Directors, I don't mean—by saying this, I don't cast any aspersions upon the Directors, I think they themselves know that they don't know the problem of making installment loans, the problem of soliciting accounts, the problem of recruiting people. These are the things that management knows about. These are the things that management should do. We use our Directors more as a review board and our Directors' meetings consist primarily of informing the Directors of what is going on and what we are trying to make go on in the future. But, definitely in our bank, the Directors do not set the policies, they might veto them.

Q. In the time you have been associated with the Citizens & Southern National, have there been any disagreements between management and Directors? A. Let's see. The only one I can remember was when Howard Starks got that logo and we made the mistake of asking all the Directors before we started using it, whether they liked it. They, as well as I, didn't like it. So, subsequently, we had to go back to them and after about six months, we finally got them to accept it.

[688] So, I think that was somewhat of a lesson. That's the only thing I can remember that we have been in disagreement about because the rest of the things we always, I have always gone ahead and done or have said we are planning to do this and I don't remember them ever saying "Don't do that." There may have been something else.

Q. You said that, that management sets the policies of Citizens & Southern National Bank, but the Board of Directors might, or has the capability to veto; is that a correct statement? A. I think so.

Q. You have been a Director on several banks at one time or another, have you not? A. Yes.

Q. Are Directors of interstate or national banks required to take any oaths? A. I believe they are.

Q. Do you know what that oath consists of? A. No, I don't.

Q. Let me read to you, Mr. Hall, out of the United States Code, Section 73, Title 12. "Each Director, when appointed or elected, shall take an oath that he will so far as the duty devolves on him, diligently, honestly administer the affairs of such association and not knowingly violate or willingly permit to be violated any provisions **[689]** of this chapter and that he is the owner in good faith in his own right to the number of shares of stock required by that chapter."

Then it continues, what does that mean to you? A. It would mean to me just exactly what our Directors are doing in allowing us to run the bank.

Q. When you were on the Board of Directors, of any of the banks that you were on, I believe you said you were on Stone Mountain at one time and some others around the state of Georgia. Did you at any time have any personal disagreements with any of the activities of management of those banks? A. I am sure I must have.

Q. But you don't recall any specific instances? A. Yes, at Stone Mountain, I didn't agree with the way they would go, wanted to go with five year debentures instead of the twenty-five years debentures.

Q. Was that suggestion offered by the management of the bank? A. It was offered, that's right. Offered by the management of the bank.

Q. And the Board of Directors would disagree with the management? A. That's right.

Q. And that suggestion was not implemented? **[690]** A. That's right.

Q. If I could get you just to help me out a little bit on these terms. A. You don't need any help.

Q. I wish you were right, Mr. Hall. Now we have got several species or at least some species of banks running around, running around in this case. As I understand it, there are some banks that are correspondents. Now some banks are super-correspondents, correspondent associates, branches, affiliates, subsidiaries. I guess there are just banks after that. The banks in which you own a majority interest in terms of stock, what do you call those banks? A. I call them subsidiaries, fully-owned subsidiaries. No, not even wholly-owned. Subsidiaries.

Q. You just call them subsidiaries? Are those banks in which you own more than 50% of the voting stock? A. That's right. That's right.

Q. Now the bank in which you own less than 50% of the voting stock, I assume from listening to the testimony over the past couple of days, there aren't any banks between five and over fifty; is that correct? You either own five per cent or own fifty? A. I don't think there are now. That's right, there are none now.

[691] Q. Those banks in which you own five per cent of the stock, you call—— A. Some of them we call associate correspondents, some of them I call super-correspondents.

Q. Okay. Do your subsidiaries have Board of Directors? A. They do.

Q. Have you ever served on the Board of Directors of one of the subsidiary banks of Citizens & Southern National? A. I don't believe so.

Q. Have any officers of Citizens & Southern National ever served on those boards? A. Yes, we had, have one on every one of them, whoever is responsible for that area, the bank in that area serves on the Board of that bank. For example, Dublin, in Dublin either Bennett Brown or Bill Mathis, one, is on that Board. That is the way it goes on all of them—majority owned banks.

Q. If I understand correctly, there are three banks in Fulton and DeKalb County you would classify as subsidiaries? A. There are in what counties?

Q. Fulton and DeKalb Counties. A. I believe there are six; aren't they?

[692] Q. I'm talking about—— A. You are talking about subsidiaries, about the way, you are talking about subsidiaries as defined under the Bank Holding Company Act.

Q. I'm talking about how you define it. A. Fulton County, there would be Fulton-DeKalb, there would be Emory, East Point and Avondale, that's right.

Q. Are there any officers of Citizens & Southern National which sit on those Boards? A. Yes, I believe.

Q. Today? A. I think so.

Q. You don't sit on any of those boards? A. No, I do not.

Q. To your knowledge, were officers of C&S National sitting on those boards at the time that you had the trouble with the Fed over the officers of Citizens & Southern National being on the Boards of some of your five per cent banks? A. Yes, there were, not the same people, but there were other people.

Q. Now as I understand your testimony correctly, you said that the Feds, I believe I may not be correct on that for one reason or another advised you to remove your Citizens & Southern National offices from the Boards [693] of the five per cent banks in Fulton and DeKalb Counties; is that correct? A. Did I say that or did Howard?

Q. I thought you did. A. That's true they did, that's right, I believe it was sort of a side issue as a result of the hearing. It came up about the same time as the hearing.

Q. They did not then, I take it, just by implication, advise you to remove your officers from the Board of subsidiary banks? A. It seems that there is an exception. I think the thing read

that where 50%, where the stock—where the same stockholders owned 50% or more of one bank and also owned 50% or more of another bank, this is exempt from the provisions of Regulation L. I believe Regulation L is the equivalent to Section 8 of the Clayton Act.

Q. Do you know what purpose is behind Section 8 of the Clayton Act and regulation L? A. No, I don't.

Q. I take it after, you testified that after the Fed asked you to remove these, you did remove these Directors rather promptly? A. Yes, each one ceased to be full Directors and continued in the capacity of advisory Directors.

Q. Did I hear you correctly when you said that **[694]** technical change didn't make any difference in their function? A. I believe Howard said that. I would agree with it completely because at Stone Mountain, I was no better off as an advisory Board member than I was as a member of the Board.

Q. So what it boils down to really, was you simply didn't cast votes? A. That's right, and this we discussed with the supervisory authorities. They acknowledged that, too, that was why we have no real quarrel with them. We are perfectly happy to do it that way.

Q. Did the fact you were able to cast votes prior to leaving those Boards really matter to you? A. It didn't mean anything.

Q. Now, going back to your distinction between correspondent associates and super-correspondents, would both—would banks fall in both of those groups? Would you own stock in banks falling in both of those groups? A. Yes.

Q. Do you know how many banks in the State of Georgia, just to pick an area, that your Holding Company owns 5% of the stock in or 5% or less? A. It's about twenty, I think.

Q. Twenty in the entire state? **[695]** A. I am sure we have got it somewhere in the exhibits.

Q. How many of those are correspondent associates? A. I think all but about four or five. I think again if you want to identify them, you can get out the Federal Reserve Annual Report. We identify them in it as to whether they were in effect super-correspondents or associate correspondents.

Q. The best I can do for an annual report is 1969. Has there been any substantial changes since then? A. Oh, yes, because I don't believe the Bank Holding Company Act of 1970 had not been passed and therefore, there was not the description or definition of what a subsidiary was.

Mr. Hodgson: I may be able to help you. I think Mr. Sims is talking about the bank's own annual report. I believe Mr. Hall is talking about the annual report to the Federal Reserve Board.

Q. I apologize. You have your annual report, Citizens & Southern Holding Company, December 31st, 1969. A. Every holding company is required to make an annual report to the Federal Reserve Board. In there, we are now, we are required to list subsidiaries.

Q. Right. A. We, therefore, have to determine which ones **[696]** of these banks we think are subsidiaries under the definition of the 1970 Bank Holding Company Act. In my recollection, without having the thing before me is that there are four, five banks that we classify as not being subsidiaries. We footnote them and say no hearing has been held on these. But we assume these banks would be subsidiaries under, I forget the section, 2G23 or something like that, those ones that we don't identify that way are the ones that I call super-correspondents. Those are the ones like Woodstock, Fayetteville, Seynoia, Bainbridge. I don't know what else.

Q. I believe you listed over four qualifications when you described what a correspondent associate was. A. That's right.

Q. Let me see if I recall those correctly. First, no large block of stock was held by a group other than Citizens & Southern? A. That's right.

Q. The second was that there was an understanding that if possible in the future, they would merge or become a part of C&S? A. Right.

Q. The third was, has to qualify as a subsidiary under the Bank Holding Company Act? A. Right, under this one that we have just been talking about, there is—does anybody have a copy of [697] Regulation Y here?

Q. I don't have a copy of Regulation Y. I have a copy of that particular section of the Bank Holding Company Act, if that would be helpful. A. Where it deals with determination of control.

Mr. Hodgson: 2A2C, he is talking about.

A. Anyway, in there, one of the ways of determining control is whether or not the company, meaning the holding company, exercises substantial influence over, I think it says the managing policies of the bank. This is where—this is the type of control that I think we exercise in these banks that I describe as correspondent associates or associate correspondents, whatever you call them.

[698] Q. Just one second here and let me find that provision. A. Yes.

Q. Tell me, if this sounds correct, Mr. Hall. "Subsidiaries with respect to a——"

Mr. Hodgson: May I ask counsel to tell us which section you are reading from?

Mr. Sims: I am looking in your brief on page 110, it is 12(c), 1841(d).

Mr. Hodgson: D?

Mr. Sims: Yes.

Mr. Hodgson: No, sir, that is not the one he is talking about.

Mr. Sims: Let me ask him about this section then.

Mr. Hodgson: All right.

By Mr. Sims

Q. From 1841(d), and I believe this is the definition of a subsidiary or one of the parts of a definition of subsidiary: "Subsidiary with respect to a specified bank holding company means any company with respect to the management or policies of which such bank holding company has the power, directly or indirectly, to exercise the controlling influence, as determined by the Board, after notice and opportunity for hearing."
[699] That's the definition that you are using? A. No, it may be the same one, but the one I am using is the one in the section that talks about determining control, and it doesn't read exactly that way. I don't know whether—whether there is any—whether we are quibbling about words or not. I just don't want to make a misstatement.

Q. Let me have you take a look at this, Mr. Hall, study it, if you would. A. You might—the part that I'm—this is not the part, no.

Q. Well, that is from the Bank Holding Company Act, that is from the section 1841(d), which defines what subsidiaries or bank holding companies are. Reading that definition, if you would, would you consider that the correspondent associates throughout the State of Georgia qualify as subsidiaries under the Bank Holding Company Act? I realize you are not a lawyer, just reading the words. A. I believe so. I believe so, but I would ask my counsel if it were.

Q. I'm not asking for a legal—I just want as you understand it. A. I believe it is the same thing as the other, but it is put in a different way, because in the other **[700]** one I believe it gets at it by defining what control is, and then saying that if it is controlled, why——

Q. Have you been informed by the Federal Reserve Board that you must, in your annual reports, list subsidiaries—list as subsidiaries banks over which you have or claim to have a controlling influence? A. I believe that is part of the instructions of it; is it not?

Q. I am not sure, sir. A. I think so.

Q. I am not sure. A. I think that's right.

Q. Is this the reason you put it in? A. That's right.

Q. Now, let's take the correspondent associates and the super-correspondents, if we can, as two different groups and look at those. Do these banks receive from C&S the same services? A. I think they, for all practical purposes, the ones that I call the super-correspondents, receive the same services. Sometimes it is a little bit harder to get some of the guys to give them the same services, but usually, I beat them over the head and they will finally come around.

Q. Going one step further, then, to the ordinary correspondent, do they receive the same services? **[701]** A. No, sir.

Q. What kind of services don't they receive? A. Well, he had a checklist, we asked whether you were—whether you had the people from the correspondent bank division of the other banks. We asked them a series of some eight or nine or ten questions about what did they furnish with these kind of services.

Q. Is this the list that had the internal audits and that sort of thing in it? A. This is the one—yeah, and had a pool of people to leave on vacations and sickness, the audit— my mind goes blank right now, but I remember writing out a list of about eight or ten things that these banks do we don't normally do for correspondents.

Q. Would you do any of those services to the extent you can remember them, I mean to the extent you were requested by a correspondent? A. I don't believe we would, no.

Q. Then, looking at the correspondent associates versus the super-correspondents, does the management, and by that——

The Court: Let's go back to that last, the distinguishing characteristics of the list to which you referred. Was the adjective or adverb "regular and routine", as I recall it, such a regular and **[702]** routine audits?

Mr. Hodgson: Systematically and routinely were the words, Your Honor.

The Court: All right, I am sorry. Now, when you said no to the last question, you were putting a negative based on the systematic and routine, rather than upon the providing of the services upon request, which might not be upon a systematic and routine basis; is that correct?

A. That is a fair statement.

The Court: That is what I was interpreting.

A. That is exactly right.

The Court: So the emphasis was on that systematic and routine.

A. Right.

By Mr. Sims

Q. Let me get that clear in my mind then. Would you provide any of these services to your regular correspondents? A. We have and do.

Q. Upon request? A. We have and we do. I don't know whether we—without looking at the list, I don't remember whether we do or have provided every one of them to some particular correspondent, but we would own—see, we even do it to **[703]** some non-correspondents, too.

Q. You provide these kind of services to non-correspondents? A. If we are trying to get their business.

Q. I see. Sort of a sales technique? A. Sure.

Q. Going back, then, to the difference between correspondents and super-correspondents, does the management of the super-correspondents, and by management I mean Board of Directors and Presidents, have any greater or lesser authority as to the management of the bank, than the management of the correspondent associates? A. Well, I think one of the things that I said had to have in a—is, an associate correspondent, was this matter of exercising substantial influence over the management policies. This, I don't think we do in a super-correspondent, besides there being a block of stock, besides one particular individual or family or group owning a substantial block. Also, we do not exercise the same degree of influence over the management. In other words, they don't do everything we ask them to do.

Q. I think I understand that distinction. A. Okay.

Q. I am trying to get a little narrower point, perhaps. Is the authority to manage the bank, which is **[704]** vested in the Board of Directors and the President of the correspondent associates, any different from the authority in the super-correspondents? A. Are you asking me about the authority of the—please say that again, I am——

Q. Well, maybe I am not making myself clear. I think that Mr. Lane and Mr. Starks, perhaps even yourself, have testified that you don't dictate or maybe even can't dictate to your correspondent associates; is that correct? A. Well, obviously, we can't dictate. At any point, the Directors can walk out, if they want to, I guess, but from a practical standpoint, we influence the decisions of the management to the point where you never have to get to dictating. We would never dictate, because if it got to that point, it would be time to separate.

Q. Well, would you say then, that the real difference between the banks which you own 5% in and call super-correspondents and the banks that you own 5% in and call correspondent associates, are the relationships with the officers

and Board of Directors that C&S National has, would that be a fair statement? A. The difference would be, number one, that there would not be—that there would be a block of stock that was owned by one individual or group of individuals which was of a significant size to where that person probably **[705]** could exercise effective voting control. Number two, there would be no agreement with that individual that if and when merger was possible, that they would merge.

Number three, there would be no understanding that the C&S National Bank would manage the bank subject to the veto of the Board of Directors. The only thing that would be present, I guess, would be the 5% interest, and that's all, really. Five per cent interest, plus giving them the services we give.

The Court: Let me ask him a question.

Mr. Sims: All right.

The Court: Up until the time of the problem with Stone Mountain; is that true?

A. Well, there was—the problems were——

The Court: In other words, you gave them—did you give them the limited range of services?

A. Did we give who a limited range?

The Court: Stone Mountain.

A. Yes, sir, we gave them the same.

The Court: You gave them the full range or the limited range?

A. The full range.

The Court: So they were a correspondent——

A. Well, didn't really think of it at that point. At that point, it really wasn't an associate correspondent **[706]** or not an associate correspondent.

The Court: Didn't have the super concept at that time?

A. It came in—that's right. I know it sounds stupid, I apologize, but that is the way it has evolved, and that is the easiest way I can explain it.

The Court: The super—Stone Mountain got everything that Chamblee did?

A. Yes, sir.

The Court: How about Hapeville?

A. No, no, that was an investment, I guess I guess must have only had a fourth.

By Mr. Sims

Q. Hapeville? A. Hapeville, basically, and was because we were competing in that market, and there was no prospect of us ever getting into that with that one. We were competing with it at the time we bought the 5% interest.

Q. If that is true, why did you buy the 5% interest? A. Because it was in trouble and they wanted somebody to help them.

Q. But this is not one of those banks which you ultimately planned to merge? A. Oh, no, sir, no, sir. We were holding it and helping them to find somebody. Unfortunately, unfortunately, [707] we weren't able to find somebody as quickly as they were, but we sent three or four people out there to interview——

The Court: Thinking back on the various banks in which you held 5%, would it be correct—a correct generalization as to the ones that you now characterize as correspondent associates, and you were with those banks from the very formation of all of them, participated in their formation, and in the ones which you characterize now as super-correspondent banks, what you call, although you do have the interest, you came upon

them at some stage after their formation and it occurred to you that they might qualify and some might and some didn't.

A. No, sir. Tucker, for example, I would classify as an associate correspondent, although we acquired an interest in it after it had been organized. We did not compete with them at the time that we acquired the interest, but nevertheless, that was a going bank. And I think we exercised the same degree of influence on the management of the Tucker bank that we do over any other right now.

And I think we did the day we went into it.

The Court: Well, normally you have someone who is approving participants, the movant in the enterprise, the dominant personality, when you start something which normally I would think would put it **[708]** in your category of the supers rather than the correspondent associates.

Now, if the Tucker had already been formed I would have assumed that there was somebody who was the moving genius in that organization. Did you supersede and take his or her place or what?

A. Yes, sir, this was Mr. Cofer with the Cofer family and they were running the bank, basically, as an adjunct to the lumber supply business. Then, competition came in there, somebody else saw that the bank was not really serving the community in the way the bank could, and Mr. Cofer would acknowledge that. He didn't have time to run the lumber supply business and the bank, so he was looking for somebody to come in and do a good job in his bank, that he felt he had to have, since there was competition coming.

The Court: I didn't understand Mr. Lane's testimony, although it may have been true that I missed it, that you bought out all of the Cofer family's stock?

A. We bought out 80% of it. The Cofer family retained 20% of it. I think the reason for that, they

were good friends of ours, they were a substantial family and they were the ones we wanted.

The Court: You didn't consider that a sub- [709] stantial block of stock?

A. No, we didn't then. We know that we had 60% in the hands of very friendly people, I believe that's about the percentage.

[710] Q. How many of the banks would you classify as correspondent associates that you participated in the organization of? A. In Atlanta, Fulton?

Q. In the State of Georgia. A. I don't have a list of them.

Q. Most—— A. Oh, let's see, maybe I can put it this way. Outside of the Atlanta-Fulton, of course in Atlanta, Fulton County, would be the five that are here. Outside of Atlanta, I guess there is the one in—the one that we participated originally in the formation would be in Henry County and Dalton. I don't know whether there are any others or not. I believe all the rest of them were situations where the President of the Bank had gotten to the stage where he had to retire. They were looking for somebody to come in and take over.

Q. It's fair to say then that most of the banks you classify as correspondent associates, you did not participate in the organization of? A. Let's see, probably more of them that we classify as, as associate correspondents, probably more of them we did not start, but that will all be out of Atlanta. Most of them are from Atlanta.

Q. Now, did I understand your testimony earlier [711] correctly, and I might ask you, you have been in the courtroom while Mr. Lane and Mr. Starks have testified; have you not?

Q. You have heard their testimony? A. Yes.

Q. My understanding of that testimony is that you were the moving force in establishing the correspondent associates that

are defendants in this lawsuit; is that correct? A. Oh, yes, the defendants that are involved in this lawsuit, that is your question?

Q. Yes, sir. A. Right.

Q. Yes, sir, it is. A. That would be my description, of course; it's a matter of semantics as to what you say is the moving force. I think we were as much of a moving force as any other force in every one of them.

Q. Let me go back to this Fed hearing that's been talked about quite a bit here today and quote Mr. Lane on page 7, "In no case in the entire history of this bank have we ever gone to a community either to buy interest in a bank or to organize new ones. It's always been, the policy has always been to us as in the case where a bank had deteriorated." Doesn't that seem inconsistent to you? [712] A. No.

Q. Why doesn't it? A. I still think if a group from Chamblee came to us, that we were still the moving force to get the thing done, my recollection of it is that, as I say, the chief national bank examiner said to us, "This is a place the bank ought to go." We were looking around and we happened to find out there was another group that was interested in starting a bank at that time and I believe had been turned down and we were able to get with them, we all had sort of a handmade group already. I think to be honest, to be perfectly fair with you about the thing, you could answer the question either way, that there was somebody else was the moving force or we were. I think there was a jointly, was the way it was.

Q. Would you say that these initial acquisitions, just tell me if you agree with this statement or not, if you would. Would you say that these initial acquisitions of 5% interest in these banks were part of a plan to gain ultimate control of the banks? A. Of what banks?

Q. The banks that are defendants in this lawsuit. A. Each individual bank?

Q. Right. A. If our plan was to ultimately merge with them, [713] would you say that that was to obtain control of them?

Q. I don't know, would you? A. You can't answer it.

Q. Your plan in all of these instances—— A. Was to ultimately merge with them because that's what—I say that's what makes it so impossible to answer about what would we do absent a merger, because that's what these things were really created for was to merge.

Q. How many of the banks, if you know, or just an estimate if you don't know exactly, in Georgia, which you have a 5% interest in, have the C&S name? A. It's those ones I call associate correspondents.

Q. All the associate correspondents? A. Yes.

Q. And nobody has your name who isn't an associate correspondent? A. I believe that's right.

Q. When you give them the name or when they take the name, whichever way it works, I assume this means that you have reached an agreement or understanding that you are eventually going to merge with them, if possible; is that correct? A. Right, an understanding. No written agreement, no formal agreement or anything like that.

Q. This is true of all the banks throughout the [714] State of Georgia? A. Yes.

Q. All the correspondent associates? A. Yes, I think so. Without looking at the list and analyzing each one of them individually, I would say yes, that's true.

Q. I believe Mr. Lane testified that having the stock of these banks placed in friendly hands really wasn't the part of the control that he was referring to in his testimony, if I heard you

correctly. I think Mr. Hodgson asked you does this help and you said yes. A. Sure it does.

Q. Looking at these charts which Mr. Hodgson had you look at on your direct testimony, most of them are divided into five categories, the officers, Directors and employees of the C&S National Bank and affiliates. Now am I correct when you say affiliates, there—do you know what they are talking about? A. Subsidiaries.

Q. The second group is former officers, Directors and employees of C&S National affiliates. A. The one you are looking at might be——

Q. I'm looking at South DeKalb, maybe that's different. I'm looking at South DeKalb right now. A. Okay, I've got it, I believe.

[715] Q. Now the third group is officers, Directors and employees of C&S, South DeKalb, other C&S five per cent banks? A. Right.

Q. This would include, this includes both correspondent associates and super-correspondents? A. It would include both of them, but for practical purposes, would be very few shares held by the one I would classify as super-correspondents, in my judgment. I think we would have to go look at it specifically. I don't believe there would be many of those.

Q. The fourth and fifth categories, customers of C&S National Bank and affiliates, customers of C&S National Bank of Sandy Springs and other five per cent banks, if you don't know, do you have an opinion as to whether or not any of those customers which own stock in your bank are also, get banking services from other banks in and around Atlanta? A. I would imagine they would.

Q. Would this be more true of the larger customers? Is it frequent for a large bank customer to get services from more than one bank? A. Sure.

Q. Do you happen to know whether or not those customers own stock in any other banks? A. No, I do not. My recollection of the way we **[716]** got it, this thing was a result of a hearing. It seems to me that's the way they asked us to break them down at the hearing. Probably just carried—when this thing came up, we just sort of updated the information. I believe that's right, the Fed hearing.

Q. I think you testified, or I may be confusing you with Mr. Starks or Mr. Lane again, one of the three testified, one of the problems was Stone Mountain where a lot of independent people were out there, Scotch and Irish, so on and so forth? A. Mr. Lane.

Q. Mr. Lane, yes. That is they never really felt they were part of the C&S family system; do you agree with that? A. I do, I do.

Q. Now was that one of the instances in which there was a large block of stock in one individual or group of individuals acting together? A. McCurdy's family.

The Court: What is the McCurdy family? A. Well, gosh, the more I stayed out there, the more I thought there was nothing in Stone Mountain but McCurdys. There is a McCurdy Chevrolet Company, Doug McCurdy. I don't honestly know all their relations. Mr. Evans, who is married to a McCurdy. Two McCurdy **[717]** sisters from whom the property was bought out there and Lou Jordan's wife is a McCurdy. Kingsley Weatherly's wife is a McCurdy. When you added them all up, my recollection is something in the neighborhood of thirty-five to forty per cent held by people who were either, had the name of McCurdy or who were married into the McCurdy family. I'm not very good at keeping up with families.

The Court: Prior to your interest in that bank, had it been operated by the McCurdy family?

A. The McCurdy family had controlling—were the controlling group of Directors. There were, I think, a majority of the Directors who have been included in the McCurdy family. So they, they controlled it through the Board, yes, sir.

[718] By Mr. Sims

Q. Now, I assume, and correct me if I am wrong, that since one of the—one of your conditions for calling a bank a correspondent associate is that that kind of situation doesn't exist, a large block of stock held in hands other than C&S. A. That's right.

Q. That that is not true of any of the five-percent banks that are involved in this litigation? A. Not to my knowledge is it true.

Q. Has it ever been true? A. Not to my knowledge, I don't believe so.

Q. I would like to go back, if I could, to the Fed hearing.

Look on Page 118. Mr. Noble is asking questions; Mr. Lane and you are both responding. I will point out which is which.

Mr. Noble asked: I mean is it true that someone had an ownership interest greater than the combined interest of C&S and the president?

Mr. Lane: That is true at Warner Robbins and it was true at Pelham.

Mr. Hall: It is true at Sandy Springs and it is true at Chamblee and Fayetteville.

A. I must have misunderstood the question. I **[719]** mean I really—I mean I can't imagine why it would be answered that way. I mean I can't remember any block at Chamblee, in my recollection. The largest stockholder is a druggist out there, and I believe our holdings are bigger than his.

At Sandy Springs, I don't know of anybody at Sandy Springs, so I don't know why I would answer it that way.

Q. Let me read on a little bit more, maybe tie it back in.

Mr. Lane continues his answer: and true at Hogansville. It is true at the Coffee County Bank in Douglas.

Mr. Starks: It is true at Stockbridge.

Mr. Hall: Stone Mountain.

Mr. O'Connor: These are interests unrelated to C&S?

Mr. Lane: Absolutely.

Does that help you at all?

A. No, I can't understand why Sandy Springs and Chamblee would have been included in there. But maybe somebody else can help me, but I can't—I can't recall.

Q. Let me read on Page 119, if I can. Mr. Noble is in the pages prior to this asking for a little **[720]** description of each of the banks and he has now gotten to the Chamblee National Bank.

Mr. Noble says: The Chamblee National Bank.

Mr. Lane: That is a bank where there is a group of citizens. There is no bank in the community, and that is at the north end of Atlanta, and a group of citizens were being put together by the Trust Company of Georgia. And I said, 'How about letting me come out and talk to you guys? I think I have a better deal to offer you.' So we met for supper one night and had a highball and I told them about the C&S benefits, and they said, 'We don't want to go to the Trust Company.' We bought five percent and they had all the stock subscribed. We probably have less affiliated interest of any kind in that bank than in any of the five percenters that started. They organized

the bank, and I said, 'Please, I am a better partner for you than the Trust Company.'

I would like to go back to a part of that quotation, if I could. 'We probably had less affiliated **[721]** interest in that bank than probably any of the five percenters that started." Do you agree with that statement? A. I know that we had ten percent of that bank in the Holding Company, and the profit-sharing plan, and I don't believe anybody came anywhere near that. Any other single stockholder or group of stockholders.

Q. Well, is that all? Is that all that was meant by affiliated interest? We probably have less affiliated interest of any kind? A. Affiliated. Well, what did these show? Did these show that we had less affiliated in Chamblee than the rest of them? Chamblee and Sandy Springs, it seems to me, are the ones that we have the less—the least amount of interest in this particular suit.

Q. All right. Did you—did you know or were you aware that a man named Williams and his related interest had approximately 2,800 shares of Chamblee National Bank? A. I didn't realize he had that many. He was the druggist that I talked about. I didn't think it was that much.

Q. Do you know how many shares C&S Holding had at that time? A. No, I don't know.

Q. The number of shares, would 1,500 sound **[722]** correct to you? A. If it is correct, then there would also be 1,500 in the name of the profit-sharing fund, which would add up to more than 2,800.

Mr. Sims: All right. Your Honor, I wonder if we might take a short recess at this point?

The Court: All right, we will take a ten-minute recess.

(Whereupon a recess was had.)

By Mr. Sims

Q. Mr. Hall, you stated that a couple of times, I think, in answer to my somewhat repetitive questions, that one of the characteristics of the bank which you call a correspondent associate is that it fits the definition of subsidiary in the Bank Holding Company Act. A. That's right.

Q. Did you have correspondent associates before January 1st, 1970? A. We used the term before that.

Q. Was the definition you are referring to in the Act prior to that time? A. No, it isn't; no, it wasn't.

Q. Then prior to that time, you didn't think **[723]** that that was a necessary condition? A. Oh, I would have said it would have been one of them that the Fed had talked to us about in the hearing, and which they wanted Congress to write into the law, which is what they did. When they wrote it into the Bank Holding Company Act, because they specifically, directly told us that they were going to ask Congress to put that in the law, so that we would be deemed to control these particular types of situations.

Q. Who was it that told you that? A. Tom O'Connell.

Q. When did he tell you that? A. I don't know whether it was at the end of the hearing or whether it was a period of time after that. But since the law has come out, he has, in answer to my inquiry, did you put this in the law because of us? And he said yes, you and others.

Q. Now, you said that you were notified that you should start listing in your annual report to the Fed banks which you considered subsidiaries because of qualifying under this new language in the Bank Holding Company Act; is that correct? A. Did I say that?

Q. Is that correct? I am sorry. **[724]** A. No, I didn't say we were notified. I said there is a provision in the instructions for preparing a bank, for preparing the annual report for a bank holding company, which says to list the subsidiaries. Since the 1970 Act has come out, you have, therefore, got to decide whether a particular bank that you own an interest in is a subsidiary or is not.

[725] Q. Has there been any hearing by the Federal Reserve Board on that question? A. I'm sorry to say there has not.

Q. Have you requested such a hearing? A. We have requested a hearing unofficially and they asked us not to officially ask for it.

Q. I take it then—— A. Because the inference that I get is that they really don't know what to do. They have got their hands so full of other things, as I gather, that are more important than deciding whether these particular banks actually are subsidiaries under the law, under the Act.

Q. So it's fair to say that the Federal Reserve Board has not yet determined these banks to be subsidiaries? A. No, sir, I'm sorry, if I gave that impression. What I intended to say was neither of the banks, either in my judgment, fell under that definition as expressed in Regulation Y.

Q. And you list them in your annual report simply because the annual report calls for subsidiaries? A. That's right, we put a notation on there that we are listing them as subsidiaries because of the provisions and footnote the ones that are not to the effect that we don't believe they would come under the definition.

Q. Now you testified earlier that you have always **[726]** kept the regulatory agencies fully informed of your relationship with these banks and any activities between? A. To the best of our ability, yes.

Q. Did you also testify that when you acquired your interest in the Tucker bank that some 80% of the stock in that bank changed hands? A. I believe that's right.

Q. At the time that you acquired that interest in the Tucker bank, where did that 80% go immediately from whoever owned it before? A. It went into the hands of—I believe it was Bennett Brown's agent and Howard Stark's agent and it was then transferred, I think, within thirty days, to the final purchasers. I know we made an announcement to all of the staff, that is officers and employees, that this stock was available if they wanted to buy it. We would even finance it on a pay-as-you-go plan.

Q. You did not seek approval from any of the regulatory agencies to acquire that stock? A. I didn't think there was any approval required. The bank at Tucker, I believe as it should have done, reported to the FDIC and the Superintendent of Banks, because it was a substantial change in the ownership. I believe that they did that although I am not positive. That's what they should have done.

[727] Q. What is your understanding of why the Federal Deposit Insurance Corporation turned down your application to merge the Tucker bank? A. Because it was not a de novo situation. That was an acquisition of a going bank. And in our judgment, it was not a going bank, it was a bank that was created in 1919, as I remember, and it had only grown to three and a half million dollars, three million, something like that and after we got into it, of course, a lot of it was due to the fact that that area mushroomed right about that time, but it wasn't very long, but it was a fifteen or eighteen million dollar bank. As I said, it's now a thirty-five million dollar bank. That's over a period of about six or seven years, which is pretty good growth.

Q. The situation in respect to your bank, the relationship between your bank and Tucker bank right now today is because of the FDIC approval or disapproval, the same as would have

been the case if they had turned down all of these banks in relation to the defendants in this case; is that correct? A. That's a kind of confusing statement.

Q. You applied to merge the Tucker bank, you were turned down by the FDIC, correct? A. That's right.

Q. You still have a 5% interest in the Tucker bank **[728]** is that correct? A. We still do.

Q. Do you consider them a correspondent associate? A. We still do.

Q. What do you plan to do with that situation? A. I think a lot of it depends on the outcome of this suit.

Q. How is that? A. Well, if you let us go, why we would be encouraged. Maybe we could go back on the Tucker question.

Q. Where would you go back? A. We would make that decision at that moment.

Q. Would you have a choice? A. Sure.

Q. Why is that? A. Because we have both a national bank, we are a national bank and we have affiliates who are state and non-member banks.

Q. You go to different regulatory agencies for approval? A. That's right.

Q. Is it fair to say then, that you are waiting to see what you are going to do with Tucker until this case is decided? A. Yes, sir.

[729] Q. You mentioned earlier, I think, in your direct testimony something about a merger poll that was taken in connection with the application and supplement to the application? A. Well, I believe I said that in the voting on the merger, that there were only two or three individuals who voted against it in the stockholders meeting. And I also said that one of the Directors on one of the five per cent banks reminded us that when he had gone out to sell the stock, originally, he had sold it to every-

body on the basis that this bank will ultimately be merged into the C&S group of banks. And we immediately drew up a letter to go to all of the stockholders to see if they all felt that way in all of the banks. And I believe we got back about 95% of the stockholders who answered affirmatively.

Q. When was this letter sent out? This is after you filed the application? A. This was, yes, after we had filed the application and after you all had stopped it.

Q. This is after the vote, vote by the stockholders in both institutions to merge? A. Right, but the question that we asked them was did you buy it originally with the understanding that the banks would be merged, with the expectation, I believe, was the way it was worded.

[730] Q. Does each of the banks in which you own 5% interest maintain correspondent accounts with your banks? A. I'm not real sure.

Q. Would you be surprised if they didn't? A. Would I be surprised if they didn't?

Q. Right. A. No.

Q. You don't necessarily expect them to maintain correspondent accounts with your bank? A. Let's be sure we understand each other. By your bank, you mean the C&S National Bank?

Q. Yes, sir. A. No. I believe in reality a lot of them maintain accounts with some of our affiliate banks. Because we have to pay this, I almost feel like this is not to get up on a sandbox and talk about indirect taxes banks pay, because we have to put up reserves with deposits that are in the National Bank. We ask these people to keep your money with some other bank where the reserves are not required. So, in answer to your question, technically, I mean to specifically say they are under our control, but there are some of our affiliated banks where reserve requirements are zero for all practical purposes.

Q. If I understand correctly, then are you saying that all the banks in which you own 5% interest do maintain [731] correspondent accounts with other—your bank or one other subsidiary? A. That's right.

Q. Are they expected to do that? A. Well, they have got to carry there—they have got reserve requirements so they have to carry the reserve requirements somewhere. We would be kind of foolish if we were exercising management, exercising substantial influence over the management policies and didn't.

Q. Influence that one? A. Right.

Q. Right. Do you own stock in any bank outside the State of Georgia? A. We have about, Citizens & Southern Holding Company has a portfolio of about twenty-five million dollars worth of non-Georgia bank stocks. These are all investments.

Q. Do any of those banks use your bank as correspondent? A. Some of them do, some of them don't. These are purely investments.

Q. None of these are correspondent associates? A. No.

Q. Or even super-correspondents? A. No.

[732] Q. If I could just go back one minute to the Chamblee organization, have the people that you eventually organized the bank with, the group of Chamblee residents, do you know whether they had approached any other bank prior to talking to you? A. My understanding is that they had, either to whole group or part of the group had already talked to people at the Trust Company, my understanding was that Trust Company indicated either no interest or not enough interest and when we approached them, they accepted our proposal.

Q. Would it be fair, considering that, wouldn't it be fair to say that the primary interest of these local organizers was in obtaining local bank assistance from any large bank, whether C&S or otherwise? A. I would think that if they, if we had not offered to do it, they would have gone to somebody else.

Q. And in fact, they went to somebody else, even before you offered to do it? A. Yes, in which event, we would have looked for another group of people.

Q. Now you have said that some of these banks which your holding company and C&S National are involved in are subsidiaries, some correspondent associates, you have both kinds in the metropolitan area; is that right? You have [733] both subsidiaries and correspondent associates in the local metropolitan area, Atlanta metropolitan area? A. Oh, yes, subsidiaries of our bank. Yes, I am sorry.

Q. The terms are hard to follow sometimes. A. Sure are. We have majority owned subsidiaries. There are three of them in the Atlanta area and then there are six associate correspondents in the Atlanta area.

Q. Is there any difference between—is there any difference in the level of—competition between the correspondent associates and your bank as opposed to your subsidiary banks and your bank? A. I don't really think so. The way I look at the competition is that they all compete, one against each other, basically for the initial contract with a customer. After that, there is a minimum of competition because you have got to realize that the correspondent associate and national bank and affiliates or subsidiaries, all sell the same product. It's very similar to four or five McDonald stands. As I understand it, these are franchised efforts which are not owned by the same people. Yet, they don't compete against each other. By the same token, our affiliates, subsidiaries, branches and the associate correspondents, as I see it, all offer the same product and therefore, the competition between them is minimal. [734] That is why I don't see where any competition is going to be lessened as a result of this merger, because they are all selling the same thing.

Q. Let me ask you about that, they are all selling the same thing. I assume when you say that, you mean the C&S block of services? A. Right.

Q. Right. That you have described before. Now that, obviously, breaks down into numerous component parts, checking account services, etc. etc., etc. Do they all sell the same thing, these parts of the same thing at the same price? A. No, not necessarily. No, not necessarily. Some of them would be the same price, some of them wouldn't be.

[735] Q. Well, is the price of these services, in your mind, a part of competition? Does price play any part in the competition? A. I don't know. That is really a hard one to answer. I am sure it must play some, but I don't think it plays near as much as the service that is rendered by one organization versus another one. That is just my opinion. And the reason I say that, if I am not wrong, I believe, for example, a little bank out in Clarkston has an entirely different service charge schedule than the bank at Tucker. So that this doesn't really affect our relationship with mutual potential customers.

Q. Let me see if I can understand exactly what you are saying here. A. I am not very good at it.

Q. I am getting a little confused. Let's start back a little bit. What would you say are the elements of competition between banks? A. Between all banks?

Q. Yeah, Bank A and Bank B. A. Well——

Q. How do they compete? A. Well, it is the way you handle a customer, the interest you take in him, the way you handle him. [736] It is the products that you have to offer, the range of products, like charge card, which was something that whenever this was going on, that nobody else had. Things like—oh, this program that we have where you skip a monthly payment on your installment account. These kind of things.

This, to me, is what is involved in competition between banks. It is a question of which bank is the more innovative and which bank is more—gives the impression to the customer of being more interested in his problems. That is what really is a bank. It is the people in the bank.

Q. Am I correct then in assuming that you don't feel that the price charged for checking-account service, the interest rate charged on loans, the interest rate paid on savings deposits, that those things aren't really as important, as far as competition goes? A. I didn't say that. I said they are not as important as the others. I didn't mean to say they weren't important; because obviously you couldn't charge $20 a check and expect to compete with somebody who charged something else. I mean, say, a nickel a check. But, I would think that what generally happens in the area of charges is one bank will set out some kind of schedule on the service charges, and everybody else will follow, or decide whether they don't want to [737] follow. Mostly, they follow. Banks are notorious at being followers.

Q. Well, let's take your subsidiary banks. Now, these are the ones, just to make sure we are clear on the terms, that you own a majority of the voting stock? A. Uh-huh.

Q. Who sets the service charge on checking accounts for your subsidiary banks? A. Just to be sure we understand ourselves about subsidiaries, are we talking about Avondale, Emory and East Point?

Q. That is what I am talking about, yes. A. All right. Well, then those would be set by Howard Starks or Bennett Brown, dependent upon—well, by Howard.

Q. How about loan policies and rates to the extent that those are fixed? A. Well, I am not a lending officer, and I really get over my head when I get to talking about loan rates.

Q. I was just wondering who determines those for your subsidiary banks? A. We set forth schedules, which I am sure you have seen that list the recommended rates, but on different types of loans from time to time, depending [738] upon the price of money, and these individual lending officers have to, within their judgment, lend money, depending upon whether it is—the risk involved and other things, to where they go up or down from that recommended rate. But, whether—well, go ahead.

Q. Well, just one last. How about the interest paid on savings accounts at your subsidiary banks; who would set that figure? A. We do.

Q. C&S National Bank? A. Uh-huh, Avondale, Emory and East Point?

Q. Yes, sir. Now, I think you testified earlier that part of the understanding between the correspondent associate, the banks you called correspondent associates, and C&S National Bank or the C&S Holding Company is that C&S will manage the bank? A. Uh-huh.

Q. Or, at least will influence the management. Does that management include making decision as to interest rates, service charges, et cetera? A. With the president of the particular bank, yes.

Q. Well, let me get that clear. Who, in fact, sets the service charge to be paid or to be charged on checking accounts at one of your correspondent **[739]** associate banks? A. Well, I think what would actually happen, and I believe, as I recall what actually happened was that somebody else decided to go—to change. I believe it was the Trust Company of Georgia, but I am not sure, decided the last time to make the last change that was made. And I don't know that anybody was—it was suggested by anybody. As soon as everybody knew that they had done it, everybody else says, "We have got to follow it. We have got to stay in line with them." None of the places that I served as a director actually discussed it, to my recollection. If it had come up while I was there, what I would have done, and which I am sure whoever was responsible for it did, was to sit down and talk with the president of that particular bank and say, "What is this going to mean to you competitively in this area where your market is. And do you think you ought to go up or do you think you shouldn't," and the decision would be made there, and you go from there. I believe, if I am not correct—well, no, go ahead.

Q. Well, if I can try to pin you down just a little bit. A. You can't pin me down.

Q. Maybe I can. Who would actually make the **[740]** decision, who would actually make the decision? Would it be the president, would it be the board of directors or would it be the C&S National people? A. Well, it would be the president, because here is the guy that would have come up in our organization that would have known whether we made the right or wrong decision, and when he saw what we were going to do, he would have probably followed it.

Q. But he would have made the decision? A. In the final analysis, yes, because he is the guy on the scene. He is the guy who deals with the local customer. He is really the guy who knows more about customer relations than we do, sitting down here in downtown.

Q. In a similar situation, would your branch managers have authority to make such a decision? A. They would certainly be consulted.

Q. Would they have the authority to actually make the decision? A. No, I don't think they would have the authority, but they would—their views would be given serious consideration, I would say would be an important element in the decision.

Q. Now, I think you testified just a few minutes ago that all the charges in all your correspondent **[741]** associate banks are not the same; am I correct there? A. I don't know, did I——

Q. Do you know whether or not, for instance, the checking account charges—— A. I believe they are all the same; I am not positive.

Q. The loan rates and policies, are those identical, to your knowledge? A. Well, the ranges are similar, but not identical. If you will take a classification of—now, to satisfy ourselves, we took all the business loans in all of the five or six, whatever banks are involved in this thing, and we listed them out off the

computer, because they were all on the computer. We listed them out by amount and by rate, and it showed a reasonable range of rates, comparing each one of these six five-percent banks with the nearest C&S National Bank or affiliate, subsidiary. I don't know whether they presented it or not? I don't know, but it showed us that there was nobody—there was nobody who was just simply sticking right by the rate charge, that the individual circumstances were being taken into consideration.

Q. Let me show you, Mr. Hall, a memorandum which is marked Government's Exhibit 191. A. Uh-huh.

[742] Q. Do you recognize that? A. I believe I do.

Q. Can you tell me for sure? Can you look at it? A. I recognize it.

Q. Can you look on Page 2 of that memorandum, the last paragraph? A. Yep.

Q. Could you read that for us? A. C&S five-percent banks?

Q. Yes. A. "compete across the board with C&S National and its affiliates and with each other for all customers of all types and in all locations for all types of business. And, of course, this goes the other way, too. The same goes for banking hours, new bank office sites and locations of other facilities. There are no exceptions to this general rule."

Q. That is, to me, that sounds inconsistent with what you just said. How would you—— A. Well, I thought I——

Q. Explain that. A. Well, I tried to explain it by saying that they compete between each other for the initial contact.

Q. All right. A. Keeping in mind that the most important thing **[743]** is the customer to get to the bank that is the most convenient for him, that is the best for him; that is, the most satisfied customer is the best customer. So, that is the competition. Once they are there, there is no real reason to talk about competing anymore to try to get that customer away from one

other bank, unless there is a change in the customer's situation, unless he moves or goes to work for somebody else or something like that.

Q. So they compete up to a point? A. Right, they don't compete to the same extent that—they don't compete with each other to the same extent that they compete with the First National Bank or the Trust Company or the Fulton, because, again, as I see it, they got one product and the Fulton National Bank's got another product.

Q. Mr. Hall, in your mind as a banker, what is the area of most competition between banks? Would it be fair to say that the most competition between banks is in acquiring the customer in the first instance? A. I think so.

Q. As opposed to keeping him? A. I think so. Probably, yes, I think that's right.

Mr. Sims: We have no further **[744]** questions, Your Honor.

Redirect Examination

By Mr. Hodgson

Q. Mr. Hall, that document from which Mr. Frisbie had you reading—Mr. Sims, excuse me. Mr. Sims had you reading, what is the date of it on the front page? A. July 12th, 1972.

[745] Q. What is its stated topic? A. Anti-trust actions between C&S banks.

Q. What is the reason that was distributed? A. It was distributed at the request of the attorneys.

Q. Mr. Hall, suppose the Branch Manager of one of the national banks made a compelling case to have his rate charges or any other factors of competition deviate from those of other branches. What consideration would be given in that case? A. Well, you said compelling. If it was a compelling reason, he

would probably be listened to. I am not sure that I visualize a compelling reason.

Q. But he would be listened to? A. He sure would, I think that is the key to all of this, these are the guys that are face to face with a customer, the people that know better than anybody else what the customer wants and what he will pay for it. You have got to listen to them.

Q. And if though your separate President might have the legal power to make the final decision and would in fact, have it, if he were trying to make a compelling case and didn't get it, what is the likelihood of his changing your mind? A. Nil.

[746] Q. N-I-L? A. N-I-L.

Q. Now as a matter of fact, Mr. Hall, you had some other de novo correspondent associate banks around the state in the past, have you not? A. Yes.

Q. Would you name them? A. Yes, yes, my memory is not as good as it should be. In addition to the ones I mentioned before, what did I say before, Dalton and Henry County. We also started de novo associate correspondents in Chatham County, just outside of Savannah, and I believe two in Richmond County—Augusta. The C&S Bank, Richmond County and I believe Citizens State Bank, if I recall it.

Q. Commercial and Savings? A. Yes, but anyway, both of them were banks that were started de novo and both of them are banks that were, then were merged into the Citizens & Southern National Bank after this suit was started.

Q. Each of these banks were started de novo and spearheaded by Citizens & Southern National Bank people? A. They were exactly the same as the South DeKalb or any of the rest of them.

Q. Or Belvedere? A. Belvedere.

[747] Q. Each of the five that are the subject of this litigation, with respect to the mergers, are de novo; are they not? A. Right.

Q. Without exception? A. Right.

Mr. Hodgson: No further questions.

The Court: You may step down.

Mr. Hodgson: I will call Mr. Dan Handley.

Whereupon,

ROBERT DANIEL HANDLEY, JR.,

was called as a witness by and on behalf of the Defendants, and having been first duly sworn, testified as follows:

Direct Examination

By Mr. Hodgson

Q. State your full name for the record, please. A. Robert Daniel Handley, Jr.

Q. What is your position with the Citizens & Southern National Bank, Dan? A. Executive Vice President, Branch Supervision.

Q. How long have you been in charge of Branch Supervision? A. Since 1968.

Q. What was your job before that date? A. Prior to that, I was Personnel Director for [748] the Citizens & Southern system.

Q. When did you take that job? A. That was approximately 1963—'64.

Q. What was your job before that? A. Prior to that, I was in the Controller's Department of the bank. Prior to that, I was with the bank in Macon, transferred here in 1961.

Q. When did you start with the bank? A. 1948.

Q. Did you have any personal experience with any of these banks getting organized? A. Just one.

Q. Which one was that? A. That was known as C&S South DeKalb.

Q. Where is it located? A. On Candler Road. It was a result of a piece of property that I believe Howard Starks had mentioned earlier today in his testimony, that he acquired in anticipation of the laws being changed that would permit us to either branch or have an affiliate bank. And in our responsibilities in branch supervision, we noticed that this area was developing rapidly and probably would need a bank before these laws could come into being.

He bought two pieces of property, in fact, one where the present bank is located on Candler Road and a **[749]** piece at Candler Road, I-20 and Rainbow Drive located adjacent to the Candler Shopping Center.

He thought the time was right when the area needed a bank. I contacted Warren Berry, one of the Branch Managers, South Expressway office, and tried to pick those people who are experienced to a point and could take on additional responsibilities and asked him if he would like to organize for us a Citizens & Southern Bank of South DeKalb. He was excited about this opportunity. My instructions to him were to look at the area, get with some other people back in the area and get with some other people, get with some other folks in the bank to see and decide what kind of bank we might need there, to determine what organizers we would want to include in the bank and Warren, working with Don Ingram, in our branch supervision, and Mr. Skinner, who is President of C&S Bank, Avondale, and Bill Jones who was, at that time, President of C&S Bank of Avondale came up with a list of organizers that they thought would, as we like to say, would be, I think, our kind of people who had the same kinds of interest we do in banking services

and that we could work with. These people were checked out as our customers——

Q. How do you mean checked out? A. By that, I mean checked out the background of the people the best we can through the regular research **[750]** access to be sure that the regulatory authorities, when we go to put in an application, there would be no question about the organizers. That way, we want the very best. This list was submitted to Mr. Lane. Of course, he knew some of them, some of them he didn't know. Based on our recommendation, he approved them.

We then, Warren, I asked Warren then to think in terms of the stock distribution to limit the Directors of the bank to 500 shares a piece, that he himself would have available, 5% of the bank, that they would like to distribute in the community, customers of the bank, neighbors of the bank, in small amounts approximately 45% of the bank. The remaining stock we would like to distribute among the employees of the C&S Bank and its associates.

The stock was over-subscribed. We had to cut it back. Essentially that breakdown was accomplished.

Q. Had there been any previous efforts that you are aware of to organize a bank in that area? A. We found out that there had been. I think Warren found out that when we started stirring around out there, a group of people previously considered it and I think even approached, this I am not sure of, approached the Superintendent of Banks and he had not been willing to or encourage them to carry it any further. **[751]** I might say that when Warren went out there, he found that both of these sites needed banks and it was our plan and we did go to the Superintendent of Banking and get the necessary application to file for the banks and we also at the same time asked for branch applications. We thought that it was desirable to apply for a bank and the branch at the same time. I guess our appraisal of the neighborhood and area was good because at that time, either the week before we started or the week

after, we were never sure, First National Bank of Atlanta was sponsoring a bank out there that has later been merged into First National Bank of Atlanta. It was a de novo branch of theirs. We did submit after getting all the necessary data, put together by research department of the bank, the necessary date, we did submit it to the Superintendent of Banking and to the FDIC.

The Superintendent of Banks, I believe, called Joe Hall and said that we have got a problem, we've got two banks that want to get in on the same corner and I need to ask you to withdraw part of it. So, I went over to see Mr. Jackson. Warren went with me. At that meeting, Mr. Jackson said we have got this bank that's being sponsored by First National Bank and that has an application where your branch application is. We would like for you to withdraw that and if you will, we'll approve the bank. **[752]** We felt very strongly that the branch was also needed and we elected not to withdraw.

He subsequently did turn it down, but did approve the bank. We had the organization meeting in the bank, in our bank, C&S National Bank in one of the rooms there with the organizers, Don Ingram who again, worked in branch supervision and has worked with this bank since its inception, Warren Berry, who has since been transferred to Milledgeville to assume the Presidency of C&S Bank of Baldwin County in Milledgeville.

Currently, the bank is being run on a day-to-day operation by the Assistant Vice President under the direction of Mr. Don Ingram.

[753] Q. Of branch supervision? A. Of branch supervision. We, incidentally, have had, or have had now for a year and a half, approval of that branch that was originally turned down by the superintendent, but it has been hung up in this litigation. Because, in the approval was requirements for additional capital, equity capital, and we have recently been able to get, through

all of the legal requirements, I guess, the superintendent to change that to debt. And this probably will be opened, and those customers will be served. This, of course, is ideal. Now, it is necessary because this little bank is bursting at the seams and can't serve its customers.

Q. Mr. Handley, I would like, at this point in time, to review some areas of services, mostly within the bank, in general terms that branch supervision may or may not offer to its branches, and, in your instance, to your correspondent associates in the Atlanta area, and ask you as briefly as possible to describe the areas of services furnished here.

Accounting. A. Well, currently we do all of the accounting for—by that, the bookkeeping, the proof and transit operation, the general bookkeeping of the branches, the affiliates and the five-percenter associates, in our **[754]** central operations area. We pick up this work by carrier, either by a helicopter or by truck, depending on what route schedules work the best.

Q. Are these all handled in the same computer as were your branches and the other? A. Oh, yes.

Q. Other accounts in this area? A. Oh, yes.

Q. Credit, credit administration. A. All of the branches in the affiliate banks and five-percenter banks in Atlanta divide themselves off into credit review committees. That is, review committees after the fact. They meet once a week to review two things, that is, new loans that they have made as to the creditworthiness, things that they might not have picked up in tying them up, and maybe self-criticizing what they might have done better to make it a better loan. They review those loans that have gone sour since they were put on the books.

Q. Do they have any assistance from your staff? A. Oh, yes, we have a senior credit man who attends each of these meetings, offer technical and professional credit comment and criticism. We provide for each of the branches in the banks the credit review service where we go out and will review all of the loans

[755] on line sheets, making criticisms and suggestions. And then give them back to the branch manager or the bank president and ask them to review them and take whatever corrective action is necessary.

When this is done, we, in branch supervision, go back and go out with these credit sheets to determine what helps can be done to make them better loans.

Q. To what degree do you utilize comparative performance figures? A. Extensively.

Q. Comparative with what? A. With each other.

Q. Five percenters as well as branches? A. Right, and the banks, we——

Q. What about a loan gone so bad that it needs serious collection effort? A. Well, we have, we think, a pool of people who can get in and help some. Of course, some of our people in branches and some of them in the banks have varying levels of experience. Some of them can handle situations, that is, branch managers or bank presidents can handle a certain type of credit without too much difficulty. Then there are those who don't have particular experience in a certain-type critical situation, and we are able to step in with our credit [756] people and maybe work with them, or even just take over the line itself. I don't mean take it off the books, but I mean take over the loan, as far as the customer is concerned.

Q. The collection of it? A. And trying to get collection of it.

Q. Participations. A. Well, we are constantly in participation with the banks, particularly in this area where this is just tremendous real-estate land development and commercial construction. All of our banks need this.

Q. Payroll accounts. A. We do all the payroll accounting as far as credit, too. We do this; we have in a, in our branch supervision, what we consider, I guess, as a consumer-loan expert that follows constantly the type loans that are going on in

the banks and the branches. If we detect what we think is a problem, a credit problem, he will go out and review samples of the accounts and procedures to be sure that we are not getting off-track in any of the offices and if we need some re-training of the people, pull them back in, or, if we have made a mistake putting a guy out, we put him in another spot where he can be re-trained.

Q. Now, the general, large area of personnel. [757] A. Well, personnel, of course, I think that——

Q. You were in charge of systemwide personnel? A. That is correct. And we recruit personnel in the system for all C&S banks, and we do utilize all offices for training. We get a man in that is a career trainee or management associate, as we call them; we may take one and put him out at Tucker to learn the initial banking, I mean put him at Emory. We may put him at the South Expressway; we bring him into the credit department for cross-training purposes. That is so that when we have a branch manager's job, a new branch that we will go into of the National banks or any of the affiliate associates, we look through the personnel roster of all C&S associates and officers and we attempt to pick the best man, regardless of where he is, and make this job available to him.

Q. Do you furnish any sort of emergency personnel pool? A. Yes, sir, we have a group in the branch supervision. We do —it is a constant pool—but in the summertime—hire school-teachers and this sort of thing for clerical fill-in support, and that is essentially the fill-in support, of course. If a guy at a bank has some—a lot of people out at school or what-have-you, we can send temporary officers out for help.

[758] Q. Who does the payroll for the five percenters and branches? A. Our bank payroll department, all the same.

Q. Fringe benefits, vacations, holidays, service clubs. A. Administered by the assistant personnel department.

Q. Deposit accounts, both demand and savings; are they handled likewise? A. Yes, that's right. In one building where they are all handled by the same people.

Q. Where is that? A. Well, we have two locations now. One is at Mitchell Street, and we have recently moved part of it to Northlake Mall for transportation convenience.

Q. New features of deposits and savings accounts are made available to each alike? A. Yes.

Q. What is ready reserve? A. Ready reserve is an overdraft feature that we promote, too, on approved credit, where a person can apply for, and, based on his creditworthiness, can be given a line where he can overdraw his account. It is transferred from his charge account to his checking account.

[759] For instance, if a person had a ready-reserve account at the C&S Bank of Sandy Springs, and had a ready-reserve account and overdrew at $200, we will say, and then $200 would be transferred from his C&S charge account to his checking account automatically.

Q. Well, tell me something about your C&S charge account. What is that? Is that Master Charge or BankAmericard? A. That is our independent charge. We are members of the—I believe, the I-Card.

Q. Interbank? A. Yes.

And, of course, this is available to anyone, obviously, other than deposit customers. We have in our bank in the Atlanta area five 24-hour banking machines that take deposits, make loans.

Q. That is your Instant Banker? A. That is the Instant Banker. We have one that is located at Sandy Springs, and the other four or five are located at branches. The attempt was to place them around where they would be available to as many of C&S bank customers as possible. Now, this is acti-

vated by a C&S charge card, I-Card holders, where their credit has been pre-approved for this sort of thing.

[760] Q. C&S charge cards issued by the C&S National Bank? A. Yes, it is.

Q. Now, in the area of general administration of these operations, what about the making of goals and projections and objectives by these officers, branch managers? A. We believe that the way to run good banks is to encourage people to set goals for themselves, and then have another party to review them, and then periodically check them. To that end, we devised a system several years ago of setting goals. We call it the goalpost, for lack of a better identification. At the end of each year, we set goals for next year in these categories, along with forecasting the budget. And I think the goal-setting is a vehicle to set your sights on how many customers you can serve as opposed to forecasting as to how many dollars of business you will do. And we then, we, by branch supervision, I mean we review with the managers and the presidents of the banks quarterly the results of their progress as it relates to a goal. And we also make this known to their associates, by that, their branch-manager associates and presidents, competition.

Q. Do you have any appraisal of performance of [761] managers and presidents? A. We do.

Q. Other than these goals? A. Well, we do. We do that on the operating statements, that is, the return on assets, the loan-loss ratios, again, the goals of people that they serve, and also, informally, the customer service. And this is sort of an intangible thing in that we get—obviously, we don't get too many, but we get more than we want, that is, customers' complaints. When they can't get satisfaction, for instance, if a customer calls Bobby Morris, the president out at the C&S Chamblee and he can't get satisfaction or he thinks he can't, he will probably end up calling Mr. Lane or Dick Kattel or myself to step

in and see what we can do. Usually everything has been done, but this is what the customer is asking for.

Q. Now is this reflected in salaries or other compensation and rewards to the officers and managers? A. Well, I think this is the consideration that we take in reviewing the salaries of the presidents of the bank and the managers of the branches. That is the results for the year, the ability to produce a profit, to generate new business, all these things.

Q. Mechanically, though, Mr. Handley, how do **[762]** you affect, let's say, the president's salary at Chamblee, once you have made these appraisals? How did you do it with Mr. Morris? A. Well, I would meet—some of them were different. This one was where, once a year, in the late fall or early winter, I would go out and sit down with the president of the bank and two or three of the directors and review with them the performance of the president, and we would recommend to the board a salary based on performance for the president. And then, of course, the president of the bank knows the performance of his subordinates better, and, based on previous conversation that I would have with the president, we would come up with the figures.

Q. These recommendations inevitably followed or not? A. Yes.

Q. Describe the advisory director function that you filled on occasion. Let me ask you this, on what boards in the Atlanta area did you serve as an advisory director? A. Well, when Howard Starks moved to retail banking, we had an awful lot of things going, so it was necessary for us to spread our time. So some of the boards I don't attend regular, but I try to put in **[763]** appearances at the board meetings, irregularly, all of them irregularly. But there's somebody from our department that attends the meeting, of course. There are certain times when it just can't be possible, but, in addition to that, I meet with the

board members over the telephone, or we might run into each other or some other reason.

Q. All of this in addition to your constant— A. Oh, yes.

Q. ——relations with the management and staff? A. Yes.

Q. How available is all of the packages of sales promotions and public relations and market research, literature that you have in the National Bank? How available is that to the five percenters? A. Automatic. By that, anything—I mean anything we have as a new sales tool, any new product, any new service.

Q. Helicopters. A. Oh, yes.

Q. Ground transportation. A. Yes.

Q. Central money vault. A. Right.

Q. Centralized purchasing. **[764]** A. Right.

Q. Equipment. A. Right.

Q. Security system. A. Right. Yeah, in that connection we do—with the security problems now, we, I guess, have had security problems, and we have a security department in the bank that assists—well, really, has written a security manual that is used by all of the C&S banks and branches, and is audited by our security people to be sure they are following the procedures we had recommended and set up, all the equipment that is necessary, even beyond the—I believe that is required by the F.D.I.C.

[765] Q. Blanket bond? A. Yes.

Q. Installment loan billing? A. Yes.

Q. Educational programs? A. Oh, yes.

Q. Including the law seminars? A. Yes, and of course, when we participate, not only in in-banking training, but when we use some of the management schools, Harvard, Stanford and so

forth, we have reserved for us spots, each year our educational people go through, we pick the people who can benefit most by this. We pick people, regardless of whether they are in the national bank, branches or affiliates, or five percenters.

Q. Money management? A. Yes.

Q. Supplying capital needs? A. When necessary.

Q. When you say supplied, do any of these officers, no distinction is ever made as to whether they are five percenters, national or affiliates? A. No.

Mr. Hodgson: He is your witness.

Cross-Examination

[766] By Mr. Frisbie

Q. Mr. Handley, your testimony sounded an awful lot like the affidavit I saw with your name attached to it at one time, so I could follow it very closely. Which banks come under the supervision of the branch supervision department now? Which categories of banks? A. Well, in that connection, it is the branches in Atlanta, that is the City of Atlanta and recently, those that might have been organized in DeKalb County. The five banks that I guess are in question here today, Tucker, The C&S Bank of Cobb County, C&S Bank, Rockdale County.

Q. Are the affiliates also under branch supervision? A. Yes, I'm sorry.

Q. Do you have any dealings at all with what has been classified here today as regular correspondents, no ownership of five per cent? A. No, sir.

Q. Are you the person today who, in your department is the one right now that works closely with the correspondent associates? A. Yes.

Q. If, speaking very generally, if a correspondent associate bank had some kind of problem, they want to discuss with C&S National, would you—only I would say this, only in that geographical area that I identified. **[767]** A. Okay.

Q. I understand. So, would you be the person in that department that would be most likely to be contacted for any problems? A. Indirectly or directly?

Q. How many—excuse me. A. We have three divisions in the department and sometimes they go to a division.

Q. How many people are in that branch supervision department? A. We have three division men, we have a—we have three what we consider commercial credit men. That are men who are expert in commercial credit. We have personnel or consumer credit and we have an operations man. That's the man that has experience in the operation of tellers, all the procedures that—I didn't count them, that is it.

Q. Would be about a dozen or so? A. Yes.

Q. Do you own any stock in any of the banks involved in this lawsuit? A. Yes, I do.

Q. Five per cent banks? A. Yes, I do. Not all of them, but some of them.

Q. Did you take out any loans to purchase this **[768]** stock? A. Some of them I did, some of them I didn't.

Q. Did you get a preferential interest rate? A. Yes, I did.

Q. And you still own some of the stock at this time? A. Oh, yes, I do.

Q. We have gone through these services pretty thoroughly. I need to get some dates at this time about some of these programs. Can you tell me approximately when the goal post program started? A. Yes, that probably started out, this is three years ago.

Q. '69. When did the meetings that have been referred to as the Wednesday morning meetings or credit meetings, is that the same meeting? A. No.

Q. They are two separate meetings? A. Right.

Q. Credit meetings follow the Wednesday morning meetings? A. Well, for clarification, Wednesday morning meeting is a regular meeting that Mills Lane or the President of the bank, is irregular or regularly held, which with the Branch Manager, President of the Bank and **[769]** major department heads come down at 6:30 or 7 o'clock for a meeting. The reason many of them, for convenience sake, their credit meetings are held following this so there may be some on Thursday, some on Monday, some on Tuesdays.

Q. Do you know when these Wednesday meetings started? A. Before I came to Atlanta, 1961.

Q. Do you know when the credit meetings started? A. Before I started in Branch Supervision. This was in existence in Howard Starks' organization. We obviously have had to expand it because of the people.

Q. Did you start the program of personal and bank performance appraisals that has been referred to? A. Personal?

Q. Was it started while you were in Branch Supervision? A. I started the personal bank appraisals, I think probably I started an attempt to objectively evaluate branch managers and bank Presidents, I would say, yes, I have attempted to do that.

Q. Do you know when the first Director was put on the Board of a correspondent associate? A. Of——

Q. Who was an officer of a C&S National? A. Who the first officer of the C&S National **[770]** Bank that was put on?

Q. In period of time, do you know when that time was? A. No.

Q. When did the customer service audits begin? A. That was something I also put in, I guess about 1968 or '69 to evaluate the customer service.

Q. Now when did the credit audit start? A. That goes back—that goes back prior to this time, 1968. That was in operation and we had that in full blast.

Q. When did you start rating the performance of each correspondent associate President? A. Well, on a formal basis?

Q. Was it started during the time you were Branch Supervisor? A. I don't think so. This is my system of evaluating.

Q. Did you ever have the power to determine his level of discretionary cash profit sharing? A. Yes, sir.

Q. You do determine that? A. Yes.

Q. Was the President aware that you have the power to do this, President of the correspondent associate [771] banks? A. I can't answer that. I would assume so. Mr. Parker did.

Q. Did you actually review the President's salaries and make recommendations to their Boards? A. To some directly, some indirectly.

Q. Was your approval required by that Board? A. I believe they expected me to make this evaluation and determine for them, based on my comparison of their performance between bank Presidents and branch managers.

Q. Did the President know you had this power or influence also? A. I would assume so.

Q. Would you think it would be reasonable to assume that this might have had some bearing on the fact whether these Presidents followed your suggestions or advice in these appraisal meetings, goal post meetings you had? A. I would think that they would probably want to do well on the criteria that we used because it obviously results in reward.

Q. When you were talking about the credit services that you have, I believe you said something to the effect that the Citizens & Southern credit review staff would [771A] analyze and rate banks, using uniform set of criteria? A. Yes.

Q. Does this have the effect of stabilizing the range within which the price is paid for loans by customers of the correspondent associates, that will be made? A. It shouldn't, this review is primarily, I would say primarily, by that I would say the review itself is 100% to determine the credit worthiness of the borrower or company and how well the loan is being buttoned up or administered, the credit review, and that we really concern ourselves with credit worthiness.

Q. But you stated also that you review the comparative performance of all banking officers in approving charge-offs, probable losses, things like that? A. I said review performance based on operating statements. The assets are made up of a multitude of in-put, that is control of expenses, ability to gain deposits so you can rent it out, this sort of effective utilization of people. I'm looking really at the return on assets, rather than any particular item.

Q. When you are reviewing comparative performance between these different persons at different bank branches, and locations, don't you think this would have the effect of stabilizing the range wherein the price is paid for loans would be made by correspondent associates? [772] A. No, sir, I wouldn't think so. I think the main thing, at least I preach this, that the way to make the bank prosperous to solicit deposits. If you get deposits, you can make money. If you can control your expenses, you can make money. Some banks, some branches are in heavy loan demand areas, some aren't.

Q. Is most income from banks, does the most income from banks normally come from loans? A. Normally.

[773] Mr. Frisbie: Your Honor, I doubt if we are going to have very many more questions for Mr. Handley. If we could have

about a five minute recess at this time, we might forestall further questions.

The Court: All right. We will take a five minute recess.

(Whereupon, a recess was had.)

By Mr. Frisbie

Q. Mr. Handley, we were talking about this discretionary cash profit sharing program. Who funds this program? A. It is funded by the various banks involved.

Q. Who does the money that—let's take the Chamblee, for instance. If Chamblee contributes X dollars into this fund, who does that money belong to? A. To the officers and employees of the Chamblee Bank.

Q. Isn't it true that the Board of Directors are the only persons who have the authority to distribute these funds of Chamblee? A. This money is and—an anticipation is made, and this money is accrued, and then it is disbursed. The employees get a fixed amount and the officers, based on performance. This money is just as the salary, the final authority, I am sure, rests with the Board.

[774] Mr. Frisbie: I have no further questions.

Redirect Examination

By Mr. Hodgson

Q. I have just one question, Mr. Handley. If a customer of the East Point Bank or of the National Bank were to be in Chamblee and wanted to make a deposit to his account in East Point or National at the location of the Chamblee office, would this be possible? A. Yes, sir, and it's frequently done.

Q. How would it be handled? A. Well, this deposit is taken. Of course, cashing of checks is no problem. The deposit poses a little additional problem. The deposit is accepted and a re-

ceipt is given, a receipt—I forgot the wording, the wording has been approved by the regulatory authority, saying the deposit is received for transmittal, but it is transmitted to the central bookkeeping department where the credit is given to the person's account.

Q. The customer gets his receipt right there? A. Right.

Mr. Hodgson: Thank you, sir.

Recross-Examination

By Mr. Frisbie

Q. On that same subject, Mr. Handley, actually it is not deposited if you drop in the Chamblee—actually **[775]** the money is not deposited at that—if you have your account at Emory? A. Oh, no.

Q. Is that correct? A. That's correct. Actually, it is accepted for deposit at East Point, I think, as an example he used. It is accepted at Chamblee for credit to the man's account at East Point, and actually has to be transmitted.

Q. All right. So, actually, it goes by mail or by carrier? A. Carrier, our normal carrier, right, just along with our normal work, is sent to the central proof.

Mr. Frisbie: Thank you.

Mr. Hodgson: Judge, it is five o'clock. We just as soon suspend for the day, if it suits you.

The Court: Well, if we are on schedule, all right.

Mr. Hodgson: As far as we are concerned, Judge, I think we are going to meet our schedule just fine.

The Court: Suits me, too. We will stand in recess until 10:00 o'clock tomorrow.

(Whereupon, the proceedings were recessed until 10:00 o'clock A.M., September 29, 1972.)

[776] **Volume V**

(Title omitted in printing)

Transcript of proceedings had before The Honorable Charles A. Moye, Jr., Judge, United States District Court, on the 29th day of September, 1972, commencing at 10:00 o'clock A. M., in Atlanta, Fulton County, Georgia.

[777] Mr. Doyle: I will call Warren Berry to the stand.

Whereupon,

WARREN L. BERRY

was called as a witness by and on behalf of the defendants, and having first been duly sworn, testified as follows:

Direct Examination

By Mr. Doyle

Q. State your name for the record, please. A. Warren Landem Berry.

Q. Where are you employed; in what capacity? A. I am employed as president of the C&S Bank, Milledgeville and president of the C&S South DeKalb Bank.

Q. Would you outline your employment history before you became president of C&S South DeKalb Bank? A. Well, I had been with the C&S for, as of this December would have been sixteen years. During that time I was branch manager at the South Expressway office for a couple of years. I was branch manager previous to that at the Roswell-Wieuca office for approximately four years. Previous to that period of time, I did various things, including assistant branch manager, Stewart-Lakewood office, Cascade Heights branch. New business division, downtown Atlanta new [778] business, I was manager of that department. I at one time took an animated display

throughout the State of Georgia called "The Magic City" and displayed that to various banks.

Q. When were you first selected to be president of C&S South DeKalb, what year? A. That was in 1969.

Q. Who first selected you to be president of C&S South DeKalb? A. Well, Dan Handley approached me about the possibility of me becoming president.

[779] Q. And this was prior to the organization of the bank? A. Yes.

Q. Would it refresh your recollection, Warren, the bank was organized in 1967 instead of '69? Is that not right? A. I don't believe that is correct.

Q. Am I wrong? Okay. A. I believe it was 1969.

Q. When you were first approached by Mr. Handley and talked about the organization of the new bank, were you encouraged by him to purchase stock in the bank? A. Yes, very definitely.

Q. And did you do so? A. Yes.

Q. Was it financed? A. Yes.

Q. At a favorable rate? A. I would say so.

Q. How were the directors of your bank selected? A. Well, I got together with some of the other officers of the C&S National Bank, and also the correspondent associates and the affiliate banks, and tried to find the best people in that area. I didn't know a [780] lot of people in the South DeKalb area, and I tried to determine who would be the best people in that area with help, from such people as Don Ingram, who at that time, I believe, was president of the C&S Emory Bank; Bill Jones, who was the president of the C&S Belvedere Bank; and other individuals, including Dan Handley in branch supervision.

Q. How was the stock in your bank placed? A. We placed it—well, first of all, when it was determined that we were going to be putting up a bank in South DeKalb, I had numerous requests for stock, and we tried to allocate that stock between friends of the C&S, employees of the C&S, officers of the C&S, and we also tried to allocate some of it to the community, people in the community through the board of directors.

Q. In selecting directors and in selling the stock, were the potential directors and stockholders assured of C&S management and support of the new bank? A. Certainly.

Q. Were eventual merger anticipations discussed at that time, as and when the law permitted? A. Yes. I believe that some of the directors at our organizational meeting did bring up that possibility.

Q. When you went out after the physical facility [781] was up, did you feel like you were leaving C&S when you went to C&S South DeKalb? A. No.

Q. I have got stacked up here a bunch of guides and manuals, which, for the record, are Defendant's Exhibits 270, 298, 309, 310, 311 and 312. Did you have the benefit of these guides and manuals in your C&S South DeKalb Bank when you were there? A. Yes, I did.

Q. Do you or do you not agree that the operations and policies of C&S South DeKalb are subject to C&S National Bank's management and control through you, as you heard it testified to by Joe Hall yesterday? A. I would say that that would be true.

Q. Do you regard the common logo and all the other common identification with C&S as important to C&S South DeKalb Bank? A. Yes, very definitely.

Q. Do you find customers in your bank and other branches of the C&S Bank using the offices interchangeably? [782] A.

Yes, very often. I think also that many, many people put deposits in that bank simply because it's C&S.

Q. All right, sir. Would you tell the judge how the loan to deposit ratio has run at South DeKalb? A. Well, it's a very high lending area and as a result, the loans have increased deposits or been greater than deposits in the area.

Q. You have more loans than you have deposits? A. Yes.

Q. You have handled that through what means? A. We sold some of these loans to C&S National Bank. When you have banks, you do have some banks that are deposit gatherers, some banks that are lending banks, and by our affiliation with the C&S, we can go ahead and service the particular customers in that area.

Q. If we had not filed the application to merge when we did, would your bank's correspondent associate relationship with Citizens and Southern have continued as it has in the past, from your standpoint? A. I think so.

Q. To what extent is C&S South DeKalb facing competition from new branches of other Atlanta banks? A. Well, I would say extensively. We have several branches that are already up in our area, have [783] been established within the last couple of years.

Q. You have been president of two correspondent associates and manager of several branches of C&S. What is the difference between them?

The Court: Between the ones which he has managed, or between them and something else?

By Mr. Doyle

Q. What is the difference between managing a branch as you have managed, and being a president of a correspondent associate, as you have been president? A. I would say primarily the only difference would be that you have a Board of

Directors in the bank, in the bank that is an affiliate bank. Whereas, although at South DeKalb, I mean at South Expressway we even had a similar Board of Directors. There was a Board of Advisors in that branch, we had a Board as such. I would say there would really virtually be no difference in the two.

Q. Is there rivalry among C&S branch managers? A. I would say there was competition between branch managers, yes.

Q. In your opinion, would the granting of the mergers applied for here tend to lessen competition? A. No.

Mr. Doyle: He is your witness.

Mr. Kinkaid: Just a moment, if Your Honor [784] please.

Cross-Examination

By Mr. Kinkaid

Q. Mr. Berry, I'd like to show you a copy of a letter I received a few months ago, and ask you to notice that it's on the C&S Chamblee stationery, but take a look at it, and I would like to know whether you know of C&S South DeKalb sent out a similar letter to its customers. A. I don't recall sending out this specific letter, but I very well could have. I would have to see my letter to testify that I sent it out

Mr. Kinkaid: Your Honor, I have to apologize, we seem to be caught short-copied, if there is such a word, as this is the only one I have. That one, of course, was sent out by Bobby Morris of C&S Chamblee. Do you have any recollection of whether you sent out a letter in similar vein?

Mr. Doyle: Excuse me; can we have an opportunity to read this before examination goes on about it?

[785] Q. Do you recall sending out a similar letter to your customers? A. I do not but it could very well have happened. I don't recall it, no.

Q. I would like to show you a rather famous ad that appeared in the Tuesday issue of the Atlanta Journal November 23, 1971. I presume defense counsel is sufficiently familiar with that ad that we will not have to produce a copy for you.

Mr. Doyle: We know about it.

Q. Have you seen that ad before? A. Yes.

Q. Can you recall whether you may have—whether or not you sent a copy of that ad to your customers of South DeKalb? A. I think so.

Q. Mr. Berry, you indicated that so far as you were concerned, except for the existence of the board of directors, there was no difference between managing a C&S National branch and running C&S South DeKalb. A. I said virtually no difference.

Q. All right. What was some—since it is "virtually," are there some that you would like to—— A. Well, there are some legal and technical differences, but as far as the customer is concerned, [786] doing business with South DeKalb or Belvedere or Stewart-Lakewood, which is a branch, or South Expressway, it doesn't make any difference. It makes no difference to them.

Q. But, I think the question was what is the difference between managing these two operations? What was the difference to you? A. Well, you have—the end result is the same. In other words, the end result of accomplishing promotion of the C&S style of banking and our way of doing business is the same. The means that go about those ends might differ because of legal technicalities, but, other than that, that would be the primary difference.

Q. Weren't there differences between being a branch manager and running South DeKalb? Weren't there differences in terms of your ability to, for example, change the service charges on your checking accounts? A. Well, I would like to think that as a branch manager that I certainly, if I had a strong feeling about service charges or any other thing, that I might very well be able to prevail in making changes.

Q. Now—— A. However, I would like to add this, that I would be very careful before I would do it because I wouldn't want to confuse the customer.

[787] Q. Now, by that, I take it you mean that if at the South Expressway, for example, you had changed your service charge and a C&S National customer who happened to bank primarily with another C&S Bank branch determined that the South Expressway office was offering a different service charge, he would be a little upset, wouldn't he? A. Well, not—I don't know about being upset. I think it would be confusing.

Q. As a matter of fact, aren't the service charges offered at all C&S National branches in Atlanta, aren't they the same? A. In Atlanta.

Q. Uh-huh. A. I think so.

Q. And isn't that also true of interest paid on passbook savings accounts?

Mr. Hodgson: Excuse me. Your Honor, I am not sure if Mr. Kinkaid is asking the witness if he knows as a matter of fact that each of these rates and charges are the same at each of these branches or if he is asking for his conjecture as to what is going on at these branches. He has not testified that he has been at all of them.

[788] By Mr. Kinkaid

Q. Well, do you happen to know? A. I don't know for a fact, no.

Q. Now, if, as a matter of fact, they were all the same, would that surprise you?

Mr. Doyle: I object to that question as pure as conjecture, if the Court please. He has already stated he doesn't know the fact.

The Court: It wouldn't add much to the record to determine whether this witness would be surprised.

Mr. Kinkaid: Excuse me, sir, I couldn't hear.

The Court: I said it wouldn't add much to the record to determine whether this witness would be surprised.

Mr. Kinkaid: I don't think it adds much to the record as to whether he thinks the acquisition at South DeKalb would lessen competition, either, but that's beside the point, perhaps.

[789] Q. (By Mr. Kinkaid) As branch manager of South Expressway, could you have increased, for example, what was the rate you were paying on passbook savings accounts? A. I believe on passbook savings——

Q. Uh-huh. A. I'm not sure what you're referring to when you say passbook savings. What do you mean?

Q. This is the accounts where someone comes in, wants to put his money away. This is not a checking account, not a demand account, he's going to put his money away. He makes a deposit and the deposit is entered into some sort of record that is usually, as I understand it, called a passbook. He has paid a certain amount in. A. We have three different kinds of savings; passbook would not be one of those. We do not give customers records books on some of our type savings. So, ask me your question again.

Q. All right. Was there any type of savings account offered at South DeKalb on which South DeKalb was paying three and a half percent interest? A. We had a regular savings account that was paying three and a half percent interest.

Q. You called it regular? A. Regular savings account, right.

Q. Now, when you were at South Expressway, if in **[790]** your opinion it would have been some advantage to you to pay four or four and a half percent, would you have been able to do so?

Mr. Doyle: I object to that question, being objectionable on two grounds. One is asking if in his opinion, we have not testified, found out whether it would be in his opinion, and two, four and a half percent is legally impermissible under the law. I object to it on both grounds.

The Court: Overruled.

Mr. Kinkaid: I think his, what his state of mind as to this matter is, is quite relevant, Your Honor. He has testified as to the difference between managing branches and managing a correspondent associate, and that has to raise questions of how he approached both institutions.

The Court: Well, we have the substantial record on the question so far. I think that is an area where we can continue to get new questions even if we stay in session for a month. I'd like to try to pin it down to the ones that add to the record.

Now, as I understand the record so far with respect to the five percenters, there is a unanimity of testimony among the defendants' **[791]** witnesses that there is very little difference between their operation and that of a branch. Now, I take it that there is inherent in those answers, and I think the witnesses express it, the thought that, of course, there are legal differences, there is a corporation there. Over here is a part of the bank. Therefore, the difference, I think, would be developed in a necessity for, say, persuasion with respect to the five percenters as opposed to that with respect to the banks, the branches. And then, if that be the case, it seems to me that the question such as you're asking would be, we could get one if, in your opinion, there should be a diversion, a necessity for a diversion

in procedure, rates, whatever is applicable to the five percenters as contrasted to the branches or the named business. Could you accomplish it? What would be the difficulty of accomplishing it? I think that is, of course, relevant to the record. I'd like for you to do it, let's get it in there once, develop it fully. I see we are going to have a number of witnesses in the same category. Let's see if we can handle it once and not go over it several, on several occasions.

That is the record, if you think that there is a—that it's not an accurate characterization **[792]** of it, then obviously you have got liberty to develop it further.

Mr. Kinkaid: No, I think that's really what I was trying to get to. I was going around Robin Hood's barn to get there. The main thing I was trying to establish is the difference in, the difference in operations seems to me would include whether or not the president of the associate can make these major competitive changes without being stopped by his C&S associate.

The Court: It seems to me——

Mr. Kinkaid: What, on the other hand, can branch managers do in the same regard.

The Court: Tell me if I'm wrong. The branch manager can do it because he would be, as I take it, the operating authority of the president, Board of Directors, whoever is running C&S National Bank. He has got that authority and he can do it. He may have an advisory board, still he would have the authority.

The legal authority in five percenters is in the Board of Directors, duly elected or appointed officers and the authority to make the change must come from there. Then, you have the intangibles of the trust, the confidence, the belief that C&S's **[793]** way of operating is the best way. He may believe that three and a half percent is better for the bank than four and a half or whatever the figure may be. He has got the legal prob-

lem to get over. I construe the testimony as saying that that has proved to be no great problem because all that has been necessary is for a good manager to exert, use his persuasive powers and explain the benefit of the C&S system, and it's just followed in due course.

Why don't we get the witness to say, give him a hypothetical, suppose he thought that there was a, that three and a half percent was too low to attract savings accounts in this neighborhood where other banks were offering whatever they might be offering. He wanted to go up a quarter of a percent. What would he do? Would he have problems? Has he run into any situations like that?

[794] Q. Well, Mr. Berry, if you had wanted to raise your regular savings account interest rate when you were at the South Expressway, what would have been the procedure that you would have followed? A. Well, I would have communicated with branch supervision, discussed the matter with them, tried to determine—I believe that they would have tried to determine from me my reasons for wanting to make this change, and I would have communicated with them to determine whether or not it would be in the best interest to do so.

Q. Now, if branch supervision indicated disapproval of this move, what would you have done? A. Well, I—that depends, really. I might have accepted that or I might have appealed it to someone else, if I felt very strongly about it. I might not have. I might have discussed the matter further. I probably would have. Unless I felt, depending on how strongly I felt on something like that.

Q. To whom would you have appealed if branch supervision didn't go along with you? A. Well, I might go to the president of the C&S National Bank.

The Court: Suppose he said no. Would you then go to your board of directors, **[795]** the board of directors of the five-

percent bank and say that you have been advised to the contrary from the C&S; I feel strongly about this?

Mr. Doyle: Excuse me, if the Court please. That question was directed to the time he was a branch manager at South Moreland. A. South Expressway.

The Court: I apologize.

Mr. Kinkaid: I was taking the branch first.

The Court: I apologize.

By Mr. Kinkaid

Q. Okay. So you are still branch manager and you have been turned down by branch supervision, and you are going to Mr. Lane and he says, "No, I don't care for that." A. All right, sir. All right. I would have had to comply with that. Whatever the amount of the charge was, or, if I still felt strongly about it, I could have left the bank.

Q. On the other hand—— A. Might not have eaten very well.

Q. On the other hand, now, you are at South Dekalb. [796] A. Right.

Q. And you want to do the same thing. In that case, would you have gone to branch supervision for anything? A. I certainly would have. I would have communicated with them and probably the—I would have tried to find out, tried to determine what the best thing is for the area, the same way as a branch. I would have tried to determine what—why a change is necessary and trying to look out for my area of responsibility, to be sure that we do the best job there. And I would have pursued it in that light.

Q. Yes, sir. Of course, we were setting up this hypothetical and it was——

The Court: You had determined already that it was necessary.

Q. Yes.

The Court: The basis of the question is that your analysis of the neighborhood indicated an increase in rate was necessary.

A. All right, sir.

The Court: Then, as I understand it, you discussed that rate with branch supervision.

A. I would.

The Court: All right.

[797] A. I would get the pros and cons from them, and I would rely very heavily on what they suggested and recommended.

By Mr. Kinkaid

Q. Now, if branch supervision didn't care for the idea, but you still felt strongly about it, now keeping it comparable to the hypothetical as to the branch, now at that point you still feel strongly about it; they have not been able to convince you that you shouldn't go up. What do you do then? A. Well, let me say this, that, first of all, I would give—I think that I would have to recognize that they have a lot more resources to determine what would be an appropriate amount than perhaps I would, and I am saying this to say that I would give a lot of weight to their recommendation, because they know about the cost accounting, which I do not know what it costs the bank, and this kind of thing.

They help me in this area. If we disagreed, which I think would be highly improbable, because, as I say, we are both working for the same ends, so I would say that I would probably pursue—I would probably go to perhaps Mr. Lane or Mr. Kattel and discuss it with them. If I felt like the C&S and I were not in agreement on a price, then I could go to [798] my

board and discuss the matter with them. I think the chances of something like that happening, they have never happened, and I think it would be highly improbable that they would.

Q. But, if they did, would you have been able to go to your board and, if you could convince your board that it was a good idea to make the change, could you have made it? A. I could have legally, or they might have gotten another president if, you know, I could have—certainly I could have done it, yes. If the board didn't agree, then we would have to—we would have to confront that situation.

Q. All right. Now, if your own board at South DeKalb didn't like what you wanted to do, as you say, they could have gotten a new president. Suppose branch supervision didn't care for what you were doing, now, would they have been able to get a new president out at South DeKalb? A. Well, I don't know. I mean I don't know about that. I would say this, if I felt strongly about a price in my area, that the ultimate authority would have to rest with me and my board of directors.

Q. And when you were the branch manager, if you insisted upon doing something that branch supervision **[799]** didn't want you to do, they would get a new branch manager, wouldn't they? A. That would be correct.

Q. Either they would fire you or you, yourself, would go somewhere else? A. That would be correct, yes.

Q. I think you indicated that you had heard Mr. Hall's testimony on this question of management control and that, as I recall, you said you agreed with it so far as your circumstances were concerned; am I correct about that? A. Yes, you are correct.

Q. I was curious as to just what your understanding of this concept is, just from your standpoint, what is this management control we have been hearing about? A. Management control would be employing the C&S style and the C&S philosophy of

banking. It would be doing what I have been raised to do since I started working for the C&S Bank, that is, trying to take the positive approach, trying to say yes, rather than no to loan requests, and this kind of thing.

Q. Is that about it? A. This is—well, no, I wouldn't say that was it. I would say it just involves a very, very broad-type [800] thing really.

Q. Yes. Well, I was curious as to where the control element comes into that situation. A. Well, you see, the C&S National Bank and I, we agree. We agree because I have been employed there and I understand why they do things the way they do. And so it is a voluntary thing; I just agree with what we do and what they recommend.

Q. Well, when you agree with someone, someone else as to what someone else wants to do, does that necessarily mean that you are controlled? Do you always think of it in that way? A. Well, it just—in other words, I have asked for their help. I have asked for them to provide the tools to make that bank successful, and I don't see how I could be anything but receptive to what they recommended.

Q. Excuse me, Your Honor.

Mr. Berry, I think you indicated that you might have sent a copy of that ad to your customers, this, you know, thing here. A. Yes.

Q. Can you recall, if you have a recollection at all of having sent it, would that have been shortly after the suit was filed in this case? That would have been back in November last year? [801] A. I think so.

Q. Perhaps you would take another look at this letter, please. This is the Bobby Morris letter again. And you will notice on the second page that he notes that: "For those of you who are not familiar with the threat posed by this group of anti-trust

attorneys, I am enclosing a copy of a recent public service advertisement." A. All right, all right.

Q. Do you think the ad that the public service announcement he refers to here in that paragraph would have been this ad that we have been talking about on November 23rd? A. I think so. I am not positive, because I don't specifically remember these, but I think this would be appropriate.

Mr. Kinkaid: Thank you very much. No further questions, Your Honor.

[802] **Redirect Examination**

By Mr. Doyle

Q. Mr. Berry, you are presently president of C&S Bank, Milledgeville? A. Yes.

Q. Is that a correspondent associate of C&S National Bank? A. Yes.

Q. Are the services, charges, interest rates charged and paid by that bank in Milledgeville the same as the C&S South DeKalb? A. No, sir. No, sir, we have different charges in various areas.

Mr. Doyle: All right, that's all I have.

The Court: You may step down.

Mr. Doyle: Mr. Roy Holland.

Whereupon,

ROY B. HOLLAND

was called as a witness by and on behalf of the defendants, and having been first duly sworn, testified as follows:

Direct Examination

By Mr. Doyle

Q. Mr. Holland, would you state your name for the record, please, sir? A. Roy Bynum Holland, Jr.

[803] Q. What is your occupation, Mr. Holland? A. Pharmacist, owner of drug stores.

Q. Where is your drug store located? A. Two stores; one at 2003 Candler Road, one at 3290 Memorial Drive.

Q. What are the names of the drug stores? A. Holland & Knight.

Q. You are presently serving on the Board of Directors of the South DeKalb branch, is that correct, bank? A. Yes.

Q. At the time you bought your stock in the bank—you did buy stock in the bank, of course? A. Yes.

Q. And agreed to serve on the Board. Who approached you in that connection? A. Warren Berry and another officer of the bank, Tom Holmes.

Q. Was Citizens and Southern National's direction important in your decision to buy stock as a director? A. Yes.

Q. Did you expect Citizens and Southern management and direction in the bank? A. Yes.

Q. Do you rely on them now as a director? **[804]** A. Yes, I sure do.

Q. How important would you say Citizens and Southern is to the running of your bank today? A. We think it's very important. They furnish us with all kinds of materials. For ex-

ample, at our Board of Directors' meetings we have a very detailed report of all of the procedures, all the things that—transactions that have happened during the month, shows the profit and loss, and all of that. And it's really very helpful and we have been very successful in the bank. We just believe in the way Citizens and Southern operates.

Q. If the merger applications which are the subject of this litigation hadn't been filed, Mr. Holland, would your bank's past and present relationship with Citizens and Southern have continued? A. It would as far as I was concerned. I'd be very much in favor of it.

Q. Has Citizens and Southern South DeKalb Bank faced competition from other new branches from other banks in your area? A. Yes, we have several nearby.

Q. Have you helped solicit customers for C&S South DeKalb Bank? A. Yes.

Q. In doing so, do you make any reference to **[805]** Citizens and Southern? A. Yes, we do.

Q. Do you hold it out as a Citizens and Southern Bank? A. Yes, I do.

Q. Can you tell the judge and the Court how the bank has helped serve banking needs in the community where it's located? A. Well, of course, all banks are similar, but I think, the important part of our bank is the confidence that people have in it being associated with Citizens and Southern, and its being a large bank that they can offer, maybe some services that smaller banks could not.

Mr. Doyle: Thank you. He is with you.

Cross-Examination

By Mr. Stern

Q. Mr. Holland, just a couple of questions. What services do your customers need that other smaller banks can't offer? A. The primary one that comes to my mind would be large loans, larger loans than smaller banks would be able to give.

Q. Have you ever heard of a correspondent relationship? A. Yes—you mean with other banks, other than——

[806] Q. Yes. A. Yes.

Q. You have heard of that. Aren't there loans that your bank gives that are beyond the lending limit capacity of your own bank? A. Yes.

Q. And you are able to make these loans by loan participation in cooperation with Citizens and Southern National? A. Yes.

Mr. Stern: All right, no further questions.

The Court: You may step down. Call your next witness.

Mr. Hodgson: If Your Honor please, our proposed course of the trial at this point is to have such a representative of each of these banks. We don't think it will take any more time of the Court than has been indicated by this pair. If the Court feels that this is entirely cumulative evidence, of course, we think it may be also.

We do not want to prejudice the course of the trial by failing to make these men available. There are slight differences among each of them. We are prepared to go on.

The Court: I am certainly prepared **[807]** to accept what has been testified to by Mr. Berry and Mr. Holland with respect to South DeKalb as completely typical of the others. If the Government counsel thinks that would be an improper conclusion, then we can go into it further.

Mr. Kinkaid: The only problem I can foresee, Your Honor, with this would be what is the time frame involved in this similarity. If we are saying that as of today all the other associate banks are pretty much the same as Sandy Springs, is one thing. It's another thing to indicate that other of the banks that have been around for ten, twelve years are also same and have been so for their entire history.

The Court: Do you know any difference, suspect any difference?

Mr. Kinkaid: Yes, I think there were some differences that are already in the record.

The Court: We sure don't need them again.

Mr. Kinkaid: True, as long as the differences are there.

The Court: With respect to the past pair of witnesses, it seems to me that there is generalized testimony which pretty well can stand as typical. If there are specialized differences the record **[808]** shows, certainly we can consider them.

Mr. Hodgson, are you happy with that?

Mr. Hodgson: Is the Government satisfied with this?

May we consult just two minutes, Your Honor?

We have one officer we would like to call because of some specific differences in regard to dates.

The Court: All right, you may do so.

Mr. Doyle: What we propose to do, if the Court please, is address the specific issues raised by Mr. Kinkaid as to the organization of Citizens and Southern Chamblee Bank. I call Mr. Hubert Harris.

Whereupon,

HUBERT HARRIS

was called as a witness by and on behalf of the defendants, and having first been duly sworn, testified as follows:

Direct Examination

By Mr. Doyle

Q. Would you state your name for the record, please, sir? A. Hubert Harris.

Q. What is your present occupation, Mr. Harris? A. I'm retired.

[809] Q. From what are you retired, sir? A. Citizens and Southern Bank of Chamblee.

Q. How long were you employed at C&S Bank of Chamblee? A. Twelve years and four months.

Q. In what capacity, sir? A. President.

Q. Were you there when it opened? A. Yes.

Q. What has been your employment history before that time? A. Since 1926, I have worked for Citizens and Southern National Bank.

Q. Would you outline what you have done, tell us what you have done for Citizens and Southern National Bank immediately before you went to C&S Chamblee? A. I came from Athens to Atlanta. After several moves, I was in charge of the Office at Marietta Street, Northwest office, and then the office at 140 Peachtree Street. From there, I went to Chamblee.

Q. All right, sir. Who first elected you or approached you to be president of Citizens and Southern National Bank of Chamblee when it opened? A. It was Chamblee National.

Q. Chamblee National Bank? **[810]** A. George McKinnon.

Q. He was then employed by whom? A. By Citizens and Southern National Bank.

Q. Were you encouraged by Mr. McKinnon to purchase stock in your new bank? A. Yes.

Q. Did you? A. Yes.

Q. Was your purchase financed? A. Yes, with C&S National.

Q. Were the members of the public aware of the Citizens and Southern sponsorship and support of your bank when it was organized? A. Yes, they were.

Q. Did you solicit sale of stock of the bank? A. Yes.

Q. Could you tell us how you did that? A. Well, this is a new community. Of course, in selling the stock it gave me an opportunity also to meet many of the individuals there. I stressed the fact that we would have the support of Citizens and Southern National Bank in all that we did there.

Q. Did you solicit the new customers for the bank when it opened? A. Yes, I used the same principle, same process.

[811] Q. Did you mention or emphasize the fact of Citizens and Southern's relationship? A. Yes, I did.

Q. I show you a bunch of brochures that come from Defendants' Exhibit 314, and ask you if you are familiar generally with these kinds of things. A. Yes, I'm familiar with them.

Q. Those are brochures that deal with various services offered by Citizens and Southern Bank? A. That's correct.

Q. Did you display similar kinds of brochures in your bank when it was first organized in Chamblee, the bank at Chamblee? A. Yes, sir, those that were available at that time, yes, sir.

Q. By that, do you mean there may have been some difference between what was available then and now? A. What was available then we displayed them.

[812] Mr. Doyle: No further questions.

Cross-Examination

By Mr. Kinkaid

Q. Mr. Harris, on the question of public awareness of your association with C&S back in what was it, 1960, when the bank opened? A. Yes.

Q. Can you recall whether or not your bank ran any newspaper ads or ran any kind of advertising campaigns which specifically referred to any association that you had at that time with C&S? A. I don't think so. In some of the ads we had a little sentence at the bottom, "Correspondent associate of the Citizens & Southern National Bank."

Q. And so far as you can recall, that was the relationship that was being made known to the public at Chamblee? A. Yes, sir, but in all that we did, we made it very clear, our relationship; for example, our stock was over subscribed and many of our customers wanted stock, so when we could not supply stock of Chamblee National, we suggested that they buy C&S National, and many of them did. But we made it very clear, our relationship from the very beginning.

Q. What was that relationship at the beginning **[813]** that you told these people about? A. That we would have the support and guidance of the Citizens & Southern National Bank. We said we are a small bank, but we have every service that the big bank has, and we can give it to you here.

Q. Did you tell these local people in Chamblee that C&S National would be running your bank? A. I told them they would be behind us.

Mr. Kinkaid: Excuse me, Your Honor.
No further questions, Your Honor.

The Court: All right. You may step down.

Mr. Hodgson: Judge, in view of the fact that we had planned to have approximately twelve witnesses on and did not know—

did not predict this course of trial, we do not have any witnesses currently on call and present in the courtroom. As a consequence, I would say we are ahead of schedule, you might say.

The Court: All right. How soon can you have a witness in the courtroom?

Mr. Hodgson: After lunch. Is that satisfactory with Your Honor?

The Court: Yes, sir.

[814] Mr Hodgson: Some of them—we are through, for the most part, with our own people, you see.

The Court: You can have them about 1:30?

Mr. Hodgson: Yes, sir.

The Court All right. We will be in recess until 1:30.

(Whereupon a recess was had from 11:00 o'clock, a.m. until 1:30 o'clock, p.m.)

[815]

Afternoon Session
1:30 P. M.

Mr. Hodgson: Mr. Beasley.

Whereupon,

LEWIS C. BEASLEY

was called as a witness by and on behalf of the defendants, after having first been duly sworn, testified as follows:

Direct Examination

By Mr. Hodgson

Q. State your name for the reporter, please, sir. A. Lewis C. Beasley.

Q. What is your job, Mr. Beasley? A. I'm regional director of Federal Deposit Insurance Corporation.

Q. Here in Atlanta? A. Yes.

Q. What area does that cover? A. Georgia, Alabama and Florida.

Q. How long have you been in that position? A. Since April, 1967.

Q. Where were you before then? A. St. Louis, Missouri.

Q. With the Federal Deposit Insurance Corporation? A. Yes.

[816] Q. What is the function of your office? A. Under the guidance of the director of the preparation division of bank supervision, I administer the bank supervisory functions of the corporation in the Atlanta region. This involves guidance of the examination program for state non-member insured banks, the administration of statutory investigation work that would cover merger applications, applications for deposit insurance information, uninsured banks or for proposed banks that are to be members of the Federal Reserve System, branch applications, any other statutory type of applications, before the FDIC for decision.

Q. Broadly, would you describe to the Court what you do with respect to examination of banks within your supervision? **[817]** A. Well, I have a staff; they examine the banks for safety and soundness, conformity to law, adequate capital management. They provide reports which flow through my office, which I review or have reviewed. I then see them before I forward them to Washington, with a recommendation for any action I think the corporation should take.

Q. Do these systematic contacts through examinations and treatment of application of various sorts lead you then into direct contact with officials of banks in your region? A. Yes.

Q. What sorts of contacts do you have with those individ-

uals? A. My contacts would come largely when we have problems with banks, either through correspondence or conferences in dealing with applications, when we, either through correspondence or through direct discussion, deal with the subject matter of the application.

Q. Do bankers or not frequently consult you with respect to actions they propose taking before they make final applications? A. Yes.

Q. Have you been in such contact with officers or officials of the Citizens & Southern National Bank **[818]** and Holding Company from time to time in this regard? A. Yes.

Q. Mr. Hall, the president of the Citizens & Southern Holding Company has testified that he has kept in close touch with the various regulatory agencies concerning the activities of that holding company from time to time. Would you consider yourself included in that group? A. Yes.

Q. What sorts of contacts does Mr. Hall and his people—do Mr. Hall and his people have with you from time to time? What form do these contacts take? A. Well, either by telephone call or a visit, they discuss applications they contemplate filing, have filed, practices or policies of the banks under their guidance.

Q. In your capacity as regional director for the Atlanta region of Federal Deposit Insurance Corporation, did you consider the application for Federal Deposit Insurance of the Citizens & Southern Bank of South DeKalb at the time it was in organization? A. Yes.

Q. Did you understand that Mr. Warren Berry was proposed to be the president of that bank once it was organized, that he had been an officer and employee of **[819]** the Citizens & Southern National Bank, and at the time the application was being considered by your office, he was a manager of a branch of the Citizens & Southern National Bank? A. Yes.

Q. Did you consider the application for that charter as being one sponsored by the Citizens & Southern National Bank? A. Yes.

Q. Did you expect that the Citizens & Southern South DeKalb Bank, if the charter were organized, would have the general policies of the C&S, its standards, the support of its normal audit procedures, and that the Citizens & Southern National Bank and Holding Company were behind the proposed bank and would supervise it?

Mr. Kinkaid: Excuse me. Your Honor, I would much prefer to hear this testimony in Mr. Beasley's own words. It seems to me like an awfully leading question on a very important point.

The Court: Would you break it down, please, sir.

Mr. Hodgson: All right, sir; yes, sir. **[820]** With respect to this application and your expectations concerning support of the Citizens and Southern National Bank Holding Company, what did you eypect that this sponsorship and support would consist of? A. I expected particularly that audit procedures and general policy guidelines woud be furnished by Citizens and Southern.

Q. What about with respect to management and management continuity? A. Yes, I think that generally management had come, it did in the Citizens and Southern South DeKalb case, from the Citizens and Southern National staff.

Q. Considering applications which were in fact made for branches submitted by non-C&S Banks in DeKalb-Fulton areas and market areas where C&S five percent banks were also in existence, did you consider the support that the Citizens and Southern Banks received from C&S as making them better able to receive competition than if they were independent unit banks? A. Yes.

Q. Did you pass on the application in any degree of Citizens and Southern of East Point to establish a North Springs branch

at Roswell and Dalrymple Road? A. My office was required to make a recommendation.

Q. In passing on that and making your **[821]** recommendation, did you consider that this branch application was a part of an overall plan which also included the application contemporaneously submitted by East Point to merge with C&S Sandy Springs and C&S North Fulton? A. Yes, sir.

Mr. Hodgson: He is your witness, Mr. Kinkaid.

Cross-Examination

By Mr. Kinkaid

Q. Mr. Beasley, I wanted to get a couple of things straight, really, about what we might call a chain of command between your office and the FDIC office in Washington. If I understood your direct testimony correctly, when you entered into the organization of the South DeKalb or even the branch for East Point in North Springs, am I correct in understanding that your office was simply conducting an investigation and making a recommendation to the folks at Washington? A. Yes. I have a field examiner conduct a field investigation then I have to make a recommendation to the Washington office.

Q. In other words, you yourself do not exercise the final approval or authority for the FDIC? A. That's correct.

Q. I think you also, in generally describing the **[822]** functions of your office, noted that basically it shall function to see to it that various banking activities, particularly those of nonmember banks are handled in conformity with the law; am I correct in recollecting your testimony in that regard? A. Yes.

Q. Now, the laws you were referring to were various banking statutes; am I right? A. Basically Federal banking statutes.

Q. Right. Do the laws—does this question of conformity to the law, do you have anything at all to do with determining

whether the actions of the bank under your jurisdiction conform with the anti-trust laws in any way? A. Well, I'm not an attorney so I would not render opinions as such.

Q. No, what I was getting at, of course, you are head of the local FDIC office and you were describing the functions that you perform, and you did say that one of the functions that you perform was determining whether various banking activities were conducted in conformity with the laws. I would think it would come within your own knowledge as to what laws you have in mind. A. I have generally banking laws in mind.

Q. Do you have the anti-trust laws in mind? **[823]** A. I did not have anti-trust laws in mind.

Q. As a matter of fact, were any of the matters that Mr. Hodgson asked you about, were the anti-trust laws considered in any respect within your own investigation or recommendation? A. On the recommendations on mergers, the effect of the transaction on competition?

Q. Right. A. It's considered.

Q. Yes, of course, I was thinking more in terms of the application for the new bank at South DeKalb. A. No.

Mr. Kinkaid: We have no further questions.

The Court: You may step down.

Mr. Hodgson: Thank you, Mr. Beasley. You may be excused.

You have no reason for us to hold this witness, have you?

Mr. Kinkaid: No.

[824] Mr. Hodgson: Mr. Ream.

JOSEPH M. REAM,

being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Hodgson

Q. State your full name for the reporter, please, sir. A. Joseph M. Ream.

Q. What is your position, Mr. Ream? A. Regional administrator of national banks, Sixth National Bank Region, Atlanta.

Q. Under what national organization do you function? A. Controller of the Currency.

Q. How long have you had this position? A. September 1st, 1966.

Q. Would you describe to the Court the function of the office of regional administrator? A. It is the primary field supervision of national banks within the region, which includes investigation of branches, charters, mergers, trust powers and other banking functions. This also includes the field staff of examination of the bank itself, the preparation of the reports, initial supervision of the [825] banks and forwarding the reports to Washington.

Q. Does this or not place you into systematic and regular contacts with officials of banks within your region? A. It does.

Q. What is the scope of your region, Mr. Ream? A. South Carolina, Georgia and Florida.

Q. As a result of these contacts, do you have other contacts with officers of national banks in your region? A. I do.

Q. What form do they take? A. In the event of severe problems in a national bank, I normally meet with the board of directors and the officers of the bank. Many times we will

have public hearings on charters and branches. I also meet with them informally, at gatherings, such as the BGA, FBA, South Carolina Bankers, and normal supervisor-supervisory relationship.

Q. Is your office consulted from time to time by officials of national banks in your region as to actions they propose taking? A. Normally.

Q. This normally happens? A. Normally, yes. Especially on charters, branches, **[826]** building programs, capital programs, this sort of thing.

Q. Was the Citizens & Southern National Bank and Holding Company an exception to this, or did they consult you regularly in that regard? A. They consulted me.

Q. They did? A. They do.

Q. Which officers do? A. Many times, Joe Hall, Gordon Trulock, Howard Starks, Bill Green, many of the officers of C&S.

Q. In the scope of this, did the fact that these five-percent relationships, which I will describe as relationships between the National Bank and Holding Company on the one hand, and state banking companies in which it held—they held a five-percent interest on the other, and with which they had various management relationships, were those discussions with you and did they come to your attention? A. Yes.

Q. In what form? A. Well, the Holding Company is a subsidiary of the National Bank, and we have the right of examination of all subsidiaries. And these five-percent holdings would appear as assets in the Holding Company's books, **[827]** so that they are available to us as we check the Holding Company's books.

Q. With regard to the application for charter of the Citizens & Southern Park National Bank, a national association, did

you have any expectations as to the extent of the C&S relationship that would exist if the charter were granted? A. I knew that C&S would provide management policy, audits, legal service, and various other factors as though it were an important part of their own organization, yes.

Q. Did you consider this, the furnishing of these services and the giving of this relationship, as a favorable factor in considering the charter application? A. I did not consider the charter application.

Q. Did you make any sort of recommendation with respect to it? A. This, I believe was done before I arrived in Atlanta. I think that was done in the spring of '66 or fall of '65. I did not arrive until September.

Q. So far as you know of that relationship, would you have considered it a favorable aspect or an unfavorable one?

Mr. Kinkaid: Your Honor, that is **[828]** pretty speculative, and the man was not here, as he has plainly stated and has nothing to do with it.

Mr. Hodgson: I think he is speaking as an expert, Your Honor, as to whether he would or not.

The Court: Go ahead, you may answer.

A. Repeat the question, please.

Q. Would you have considered those relationships as being a favorable factor or an unfavorable factor, yourself, standing alone? A. The fact that there is continuity of management, which is a problem in many banking institutions, yes, that would be a favorable factor. The feature of participation of loans to get the bank onto an immediate profitability basis, as we have in Florida with our holding companies there, yes, there is a definite advantage to affiliation or an affiliation.

Q. In considering an application by a non-C&S bank in Atlanta and Fulton County after countywide branch banking

became possible, such as by the National Bank of Georgia or First National Bank, to establish a branch in that market area, in the market area of a C&S five percenter, would you consider that the five percenter was more able to withstand competition [829] of those new branches than if it had been an independent unit bank? A. Yes, I do.

Q. Why? A. Because the C&S Bank actively competes with these organizations, and I feel that with their association with the five percenters, they are going to use the same competitive aspects as they would in the city, if it were a branch.

Q. Except for the legal, separate structure of the banks, do you consider these five percenters to be C&S Banks? A. No.

Q. Except for the legal structure. A. Well, except for the legal structure, they are associated, affiliated, but they do have separate boards of directors and are supervised independently of any parent organization while they are under the aegis of the C&S National; yes, I must say that they are independent organizations.

Mr. Hodgson: All right, sir.

Mr. Kinkaid: Your Honor, we have no questions.

The Court: You may step down.

Mr. Hodgson: Thank you, Mr. Ream.

[830] Mr. Doyle: I call Mr. Henry Collinsworth.

Whereupon,

HENRY T. COLLINSWORTH, JR.

was called as a witness by and on behalf of the defendants, and having first been duly sworn, testified as follows:

Direct Examination

By Mr. Doyle

Q. State your name for the record. A. Henry T. Collinsworth, Jr.

Q. Where are you employed? A. C&S Bank.

Q. In what capacity? A. Executive vice president, corporate banking.

Q. How long have you been with C&S? A. Twenty years.

Q. Could you outline generally the areas of banking which you have been employed in? A. Operations a brief period of time, approximately ten years in consumer lending and consumer banking. For the past ten years, in corporate banking.

Q. Could you outline briefly what the business of the corporate banking area is? A. It's our business to handle the corporate customers of the bank, those business customers as opposed to individual customers of the bank including both **[831]** national companies, who are doing business with us, those local companies who do business at our main office or downtown office as opposed to our branches and small businesses, in your small business lending area.

Q. Mr. Collinsworth, you have before you a copy of Defendants' Exhibit 84-85; do you not? A. Yes, sir.

Q. Mr. Collinsworth, have you had occasion in connection with your testimony here today to analyze your corporate business coming under your department? A. Yes, sir.

Q. Have you attempted to determine the dollar value of demand deposits of Citizens and Southern National Bank and its

affiliates which are in excess of $100,000 which originates from companies headquartered outside of the State of Georgia? A. Yes, I have.

Q. That is that first figure on this Exhibit 84-85; correct? A. Yes, sir, $138,962,000.

Q. The second figure there, State of Georgia, is the same thing except that it's outside of the Atlanta area? A. That's correct; it's $23,524,000.

Q. And by Atlanta area, we are talking mostly **[832]** about metropolitan? A. Metropolitan Atlanta area.

Q. Then, that third figure? A. Is the out-of-state accounts from ten to a hundred thousand dollars, that is those accounts head-quartered outside the State of Georgia which is $19,740,-000.

Q. All right. The correspondent bank accounts that are reported there, those are as they are characterized? A. They are correspondent bank accounts from banks in Georgia, Alabama, Florida, and other parts of the southeast.

Q. Okay. A. Which total $54,749,000.

Q. In that Division 1, Georgia? A. Yes.

Q. Is that within or without Atlanta metropolitan area? A. It's out from the Atlanta metropolitan area.

Q. Okay. Now, with affiliates you did essentially the same thing? A. Yes, sir, we took those accounts from Georgia headquartered companies, those companies headquartered outside of the Atlanta area, yet bank at Emory, East Point and DeKalb amount to $8,403,600.

[833] Q. And then with regards to correspondent associate banks, you had occasion to run that analysis as reported there? A. That's right. Those totalled, in the case of Georgia headquarted companies, $6,685,400.

Q. The correspondent associate banks there, are those the ones who are defendants in this action? A. Yes, sir.

Q. Now, you talk about an out-of-state company, what is included within that? A. These are companies whose corporate headquarters are located outside the State limits of Georgia, basically those companies where the financial decisions are made at corporate headquarters.

Q. And by financial decisions, what do you include within that so far as this is concerned? A. Placement of these bank accounts, judgment as to which banks will receive these accounts.

Q. Are there included, say, in that first figure, $138,000,000 figure, are there included in there any accounts of companies which have no brick or mortar physically located in Atlanta? A. Yes, there are.

Q. Give us some examples of what and why, how that comes to be. **[834]** A. For instance, there is an account of Warner Lambert Pharmaceuticals, a New Jersey company, a lock box at our Atlanta office, Atlanta main office, C&S National Bank for collection of its accounts receivables. These accounts originate throughout the southeast. The account is billed by Warner Lambert. The check comes from the lock box or post office box under our control and is deposited in the account at C&S National Bank. The company gains the benefit of faster collection time on these items through our check collection procedures. Again, faster mail time into Atlanta as opposed to New Jersey.

Q. What are the effects with regards to a company getting its money? A. A company gets its money faster, gets expendible funds faster.

Q. Can you give us another example where a company has no brick or mortar in Atlanta, you know, physical location? A. Yes, we have an account which has just come on from the International Telephone & Telegraph Company, Continental

Baking Division, where bakeries throughout the southeast send deposits into concentration accounts in our bank. These are internal funds from these bakeries. They are collected in our bank here and transmitted onto the company's headquarters in New York. The company again **[835]** gains collection of funds. In addition, it has control of funds from the time collected into the banks in the areas throughout the south.

Q. All right. Now give us the range of banks that you compete against for this kind of business. A. Well, the larger the dollar deposit, the more the competition from outside our area. These competitors in New York, money centers, such as Chicago, Los Angeles, they are in North Carolina, they are in other parts of the southeast.

Q. All right, sir. Now, all of the figures that are reported in out-of-state, State of Georgia, $100,000 and more, all of them are not related to companies that have no physical location? A. No, sir, they are not.

Q. And now, do out-of-state banks compete for the same national accounts sort of business of Atlanta-based businesses? A. Yes, they do. We have a number of accounts here in our bank in Atlanta which do business with banks around the country.

Q. Are you aware of the extent of that? A. Yes. For instance, I'm aware of certain instances, for instance, New York's banks, I believe nine in number, tell us they have $45,000,000 on deposit in **[836]** Atlanta-based companies. Chicago banks tell us they have approximately $9,000,000 on deposit from Atlanta-based companies.

Q. Now, you have reported here and on this exhibit deposits at correspondent associates from the companies categorized. Who solicited that business? A. In some measure, the Citizens and Southern National Bank solicited the business or assisted in its solicitation through account offices in corporate banking areas.

Q. Other instances? A. The business was solicited in some cases by those banks themselves, but the principal assistance in putting together the relationship, I would say, came in joint efforts between those banks and our corporate banking offices.

Q. Can you give us any example of how this would come to be with regard to the specifics? A. Yes, I can give you one particular account, Marathon Oil Company which has an account at the C&S National Bank, main office, in addition has $3 million, or we, C&S National Bank, has a $3 million dollar participation in revolving credits of this company, in that company's total credit. That company, in addition, has a lock box relationship with us and deposit relationship at **[837]** the Citizens and Southern Park National Bank. In this particular case, the company's principal balances are at Citizens and Southern Park National Bank, amounted to some $500,000.

Q. Does the handling of this lock box business of Marathon Oil, for instance, relate at all to Citizens and Southern's system? A. The handling of the lock box done at the main office in Atlanta, that is the negotiations for a lock box, the call on the company related to it was done by the Citizens and Southern National Bank.

Mr. Doyle: That's all.

Mr. Sims: If we could have just a minute, Your Honor.

Cross-examination

By Mr. Sims

Q. Mr. Collinsworth, looking at this chart, Exhibit 84-85, the first number on there is out-of-state accounts, $100,000, and over a total of $138 million. Do you know how many accounts that represents? **[838]** A. No, sir, I don't. We have back-up information; I don't have it with me. It would be in excess of a hundred; I don't know.

Q. Would it be in excess of two hundred? A. I just couldn't answer that. It would be an approximation, and I just don't have any——

Q. Would it be less than a thousand? A. Yes, sir, I would think it might be.

Q. Do you happen to know how many accounts are represented by any of these other numbers on this chart? A. Yes, sir. Again, these are approximations. I don't have exact figures.

Q. Approximations are fine. A. But I don't—in the case of the next two items, in the case of the correspondent banks, we have some 700 correspondent bank accounts in total. Those represented in the first three, I would say, would—first three categories would represent the largest majority of those. I don't have the specific number.

Q. How about the figures for the affiliates? Do you have any idea of how many accounts those involve? A. No, sir, I don't in the case, no, sir, I just don't. I don't have the specific numbers.

Q. And for the correspondent associates? **[839]** A. No, sir.

Q. Do you know how many total accounts Citizens & Southern National Bank has? A. How many total bank accounts that Citizens & Southern National Bank has?

Q. Total bank accounts. A. Well, no, sir. I would guess the figure is in excess of 100,000, but it is a guess. You are talking about total bank accounts?

Q. Total bank accounts.

You mentioned that some of these out-of-state accounts were, I think you used Warner Lambert as an example? A. Yes, sir.

Q. People who don't have any brick and mortar in the state of Georgia? A. Right.

Q. How many others are there like Warner Lambert in that? A. There are a number. Again, I don't have a specific number, but there are——

Q. As a percentage of the total number, what would you estimate? A. The percentage of the total number is relatively small.

[840] Q. All right. Mr. Collinsworth, how long have you been with C&S National Bank? A. Twenty years.

Q. Have you always been in the corporate accounts department A. No, sir. As I said, I was in consumer lending and consumer banking for about ten years.

Q. What determines the bank's lending ability? A. What determines a bank's lending ability? I think that bank's size; I think its capability of its lending officers; I think the market in which it operates.

Q. When you say size, do you mean the amount of deposits that it has on hand? A. No, sir, I mean the lending capacity of that bank.

Q. Would you distinguish those two things, the amount of deposits versus the lending capacity? A. Well, there are legal limits applied to banks related to capital and surplus. There are. I think deposits relates somewhat to capacity, in that they have funds which they can lend or over which they cannot,

Q. Let's try to—let me try to get a little clearer on this last point. The bank has a legal lending limit? A. Yes, sir.

[841] Q. Which is determined by what? A. Its capital surplus and undivided profit.

Q. What relation does the total deposits of a bank have with those figures? A. Well, obviously, the bank's ability to gather deposits to the extent that capital and surplus relate to those deposits. A bank is required to maintain certain capital requirements in relation to its deposit size. Obviously, the larger

the deposit, the larger the capital growth of the bank, the more money it can lend.

Q. So, therefore, the larger the deposits, indirectly at least, the larger the lending ability? A. The larger the lending capability, to the point that it reaches a legal capacity.

Q. Right. When your bank is faced with loan demands in a particular area, let's use DeKalb County as an example, is its ability to meet those demands limited by the amount of deposits that it draws from DeKalb County residents? A. Let me give you this example. I think, and, again taking the case of Marathon Oil, Marathon Oil's request for credit at a time when money was awfully tight, the capacity of the C&S National Bank enabled us to meet that need, even though the main deposit of that company was at the C&S Park National Bank, **[842]** simply because we look on these banks as one and the same.

Q. Okay. Well, let me rephrase the question, then, because I don't think we are on the same point.

To the extent that you have loan demand in DeKalb County, as an example—— A. Yes.

Q. ——is your ability to meet that loan demand determined solely by the amount of deposits which you receive from DeKalb County? A. No, sir, it is related to the amount of deposits that are in the bank as a whole.

Mr. Sims: I have no further questions.

Mr. Doyle: Call Mr. Gordon Trulock.

The Court: Step down. Thank you.

GORDON B. TRULOCK, JR.,
being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Doyle

Q. State your name for the record, please, sir. A. Gordon B. Trulock, Jr.

Q. By whom are you employed, Mr. Trulock? A. The Citizens & Southern National Bank.

Q. In what capacity? **[843]** A. I am now assistant to the president.

Q. How long have you been with the bank? A. Twenty-five years.

Q. In broad brush, would you outline your career with the bank? A. Basically, I have been in the credit and credit-related areas for the entire twenty-five years. Just prior to my becoming assistant to the president in May of this year, I had been senior vice-president for credit for the C&S system. I had been in that capacity for approximately four to five years.

Q. What part of banking is credit? A. Well, credit, basically, is the lending of money, the making of loans. In my case, primarily commercial loans to businesses or time loans to individuals, and I say commercial and time loans to distinguish from the consumer loan area, with which I haven't had much involvement.

Q. Can you tell us what ingredients you consider, a banker considers, in making a loan or handling a loan application? A. What ingredients?

Q. Uh-huh, what goes into it? A. Well, basically, there are five ingredients that any lender of money might consider in extending **[844]** credit. I think, first, would be the cost of money. I think second would be the cost of servicing. Third

might be the risk factor that is involved in lending money. Four might be the profit factor that we would expect off of a typical loan transaction. And, finally, we have to consider the competitive environment in which we operate.

Q. All right, sir. Let's go back and treat each of those briefly. A. Yes, sir.

Q. With regard to the cost of money. A. Yes, sir.

Q. What do you consider—how does that get determined? A. Well, as I look at it, a bank, such as the C&S, makes many different types of loans, but, basically, we are lending from a central pool of money that arises from demand deposits, time deposits of various kinds, as well as the short-term money market instruments. For example, federal funds. It is difficult, I think, or well-nigh impossible to say that a given loan is funded entirely by either time or demand deposits, although I think to a certain extent we do consider this.

Q. What factors affect the cost of money? **[845]** A. Pardon?

Q. What factors go into the cost of money that you have to pay? A. Well, in the case of time deposits, the rate that is paid; also, I think to be included is the cost of servicing, and, that is, the cost of accumulating, of soliciting of loans; the inherent cost of maintaining the records or filing the necessary reports that are attendant with various types of deposit transactions.

Q. Would you take for me a couple of examples of loans where the cost of servicing would vary, let's say, one at one end and one at the other. A. Yes. As a for example, and illustrating a situation where the cost of loan servicing might be minimal would be perhaps the lending of money to a national account, such as Mr. Collinsworth described. For example, if General Motors were to send a note into the C&S Bank, I would say that the cost of servicing that particular type—that particular loan would be relatively small. On the other hand, if a local company, because of its financial strength, et cetera,

is borrowing against accounts receivable, we might consider that this is the type of loan where the proper control and dominion, supervision, if you will, of the collateral requires a great deal more time and expense **[846]** on our part. And, in a case like that, we would say that the cost of servicing is fairly significant.

Q. You mention inherent risk factor. I suppose that is obvious, but would you show us by brief examples the way those might differ? A. Well, here again, we get into a broad range of topics. But, specifically, I look at risk as that probability of the bank being repaid its principal plus interest that is involved in any loan.

[847] Q. What would you consider a very low risk kind of loan as an example? A. Well, the low risk type loan might again be a loan to a large national company of impeccable credit standing and strength for the size of the loan as related to the company's total assets, where the purpose of the loan is relatively short term in nature and we can foresee or anticipate a fairly rapid pay-back. We might say that the risk is minimal. On the other hand, where we are lending to a small business, for example, that is just getting underway where the financial strength is perhaps marginal, and perhaps the future of the business really depends in part on their earning a profit fairly soon after they open the doors, you would say that the risk is significant.

Q. All right, sir. You mentioned the profit factor and competitive factor. A. Yes.

Q. Tell me how you go about putting those into a mix. A. Well, obviously, we like to think that the dollars we lend, the purpose of our lending activity is such that a typical borrower, customer can use the dollars we lend at a profit to himself, and the customer having then earned a profit, we think that we are entitled to be **[848]** compensated for our time and effort, and so we typically attempt to plug in a profit factor.

Q. And the competitive effect? A. Well, we don't lend money in a vacuum. By that, I mean that to say, the customer has other choices in terms of lending institutions who are willing to make credit available to him. And while we might feel that a credit based on the standard that we use should carry a rate of interest of, we'll say, eight percent, we have to carefully review our transmittal process or calculations to make sure that this is right because we know that if we are wrong, and that we quote this customer a rate that is not in keeping with the type of transaction, that he can very likely go across the street and borrow the money at a cheaper rate.

Q. Well, in a given situation, with a given customer, Mr. Trulock, how do you put all these factors together? A. Well, I like to think, in fact, I know that, Mr. Doyle, having been involved in this for a number of years, that the lending of money is an art and not a science. By that, I mean, simply this, that we know that the ingredients that go into the making up of the credit decision for any given credit place different emphasis on different ingredients. And it finally gets down to the ability of **[849]** the lending officers to evaluate these, to determine the validity of the loan request in terms of its value to the customer and to the community, to this about all of these factors, that these five factors, at least, that I have outlined, and to arrive at a decision as to a rate that is proper. And I'm sure, because I have seen it happen, that you can take the very small loan requests, you can ask five lending officers in the Citizens and Southern Bank to evaluate it, and to list the strong points in the credit and to list the weak points in the credit, and finally come up with a rate of interest. I dare say out of those five people you would have at least four, maybe five different conclusions. Could have, you may not have.

Q. Now, your office and you have, on occasion sent out various kinds of general quoted rates? A. Yes, sir.

Q. Can you tell me how those fit into this picture that you

are telling us about? A. Basically, and I assume you're referring to rate charts——

Q. Yes, sir, that sort of thing. A. Well, we attempt to do this primarily as a service to the lending offices to the various areas of the banks knowing full well that there is nothing in the way of an ethical secret about this, that they could obtain **[850]** the same information about this if they had the time and inclination to do it, and really, it's in the final analyses, Mr. Doyle, a composite of our reaction to the national money market to supply and demand for money, if you will, to our evaluation of the propriety of the bank making a specific type of loan under existing economic conditions.

Q. You say that if they had an inclination to get it, where could they go get it? A. Well, it's not a question of really where they would go get it. It's a question of really trying to digest the voluminous information that is available. For example, the Federal Reserve Bank publishes economic information that most businessmen have available. The great majority of businesses belong to various trade associations, which, as a service to their members, publish economic trends or information that is available across the board.

By the same token, the Atlanta press frequently comments on changes in rates, the fact that the Federal Reserve Board perhaps has changed to some degree its posture and is either making money more readily available or conversely, is attempting to restrict the money supply.

Q. In Citizens and Southern Bank, who makes the decision as to whether or not to commit to make a loan? A. The lending officer.

[851] Q. Does he have to go to a committee to get approval? A. Typically speaking, in the Citizens and Southern Bank the lending officer has the authority and he will usually make the loan decision and so tell the customer. Now, we do review the loans after the fact. There may be some instances when because of the

nature and the structure of a credit that a lending officer might come and consult with myself or with some other officer in the bank, attempting to get our ideas as to how a loan should be structured. And if he asks for it, we attempt to give it. At the same time, it's his decision. He has to assume the final responsibility for having made the loan. If the loan goes bad and is charged off, I can assure you it's his bad loan and not mine. And on that basis, we emphasize we are glad to give you all the assistance that you want and need, but as a lending officer of this bank, you are expected to assume that final responsibility of saying yes or no.

Q. Now, you mentioned after the fact credit review. You have heard earlier testimony about the credit review meetings, credit committees? A. Yes, sir.

Q. You heard the question, I think, that was put to Mr. Handley, as to whether or not credit review has a **[852]** stabilizing effect on loan rates. Tell us about credit review, what it does. A. Well, first of all, I don't think that it has a stabilizing effect on loan rates for the simple reason that review is primarily after the fact. It comes after the loan has been committed, after the customer has been told, "Yes, we will make the loan." After the rate has been quoted.

Q. Now, what is the purpose—what do you do there? A. Well, the primary purpose of credit review, one is to maintain some feel of the continuing quality and liquidity, if you please, of the loan portfolio.

It is used to a very large degree as a training tool to assist in the development of younger lending officers. In other words, this is a forum whereby we can make use of a living example, if you will, we can discuss a particular credit as it relates to C&S policy and philosophy.

Q. Now, would you liken it to the case method of instruction? A. Indeed I would.

Mr. Doyle: He is with you.

Mr. Stern: May we have a moment, Your Honor?

The Court: Yes.

[853] **Cross-Examination**

By Mr. Stern

Q. Just a couple of questions. You stated, if I recall your testimony right, that several people at C&S National, about five people, you said, would get together to decide what to charge under certain circumstances for a loan? A. No, sir, I don't believe I said that, Mr. Stern. If I did, I didn't mean it in that context.

Q. You said they would have different ideas, different people would have? A. I said if you presented the same situation to a group of five people in the bank, you might come up with as many as four or five different reactions and different ideas as to the proper rate that the loan might carry.

Q. Isn't it possible that somebody might, outside the bank might also have a different view? A. That's right.

Mr. Stern: Okay. Thank you.

The Court: You may step down.

Mr. Doyle: No further questions. I call Mr. Ben Cook.

[854] Whereupon,

BEN C. COOK

was called as a witness by and on behalf of the defendants, and having first been duly sworn, testified as follows:

Direct Examination

By Mr. Doyle

Q. Mr. Cook, state your name for the record, please, sir. A. Ben C. Cook.

Q. Where are you employed? A. Presently employed by Citizens and Southern Bank of Cobb County.

Q. In what capacity? A. Banking officer, manager of Marietta Square office.

Q. Could you outline for us your former history? A. I came with the bank in 1955 and worked in various areas.

Q. Which bank? A. Citizens and Southern National Bank. I worked in various areas, primarily clerical positions until 1959, while I attended school at night. I took a leave of absence from the C&S Bank to go to the Navy. I came back in 1963. I worked in the credit department, analyzing credit, credit files for approximately one year and then **[855]** since that time I have worked in the various branches throughout the C&S system.

Q. All right, sir. What branches did you work in? A. I went to the Northwest office in 1964. I went to the Fulton Industrial office, C&S Bank, 1966. Then, I went to C&S Belvedere Bank in March of '68, and in November of 1971, I went to the Citizens and Southern Bank of Cobb County.

Q. November of '71 you went to Cobb County? A. That's right.

Q. From 1968 to 1971, you were at Belvedere? A. That's right.

Q. During that period of time, the Citizens and Southern Bank of DeKalb was merged within the C&S Bank of Belvedere? A. C&S DeKalb Bank.

Q. And you were at Belvedere during that time? A. Yes.

Q. I wonder if you would tell us what difference it made as a result of that bank being merged into a branch.

Mr. Lehman: I object to the relevancy, materiality of Mr. Doyle's question. We are not dealing with a bank at hand in the case today, the defendant's banks. This merger occurred

over three [856] years ago. Apparently it has, is channeled toward the Section 7 portion and I do not see the relevancy nor the materiality as to the relationships involved before the Court as to the defendant banks, nor as to the mergers before the Court.

The Court: Overruled. You may answer.

The Witness: C&S Belvedere Bank was a unit bank. That was the only banking location of that particular bank. As such, we carried on the entire operations of the bank there. I was a cashier of the bank. As such, I was in charge of the operations department, that is the fulltime bookkeeping department. I also served in a lending function, retail lending and commercial lending. I would imagine I would have spent at that time approximately forty to forty-five percent of my time in the operations function, that is attending to the management of the operations area.

After the merger, the operations department was no longer my responsibilty and all of my time was, at that time, devoted to, waiting on customers, soliciting new business, and so on and so forth.

By Mr. Doyle

Q. What sort of effect did this merger have on [857] the ability of that bank and banking office to serve its customers? A. I think it improved it considerably from a couple of standpoints. One, it enabled those of us who were on the line in that location to devote more of our time to what we think of as frontline banking operations, that is soliciting business, opening accounts, making loans. There are some efficiencies to be gained perhaps, in combined operations, operation departments.

There was an increase in our legal limit because of combining the resources of the C&S DeKalb Bank and C&S Belvedere. There was an increase in lending limit resources which we could rely on to wait on larger corporations.

The size of C&S Belvedere Bank prior to that, we did have several corporate customers who we were banking. It was necessary to participate out a portion of their loans because of our resources. Because of our resources we were unable to handle the entire transactions. While we can make larger credits available to customers in this manner, it requires the steady approval of the credit by the participating bank also. It is a bit more time consuming, a little less flexible.

[858] Q. All right, sir. And how about with regard to deposits? Was there any difference for any of your customers in that connection? A. The only change in the deposits would be that we had an additional location at that point that they could deposit their funds and receive same-day credit. At that particular time, we were accepting deposits for other C&S banks, other C&S locations. However, those deposits were necessarily forwarded to the bank of account. Prior to that time, for example, if one of my customers at C&S Belvedere had made their deposit at the Avondale location, it would have been necessary for Avondale to have forwarded it to me, resulting in a minimum of a one-day delay in their receiving credit.

At that time, of course, if they made their deposit or any transaction that they conducted at the Avondale location, they could receive same-day credit.

Q. The significance of the same-day credit, is that important to a relatively small number of your overall customers? A. I think it is quite important to the customers because of a convenience factor. And, historically, a lot of our customers get paid and make their deposits and write out all their checks the same day. So it is **[859]** most important that we give them credit for the funds immediately. And, of course, it just afforded them an additional location on which they could receive same-day credit.

Q. Did your customers know the difference before and after? A. Not really. They came into the office there, and I was

still there; Susie or those girls, all the faces were the same; there was really no difference so far as the public banking function was concerned. There was no difference evident to the customer at all.

Cross-Examination

By Mr. Lehman

Q. Now, Mr. Cook, you mentioned that through the merger the banks were better able to serve the customers in your opinion; is that correct? A. Yes, sir.

Q. What new services did the merger bring that weren't provided to your customers before the merger? A. Not a new service per se, just an increase in legal limits and an additional location with which they could conduct their business.

Q. As to the increase in legal limits, in other words, that meant that you didn't need to engage in loan participations as much as you had before? **[860]** A. Well, as Mr. Collinsworth indicated before, we do have limits, and our legal limit that we could lend to one particular customer at that time, of course, was increased by the portion that the capital and surplus of the two combined banks were.

Q. And as to this merger, adding an additional servicing area to your customers, additional bank, branch or whatever, how many of these customers that would be serviced in this additional area would normally engage in a loan the size that would require or would have required a loan participation with C&S National? A. I don't recall. There were several. I had several loans participated out to various branches at the time. I don't recall the exact number.

Q. Would it have been a large amount, do you recall, or a relatively small amount? A. Well, of course, everything is relative. I suppose probably in—by your terms, it might have been relatively small. I don't recall how many there were. As I recall, there were seven or eight corporate customers whose

needs that we actually could not serve without the participation function. But, I don't recall the exact number; I am sorry.

Q. Do you believe that a large bank, such as C&S is better able to serve the customer than, say, **[861]** a smaller bank? A. There is no question about it, particularly in an area with an expanding economy we are in here.

Q. This would be to the average customer, what you would consider to be your average customer? A. Well, who is the average customer? We all benefit from the economy as a whole. I don't really know how to answer the question, to be honest with you. We are located in an area of expanding economy; I don't suppose I am qualified to answer this question. We are in an expanding economy, and unless industry is able to keep up with the needs of the public, the public is going to suffer in the long run; in the end it all comes down to the consumer.

Q. Would you consider industry your average customer then? A. What do you mean by average? Dollar volume, number of accounts or what?

Q. Let's say number of accounts. A. No, not in number of accounts, no, sir.

Mr. Lehman: We have no questions.

The Court: All right, you may step down.

Mr. Doyle: One moment, if Your Honor please.

[862] The Court: Oh, excuse me.

Mr. Doyle: No further questions.

The Court: Thank you.

Mr. Doyle: Call Merrill Autry, Jr.

MERRILL AUTRY, JR.,
being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Doyle

Q. State your name, please. A. Merrill Autry, Jr.

Q. Where are you employed, Mr. Autry? A. I am employed with the Citizens & Southern Emory Bank.

Q. How long have you been employed there? A. Since July of 1969.

Q. What capacity are you employed in? A. President.

Q. What is C&S Emory Bank? A. It is a—except for qualifying shares of the directors, a wholly-owned subsidiary of the Citizens & Southern Holding Company. It has four offices.

Q. All right. Before you went to C&S Emory, outline for us your employment history, please, sir. A. I have been with the bank twenty-one years. **[863]** I grew up, basically, in installment lending and term lending, spent five years in a Chicago service office. I returned, headed up corporate accounts, then moved to head up the correspondent banking department of the C&S National Bank, and then went to C&S Emory.

Q. Can you tell us, outline for us, the history of the growth of C&S Emory Bank? A. Emory started at the so-called Emory Village, right down by Emory gate, Emory University gate, in 1951. The bank remained there until 1956 or '57. It applied for and received permission to move to 1237 Clairmont Road, which was about a mile east of the Emory campus. At the time it moved, it was about a $3,000,000 bank in deposits, and today its deposits structure is about $46,000,000 or $47,000,000, total footings of 52.

Q. Was this growth a result of internal growth or acquisition? A. Purely internal growth, no acquisition.

Q. All right, sir. Tell us what factors you consider to be important in your effectiveness as a banker. A. Well, I guess it is what I basically grew up with in the National Bank, and that is the ability to do business on an individual level, to solicit and seek business, to commit your loans, to manage your people **[864]** through your guidance and direction of your board and help you receive from the National.

Q. Do your branch managers have that same sort of authority and responsibility? A. Yes, sir.

Q. Is that the same or different from what you are familiar with with regard to the branch managers of the National Bank? A. That they have—they operate the same.

Q. All right, sir. Are you familiar with the operations and the methods of operations of the presidents of the correspondent associates who are involved in this? A. Yes, sir.

Q. How do you regard them? A. They operate the same.

Q. Can you tell us whether or not there is any internal competition or rivalry among branch managers and presidents of affiliates. A. I think there is internally. We have a goalpost and we—Emory was denied access to a new trade area, a new market for it, namely, the City of Decatur on the square, so to speak. And we now have a National Bank there. We have helped that bank get some customers, but yet, at the same time, on the goalpost, **[865]** I need to show up good, too, so, internally we do have competition.

Q. How did that access to the City of Decatur get denied Emory? You said it was denied; what were you talking about? A. We had applied for a branch of Emory under the countywide branch banking law.

Q. And it was turned down? A. And it was turned down.

Q. That is what you are talking about? A. Yes.

Q. Do you feel that you can do what the competition requires you to do in selling your banking products and services? A. Give me that again.

Q. Do you feel that you can do what competition requires you to do in selling your bank's products and services? A. Yes, sir.

Q. Getting business. Is your board of directors just a rubber stamp, Mr. Autry? A. No, sir.

Cross-Examination

By Mr. Frisbie

Q. I am not sure if we established it or not, but **[866]** the C&S Emory Bank is an affiliate bank, is it not? An affiliate with C&S National. A. Well, what do you mean by "affiliate"?

Q. Or subsidiary. A. I consider it a wholly-owned sub.

Q. Okay. A. Except for qualifying shares of the directors.

Q. Is there any such thing as a super subsidiary? A. I heard the term, and I guess there is.

Q. Mr. Autry, how are you familiar with the internal operations of the correspondent associate banks, the question in this suit? A. Well, having been in the corresponding bank department, they did not come under the correspondent bank department, but in various of the C&S National schools that we have attended, we have discussed various phases of banking together. Since I have been at Emory, we has discussed various phases of banking together. I remember one school in particular we attended, all of the presidents of the five percenters, super correspondents and correspondent associates, on international banking and how we could take international banking and use it in our own shop, put it into our own operations, sell it to our own customers through international. So, we talk with each other an awful lot.

[867] Q. You never worked for a correspondent associate bank in any capacity; is that correct? A. Only relieving for vacations and emergencies, I have worked for Avondale, DeKalb Bank, and I worked for Buckhead before Buckhead was merged in as a branch of the National Bank.

Q. All right. But none of those correspondent associate banks are involved in this lawsuit. Is it correct to say that you have never served in any capacity with those, as an officer or director of those banks? A. No, sir, I have never.

Q. That is a correct statement? A. That is a correct statement.

Q. And your knowledge of the internal operations of those banks is limited to classes you have attended which were also attended by members of the management of these correspondent associate banks? A. No, sir.

Q. And discussions with these persons who were officers or in the management of these banks? A. Well, unless you would want to consider that my cashier works with the cashier of each one of these banks in any trouble that they may be in, if they are out of balance or if they have trouble in their call reports or this sort of thing, Emory helps out. We **[868]** kind of serve as a guidepost for them. They come over and we help them.

[869] Q. Who owned the majority of stock of C&S Emory? A. The Citizens and Southern Holding Company.

Q. And who votes this; do you have any knowledge of who votes the stock held by C&S Holding Company? A. It's voted by proxy and by different persons named to vote that proxy. I would say different persons' names are on it. Since I have been there, proxies have been voted three or four times. I think there has been a different person each time than someone who is designated by the holding company.

Q. Does Mr. Hall ever sign the proxy statement? A. No, not since I've been there.

Q. Are there any officers or directors of the Citizens and Southern National Bank on your Board of Directors at the present time? A. Yes, sir.

Q. Are they voting members? A. Yes, sir.

Q. Mr. Autry, is there any doubt in your mind that if Mr. Hall came to you with his stock certificates in his hand in the name of C&S Holding Company and said, "Mr. Autry, I want you to call a special meeting of the Board of Directors and present for a vote the matter of changing the service charges on our checking accounts," **[870]** don't you feel sure that such would happen and such would be passed if it were so desired? A. Well, legally speaking, he owns—if he comes out under proper credentials and he owns the amount of stock the holding company owns, he has a right to hold it. It's immaterial what we think. I will say to you, I have been in my stockholding meetings, I imagine you are referring to the rubber stamp Board. Right after I went to Emory we had a deficiency, what we considered a small deficiency in our deposits to capital ratio and rather than trying to float any new capital issue, we decided we would withhold dividends, and I remember very vividly there were one or two directors who were quite outspoken, that they couldn't see the long-range value of leaving the dividends in the bank and letting the depreciation grow. They wanted their money even though they had to pay tax on it.

We had quite a discussion on it. Naturally, when it gets down to voting the stock, yes, the holding company is going to win. That's all cut and dried.

Q. One more point I want to clear up. Is it not true that four and a half percent is the legal maximum that can be paid on regular passbook savings? A. No, sir, I believe it's four. I may be wrong. But, if it's four and a half, and you don't leave it in a certain period of time, it reverts back. I think regular **[871]** passbook is four.

Mr. Sims: I have no further questions.

The Court: You said you were denied the opportunity to merge with the Decatur National Bank?

The Witness: We applied under the State. We are a State bank and applied.

The Court: You are a State bank?

The Witness: Yes, sir. We were denied to branch. I believe the denial came from the Fed rather than the State.

Mr. Hodgson: I can state that the denial of the application for a branch in Decatur by Emory Bank was denied by the FDIC. At the same time, the mergers were approved. Subsequently, the National Bank just recently has obtained authority to open a branch in Decatur from the Comptroller of the Currency.

The Court: Okay, you may step down.

Mr. Hodgson: Judge, one way or another we have had eighteen witnesses on the stand. Some of them were quite short. This is all we have been able to scrounge up for today with the exception of Mr. Gellerstedt. He said he had to go meet the Jamaican Prime Minister. His testimony will be very brief. If we could just suspend for a short time——

[872] The Court: We will recess for fifteen minutes.

(Whereupon, a short recess was taken.)

[873] **L. R. GELLERSTEDT, JR.,**
being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Doyle

Q. Would you state your name for the record, please, sir. A. L. R. Gellerstedt, Jr.

Q. What is your business, Mr. Gellerstedt? A. I am a general contractor, president of Beers Construction Company.

Q. Have you had any contacts, past or present, with the C&S Bank? A. All my life.

Q. Would you tell us about it, please, sir. A. Yeah, my dad came with the C&S Bank when I was two years old. He was a national bank examiner. We moved here, so I was raised the son of a C&S bank officer. And our company does business with the C&S Bank, and I have served in various and sundry capacities on a C&S Bank's affiliate board of directors.

Q. Have you also had occasion to serve, in addition to your employment capacity, in connection with the City of Atlanta Chamber of Commerce? A. I am the president of the Chamber of Commerce **[874]** this year and have been affiliated with the Chamber for a number of years.

Q. Have you had occasion to have contacts with the C&S Bank of Sandy Springs? A. I was one of the original directors on the C&S Bank of Sandy Springs when it started. I believe that was back in 1960.

Q. And its name at that time was—— A. Citizens National Bank of Sandy Springs.

Q. Citizens National Bank of Sandy Springs? A. No, it wasn't—yes, it was Citizens National Bank of Sandy Springs, and we changed it to——

Q. How did you happen to become a director for that bank? A. I got a call from Mr. Mills Lane one day, and he asked me if I would come up to his office. I went down and he said he needed to start a bank out in the Sandy Springs area, and he said, "I need some people to be on the board of directors." I says, "What has that got to do with me?" He said, "I want you to be on the board of directors." I said, "I am a contractor; I went to Georgia Tech; that is a technical school." He said, "I need somebody to be on the board of directors," and so I

said, "Well, if you tell me to do it, I will." So that is the way I came to be on the board.

[875] Q. Did you have meetings with regulatory authorities when you opened? A. Yes, had them in your law firm's offices. We were interrogated by several agencies, and I can remember very well them asking me what I was doing there. I told them because Mr. Lane said we ought to do it for the area of the city, and I told them I had no banking background or anything, but I had been very much connected with Mr. Lane and the C&S over the years; that I thought this was something that was needed out there and looked to me like it was an area that was going to grow. I was all for it.

Q. Did you have a concern as to what you could bring to the management or the direction of the bank? A. I could bring very little. I had been raised as a banker's son; I guess he didn't think I had enough sense to be a banker. That's why he sent me to a technical school. No, I didn't have any thoughts.

Q. What was your thought about where that bank was going to get its management and direction? A. From the C&S Bank, because the whole thrust and organization, Tom Cook was then an officer of the bank, was the one out pushing the paper, selling the stock and doing all the leg work for it. So the entire organization of that bank came right out of the main **[876]** office over here, and, consequently, we knew full well that all the time we would be tied in with the help of the C&S Bank to move that bank forward.

Q. Did you have any contact as a contractor with regard to the initial banking quarters of the bank? A. Yeah, I actually developed—we rented a space in a shopping center out there, and I actually developed the space, and I remember we were trying to meet a certain time schedule and it was rather tight. We didn't have all of the approval of the various and sundry agencies, and we were spending money out there. I know I asked Mr. Lane what is going to happen if we don't get this

bank approved. He says, "We will open Lane's Pawn Shop out there." So, yes, I did develop the area and it was opened, then, I believe it was, in December of '60.

Q. When the bank opened, did C&S people have any contacts with the opening of it? A. Oh, yes. They were involved in publicity involving our opening ceremonies and were very much in evidence.

Q. Was the bank known as a C&S supported and sponsored bank? A. There wasn't any question. I think all the people that bought stock bought because of their ties **[877]** with the C&S Bank. It was always conceived that once the banking laws were changed, that this bank would come into the system. Because there wasn't any doubt that this was an area of town that was going to grow in a hurry, and it needed bank facilities up there. So I feel that all of us that went on the original board of directors of that bank felt that once the banking laws were applicable, we would come into the C&S system.

Q. Has the bank been able to serve the Sandy Springs Community, in your opinion? A. I think it would have served it better if it had been a branch of the C&S Bank, in my own personal opinion. But, yes, it served the community; the bank's history is on record. It grew and it grew fast. It has had, I think, a very good effect up there. But, of course, the area itself has developed with such a tremendous rate of speed, I frankly feel it would have been better for the area if it had been a C&S Bank earlier.

Q. At the time, in change of management from Tom Cook to Lou Fortuna, was there any question in your mind, the board's mind, of disaffiliation from the C&S? A. Oh, no. When we got into the obvious problem, when the auditors were out, we had one real bad loan; I believe it was a fellow by the name of Eidson, if I **[878]** remember, Eidson and Seiden, it became evident then that we had some problems in our loan portfolio, and when we dismissed Tom Cook, Howard Starks brought out

Lou Fortuna, brought him off of vacation, and I believe that Lou at that time was out at the Emory C&S Bank, or one of the other banks, so there wasn't any question about where the replacement came from or was going to look for him. He came out of the C&S system.

Q. From your position at the Chamber of Commerce and your experience you have outlined to us of growing up in Atlanta, I wonder if you would give us your view on the relationship of banking business in Atlanta to Atlanta's economic growth. A. I don't think there's any question but that the banking portion of a city plays more of a part with how that city grows than anything else. If you have got a banking community that is very staid and very conservative, a community grows in one way. If you have got a banking community who has faith in the future, who is willing to look at things a little bit differently, it grows in a totally different way. I will never forget that my dad, when he was at the bank, Mr. Lane Young was president of the bank, I remember they gave a testimonial dinner for Mr. Young when he retired. And he said one of the guys got up to give a little say about Mr. Young, **[879]** and said he came to the bank, didn't know anybody, went in Mr. Young's office and told him he wanted to borrow $500. Mr. Young said that he would be glad to lend him the $500. That shows what a man of character he was; he took a mortgage on my car, a mortgage on my furniture and my house, and he lent me the $500.

I remember that versus Lane, when he would go into the lobby and say, "I got money to sell." There's some things I have seen involving the money business in Atlanta. We have got four big banks in Atlanta. I can remember very vividly when we had a drought in South Carolina and the farmers were having a terrible time there, and C&S got some water wagons; I think they got them out of Army surplus, and sent them over to South Carolina. I can remember when the first industrial development department was opened up, when they hired the boy that was in the Columbus Chamber of Commerce to come

here to do nothing but get and develop commerce, move them out in Atlanta, very, very vividly. They brought Carling Brewery out here, which was a vivid thing. What Mr. Lane did, such as the stadium, why he put the money for the plans on the stadium. Once again, before all the legalities had been tied up, and he ended up with a $750,000 bill for a set of blueprints, and I asked him what he was going to do if the plans weren't **[880]** approved, and he says, "I guess I will be the only citizen that owns a set of plans for the stadium."

I remember how he bought the property for the Governor's Mansion, did all of this.

No, the banking industry in Atlanta has been, in my opinion, probably the real reason that Atlanta has experienced the wonderful growth that we have had, and I think Mr. Lane has been the leader; if not the one, one of the leaders in this particular field.

[881] **Cross-Examination**

By Mr. Sims

Q. Mr. Gellerstedt, you said that you thought that the bank out in Sandy Springs would have better served the community if it had been a branch of the Citizens and Southern. How; why is that? A. I think it would be direct management contact rather than through the Board. In other words, the Board served but classically, the management direction from the bank was coming from the Citizens and Southern. I think we felt like a direct contact would have been a better thing, rather than the way it was. I think the loan capacity would have been different if it had been directly with the Citizens and Southern Bank. I think certain other features would have helped the normal growth of the area better.

Q. Would you be able to be more specific in what you mean by other features? A. I think the banking community probably has more to do with the area of growth, the type

growth you have than any other thing. I think if you have a national bank out there, I think there would have been some direction so far as planning and zoning are concerned that you don't have with a smaller bank like this.

I think certain direction so far as getting[**882**] other thrusts of particular movements of companies in the area. I can see a lot of things would have been different if you had a national bank there.

Q. Would you say that during the time you served on the Board of Sandy Springs that the Board of Directors was merely a rubber stamp? A. Basically, yes.

Q. Any exceptions to that? A. Not that I can think of. We joined up with the Citizens and Southern profit sharing plan for our employees, every time they would change one of their plans, we would change our plan. No, we basically didn't give any management direction.

Q. Were you on the Board of Directors at the time Tom Cook left the bank? A. Yes.

Q. Was there any discussion about the question of whether or not Mr. Cook would leave for any length of time prior to the time he left? A. Not that I remember. As I say, the auditors were, we knew we had this bad case with Edson and Seiden, which is a relatively large, looked like, loss for the size bank that we were. The auditors came in and, as I remember, the chain of events, it was relatively fast after that. We decided that Tom ought to leave.

[883] Q. Now, you said that you think the banks are important. A. The banks in the community are very important.

Q. In your own opinion, do you believe that the level of competition between banks and the community makes any difference as to the service they provide to the community? A. A. I sure do. I've never seen competition quite as severe as it is in the banks in Atlanta. I am in the contracting business,

which is relatively a competitive field itself. I've seen, in this city, a fantastic competition between Trust Company, C&S, Fulton and First National, over the years. Now we have the Bank of Georgia. It's a very tight competition situation as it is.

Mr. Sims: I have no further questions.

The Court: You may step down.

Mr. Hodgson: Judge, we have no more witnesses available for today.

The Court: Let me check with you where we are, run through your list. Of course, the first two that are on there, Messrs. Jackson and Dunn.

Mr. Hodgson: Jackson and Dunn, Mr. Jackson will be available as our first witness on Monday. Mr. Dunn will not be available until Monday afternoon. Of course, Mr. Jackson is the former Superintendent **[884]** of Banks and Mr. Dunn the present commissioner.

The Court: Are you going to call Mr. Stevenson? I noticed you called two in that category.

Mr. Hodgson: No, sir, the Feds, as I understand, are reluctant to permit the witnesses to testify.

The Court: He will not be here.

Mr. Hodgson: He will not be called.

The Court: Messrs. Cleveland, Bruner, Robinson, Williams, Presley?

Mr. Hodgson: Presley will not be available to come from Augusta.

The Court: Mr. Dick Allen?

Mr. Hodgson: It's problematical about Mr. Dick. The mayor's going to Africa, Mr. Allen's gone again. We urged him not to let a fly bite him.

The Court: But, he is out as far as we are concerned? He will not be a witness. Chatham?

Mr. Doyle: No, Chatham is not going to be.

The Court: Munford?

Mr. Doyle: Yes, sir.

The Court: We have had Mr. Gellerstedt. Connelly, I notice you have got his deposition, I believe.

Mr. Hodgson: Mr. Connelly was among the five **[885]** percenter presidents who has testified to by proxy, testified by proxy.

The Court: We had him a little bit different paragraph from the others.

Mr. Hodgson: Yes, sir, he was included as a five percent president, really.

The Court: You won't have him. That leaves Mr. Baxter.

Mr. Hodgson: Yes, sir.

The Court: So, let's see how many that gives us.

Mr. Hodgson: I believe that's about nine. We may have some disappointments among them. Their absence probably won't disappoint the Court.

The Court: From what I see, then, there should not be any lengthy testimony except that of cross-examination of Mr. Baxter and if Mr. Kinkaid will follow your example there we will have no problem.

Mr. Hodgson: I believe we are in excellent shape, Your Honor. I think we will conclude Monday evening or Tuesday morning.

The Court: I think we will recess until 10:00 o'clock on Monday.

(Whereupon, court recessed at 3:30 o'clock P. M., to reconvene at 10:00 A. M., Monday, October 2, 1972.)

[887] The Court: All ready?

Mr. Hodgson: Yes, sir.

The Court: Fine.

Mr. Hodgson: So Your Honor will have some notion how we think the day will be going, so we may make some plans, we will be planning to call this morning Mr. King Cleveland, president of the National Bank of Georgia, and Mr. W. M. Jackson, former Superintendent of Banks of the State.

The Court: All right.

Mr. Hodgson: And Mr. Walter Eaves, and last in the morning, Mr. Evans Bruner, and Mr. Mack Robinson.

The Court: In that order?

Mr. Hodgson: Most likely. Mr. Robinson asked that he be allowed to go on late morning to suit his problems, and then Mr. Jack Dunn, the current Commissioner of Banking, who cannot be here until after lunch.

The Court: All right.

Mr. Hodgson: Which will leave us with three witnesses, two of whom will be quite brief, Mr. Jimmy Williams, who is coming in the first thing in the morning, and Mr. **[888]** Alex Munsford, who has been out of the state, and we haven't been able to reach him. We will try to get him this afternoon and, if not, the first thing in the morning. And then Mr. Baxter.

The Court: How about Mr. Dick?

Mr. Hodgson: Mr. Dick will not be testifying or available.

The Court: All right.

Mr. Hodgson: Mr. Cleveland, will you take the stand, please, sir.

Don, did you pick all of that up? I guess I was mumbling a little bit.

Mr. Kinkaid: Yes, I think I got it all, thank you.

KING CLEVELAND,

being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Hodgson

Q. State your full name for the reporter, please, sir. A. My name is King Cleveland.

Q. What is your job, Mr. Cleveland? A. I am chairman of the board and chief executive **[889]** of the National Bank of Georgia.

Q. How long have you been with the National Bank of Georgia? A. I have been there almost eleven years.

Q. What has been your course of duties with National Bank of Georgia since you have been there? A. I started at the mid-management level when I first went with the bank, and I have been in primary charge of the bank's growth and development for the last six years.

Q. Previous to that, where were you employed? A. I was with the C&S Bank in Albany, in the trust department.

Q. During your time with the C&S, were you always with the trust department? A. Yes, always.

[890] Q. As chief executive officer of National Bank of Georgia, are you familiar with the metropolitan Atlanta banking market? A. I'd say so, yes.

Q. Why is this? A. Well, it's my business to be familiar with it.

Q. I'm going to ask you several opinion questions about this, Mr. Cleveland. I'm going to ask you first, whether or not in your opinion as the chief executive officer of a major bank in this area, if in your opinion, this area is dominated by or concentrated in one or a few banks, relatively to banking markets as you know them, through the country. A. No, I would say certainly not.

Q. What is the reason for your opinion? A. Well, because we are the smallest of the five major banks and we have had no problem in increasing our share of the market. Although the competition is fierce between the banks in Atlanta, it's a clean market, a good market, growing community. I would say that this city probably has the most aggressive banking competition of any cities in the south and probably in the country.

Q. Are you familiar with the fact that this lawsuit relates to attempts by the Citizens and Southern National Bank Holding Company, Emory and East Point, to **[891]** merge Citizens and Southern Sandy Springs and North Fulton Banks into the Citizens and Southern East Point Bank and Citizens and Southern Chamblee—excuse me—Park National and South DeKalb Banks into the Citizens and Southern Emory Bank? Are you familiar with that fact? A. I am aware of it.

Q. Do you have any opinion as to whether or not if these mergers go through there will be any lessening of banking competition in this area? A. I don't think it makes a bit of difference one way or the other.

Q. Why not? A. The market is open to all of the banks in Atlanta. If we want to do business in those areas, we can make an economic decision to do so. What the Citizens and Southern does with their business in those areas doesn't make any difference to us.

Q. From a competitive point of view, do you have any opinion whether or not these five banks ought to be merged

into East Point and Emory or not? A. I don't think it makes a bit of difference. They are recognized as C&S Banks in those communities. Whether they are merged into the existing organization or remain as they are, I don't think it makes a bit of [892] difference from a competitive standpoint.

Q. Could you have done what the Citizens and Southern did? A. Yes, if we had the imagination and the intestinal fortitude and been able to take the business risk involved, doing what they did, we could have done it, yes. So could any other bank in Atlanta.

Mr. Hodgson: No further questions, Mr. Kinkaid.

The Court: All right, you may cross-examine.

Cross-Examination

By Mr. Stern

Q. May we have one moment.

Mr. Cleveland, what is the basis of your opinion that this is a highly competitive market? A. I base it on my day-to-day experiences in competing with other banks in the metropolitan community on a day-to-day basis for both growth, loans, branch locations and all of the other forms of banking.

Q. What other markets were you considering when you were comparing this with the competitiveness of this market? A. Primarily, cities the size of Atlanta, Chicago, Dallas, cities of this sort, where I have the experience of sitting in conference with these bankers from these communities and hear their discussions of their market [893] development, bank expansion.

Q. Have you personally conducted banking in any of these cities? A. No, I have not.

The Court: Anything further from you?

Mr. Hodgson: No, Your Honor.

By the Court

Q. Let me ask you a couple of questions. You apparently considered some geographical area in making this statement, even though the boundaries may have been fairly loose. What boundaries did you consider for the market that you say is highly competitive? A. Primarily the metropolitan area, two counties, DeKalb and Fulton.

Q. Do you consider the competition is fairly intense throughout or does it vary in that area? A. Well, Your Honor, we consider it very intense throughout the two counties. That's based to a large degree on the analysis that we made when we started our branch banking program and we are trying to determine what branch locations may be desirable from our standpoint. We made an analysis, statistics in almost every community in the two counties and found places where we wanted to put a branch.

[894] The Court: Well, do you find that the competition to which you refer is primarily there with the largest four or five banks, or does the competition include more than that?

A. It includes more than that. There are several independent banks located in the metro Atlanta area, where we felt that they were so strong in that particular market that we were not encouraged about opening a branch across the street from them.

The Court: And do you find that they compete as effectively in the areas which they serve as the largest banks?

A. Yes, sir, that was our opinion. Because of their ties in the community, that it would be a more difficult market to compete with them than it would one of the large Atlanta banks.

The Court: Anything further from this witness?

Mr. Hodgson: We have no further questions.

The Court: Step down. Thank you.

Mr. Hodgson: Mr. Jackson, please.

W. M. JACKSON,

being first duly sworn, was examined and testified as follows:

[895] Direct Examination

By Mr. Hodgson

Q. State your full name for the Court, please, sir. A. W. M. Jackson.

Q. Mr. Jackson, what is your job today? A. I'm retired, former Superintendent of Banks.

Q. How long have you been retired, Mr. Jackson? A. Since January 1st, this year.

Q. Of this year? A. Uh-huh.

Q. Would you tell the Court briefly, sir, the course of your career in the Banking Department, how you got there and how you developed. A. Well, my career in the banking business, banking industry, began about forty years ago. As a matter of fact, it began during World War I. I was in the banking business for about fifteen years, and then in 1945, I became associated with the State Banking Department as bank examiner. I examined banks in the state system for about eight years and then was appointed Assistant Superintendent of Banks in 1953. I remained Assistant Superintendent of Banks until 1963; in July of 1963 I was appointed Superintendent of Banks by Governor Carl Sanders for the term of four years; and then was reappointed at the expiration of that four-year **[896]** term by Governor Maddox for an additional four years, which expired January 1st, this year, at which time I retired. About twenty-six years with the State Banking Department.

Q. Would you describe to the Court in broad terms the functions of the State Banking Department as they existed under your administration? A. Well, the prime responsibility of the Superintendent of Banks in the Banking Department is

to see that state banking in this state is conducted in a safe and sound manner in the public interest. The duties are to charter new state banks, approve applications or disapprove applications for branch banking in the state; to approve mergers and liquidations in the state; to examine all state banks to see that they are complying with the state banking laws; and to see that management is competent and conducts the banking business in a safe and sound manner. That's the general principal function, to examine each state bank once each year.

Q. In connection with this, do you coordinate your business with those of other regulators of banks? A. We work very closely with the Federal Deposit Insurance Corporation, and also the Federal Reserve Bank. We have state non-member banks and state member banks. The Federal Reserve have some supervision over **[897]** member banks, while the F.D.I.C. has supervision over non-member banks. So we work closely with those two agencies in the supervision of our state banking system. The state, of course, can—only charters the banks; those agencies do not charter state banks. The F.D.I.C. is an insuring agency that insures deposits, and their functions are very similar to the state functions in the supervision of our banks.

Q. Mr. Jackson, when you are examining into questions relating to new charters, branch applications and the like, is one of the factors you take into consideration the convenience and needs of the communities to be involved? A. That is correct. That is one of the primary factors, bases.

Q. One of the several factors. I would like to come back to all those factors in just a moment. We might as well do it right now.

What are the factors categorically, by statute, that you are obliged to inquire into with respect to charters and branches? A. When applications are filed for charters, and the same criteria applies under the law to the granting of branch banks

in the state, there's five basic factors that we govern these applications by. One is the **[898]** financial condition of the new bank at beginning of business. It involves a good many details, which we won't relate right here.

The second is the adequacy of capital of the proposed new bank. The third is the management factor of the bank, and the fourth is the convenience and needs of the community in which the proposed bank is to be located, and the future earning prospects of the bank, and such other facts; and circumstances that have a bearing on the proposed bank in the particular locality includes competition and any other factor that might be relevant to the application.

Q. Do these same factors apply with respect to applications for conversion of a national banking association charter to a state banking charter? A. They do when relevant, they do; all of those factors.

Q. Now, Mr. Jackson, in your official functions with the Department of Banking over the years, did you regularly come in contact with representatives from the Citizens & Southern National Bank Holding Company and affiliates? A. Yes, most —in every instance where we examine affiliate C&S banks, the five percenters, where there were criticisms or needs for adjustments in **[899]** management or capital or earnings and so forth, as a general rule, I always contacted Mr. Joe Hall, who had general supervision over the C & S affiliate banks. And when there was a need for any adjustments or improvement in the conditions of the bank, I would generally talk with Mr. Hall about it, and it was forthcoming immediately, such as capital increases or capital notes on debentures and what-have-you, general information. Finally got better results by that than going direct to the president of the particular bank. Of course, we did talk with the presidents of each of these banks, but I relied primarily on Mr. Hall for the corrections that we have covered.

[900] Q. Now, when the Citizens and Southern—well, let me ask the preliminary question. Do you recall the conversion of the Citizens and Southern Chamblee Bank and Sandy Springs Bank from national association into state banking charters? A. Yes.

Q. Do you recall the chartering of Citizens and Southern North Fulton and South DeKalb by your office? A. Yes.

Q. In those actions by your department, I presume they were all four favorable? A. They were all favorable but any condition that might have come up; which we did have in one instance, one of these bank's capital in conversion from a national to a state bank was below our state average of the requirement and as a condition for that bank to convert, I required Mr. Hall, or agreed with Mr. Hall, that the capital after conversion would be increased to that amount that we would ask for.

Q. And that was done? A. It was forthcoming, yes.

Q. Now, in considering these applications for two charters and two conversions, you were aware of the fact, the relationship as you described it, affiliation with the Citizens and Southern National Bank Holding Company; were **[901]** you not? A. That's correct.

Q. And the supply of the management and capital? A. That's right.

Q. And did you consider these to be favorable factors in considering the applications? A. I did.

Q. They carried the name Citizens and Southern, did they not? A. That's correct.

Q. Did you have any objections to their being separate corporations? A. None whatever so long as they didn't conflict with some bank in the immediate locality or area; might have been in the C&S system and change the names to the C&S

system, the bank. We did have one or two objections but they were corrected, you see.

Q. Can you recall what those objections were, so that it's not unclear on the record? A. The Citizens & Southern Bank of a certain community was too near the Citizens Bank of that same community and we required Citizens and Southern to eliminate the Citizens and Southern and adopted the C&S symbol.

Q. Just the C&S symbol rather than the full name? **[902]** A. Right; that's correct.

Q. Mr. Jackson, do you recall the application of South DeKalb, Citizens and Southern South DeKalb Bank, at the time of this organization, particularly? A. I think so.

Q. Do you remember that Mr. Warren Berry was proposed to be president of that bank? A. That's correct.

Q. Do you recall where Mr. Berry was coming from? A. The C&S system.

Q. Did you consider the application itself as being one of Citizens and Southern system? A. Banks, yes, sir.

Q. Did you expect that the Citizens and Southern South DeKalb Bank would have the same general policies, standards and support, management and name as the Citizens and Southern other affiliated banks? A. That's correct.

Q. Mr. Jackson, did you consider with respect to the applications for new branches by Citizens and Southern East Point and Emory, these very mergers that are here under consideration by this Court—I'll put it that way—in connection with the application for the mergers, were not applications filed with your office disclosing the mergers and applying for state branches of Emory and **[903]** East Point? A. Sure.

Q. What was your action on those applications? Was it favorable or unfavorable? A. It was favorable.

Q. Why was it favorable? A. Well, I could see no adverse effects on competition in those particular areas and it makes little difference in the public's minds. They look at the bank as the C&S Bank anyway and I had no objections from any source, from any banker in the immediate area or locality or the state, and the mergers met all of the criteria of the five, six principles that I ennumerated a while ago; I had no choice other than to approve it.

Q. Mr. Jackson, you heard me ask Mr. Cleveland, you heard his response to this question, I'll ask you the question also, do you have an opinion as to whether or not the Atlanta metropolitan area is either concentrated or not concentrated in several banks in the area and whether or not there is much competition here among the banks? A. Well, I would think that. Of course, there is competition among banks in every locality in Georgia, where there is two or more banks. Atlanta is not unlike any other major metropolitan city in the nation. There is competition in all of the major cities. There is **[904]** competition in, very strong competition in Fulton County, among the banks, that's inherent in the banking business. It's inherent in any business where there is competition in it. And I think that, and feel that, competition in the banking business is pretty well diversified among five, six of the major banks in Atlanta which is a healthy condition, and I at the same time feel that the major banks, larger banks of Atlanta, Georgia are going to adequately serve the banking needs for industry, commerce and the public in this state, they've got to grow and expand with the economy. They've got to be allowed to expand and grow to meet the financial money markets of the nation as well as foreign money markets. We do have banks here that have branches presently in foreign countries and you can't do that on a small shoestring basis. If all the banks in Atlanta are going to be stifled by extreme regulations, then I think our banking industry in Georgia would be harmed.

I think it's necessary that our banks grow and expand with our economy in the state. I don't think there is any undue

competition among the state banks. It's not going to hurt competition in the locality.

We have had over the past twenty years probably equal number of new banks as well as merged banks. I see no ill effects it has on banks in Fulton County. The **[905]** same thing in DeKalb County.

Mr. Hodgson: We have no further questions, Your Honor.

The Court: Cross-examine.

Mr. Kinkaid: Just one moment, please, Your Honor.

The Witness: Judge, could I add one point to what I already said? I'd like to add further, Mr. Hodgson, that as far as the approval of those applications for merger was concerned, you understand, as I stated, I had no objection from the bankers of this area, locality, neither did I have any objection from the Federal agencies that had supervision over these banks. I contacted all of them, you see, so I had no alternative other than to approve it.

Cross-Examination

By Mr. Kinkaid

Q. One small point has occurred to me during Mr. Jackson's testimony. As I recall, Mr. Jackson filed an affidavit several months ago in connection with the motion to lift the statutory stay, I believe, that exhibit has been offered. That affidavit, rather, has been offered here as an exhibit. I'm wondering whether that affidavit has been withdrawn in view of Mr. Jackson's live testimony today?

[906] Mr. Doyle: It has been withdrawn.

Q. Mr. Jackson, you were talking about competition in Atlanta. Could you tell us what is the geographic areas you had in mind when you were describing what you feel is good competition in this area? A. Well, the trade area of any bank is the area in which it expects to get its banking business from. Now,

there was a time in the history of banking in Atlanta when just the city limits of Atlanta was considered its trade area. But, communities can outgrow the banking trade areas and expand out and overflow into the adjoining communities which become a part of the trade area of metropolitan Atlanta banks.

[907] I would say now your trade area is—embraces metropolitan Atlanta, which would include Fulton and DeKalb Counties at the present time. Now, in another twenty-five years it might take in another county, but I think the Atlanta banks have got to follow, and that brought about your countywide branch-banking field. They have got to follow their customers and their trade area as it expands. And I think it expands to DeKalb County at the present time. That is part of metropolitan Atlanta.

Q. Now, Mr. Jackson, could you take a rough guess as to how many banks you chartered while you were Superintendent of Banks? A. In the state?

Q. Yes, sir. A. I had those statistics in my office, but I would say, since I was Superintendent, it would be just a guess now, I'm thinking more perhaps in the whole state, probably sixty, maybe seventy-five during my term as Superintendent.

Q. Yes, sir. A. Now, I would say probably in the Atlanta metropolitan area we have had twelve or fifteen new banks chartered. I think as time goes on and our expansion of our economy continues, there will be more **[908]** new banks chartered in the metropolitan area; wherever there is a need, necessity for the bank, whether there is a branch or not, we will charter a bank if there is a need for it.

Q. In connection with chartering of some of the banks involved in this litigation, like South DeKalb, for example, you mentioned that C&S relationship, if I recall you correctly, was a factor in your—a favorable factor in your decision to grant the charter. A. Yes.

Q. In that connection, I would like to ask you, can you take a rough guess as to how many of the banks that you yourself chartered as Superintendent, first of all, were organized with assistance from C&S, and then try to guess how many were organized with assistance from other large Georgia banks.

Mr. Hodgson: If Your Honor please, I rather object to "try to guess". If he wants to ask his best recollection, if that is what he is really saying——

Mr. Kinkaid: Well, that's what I mean, sure.

The Court: Try asking him.

By Mr. Kinkaid

Q. As best you can recall, can you give us a **[909]** figure on that? A. No, I will have to get that question again.

Q. Okay, sure. First of all, well, perhaps I could try to shorten it for you. It might be easier this way. Wasn't it true that most of the banks that you chartered as Superintendent were not started with assistance from C&S? Wouldn't that be a fact? A. I think that would be a fact, that most of the banks, sure, were not affiliated with the C&S system, sure, yeah. I would say, now getting back to your question, probably there might have been as many affiliated with other major banks in the state or more than the C&S five percenters. See, I only dealt with the C&S five percenters, that is, affiliated with the C&S system.

Q. Yes, sir. A. But there were more, probably, banks chartered with other affiliation of major banks in the state than just C&S, sure.

Q. I gather from what you say, you can recall chartering banks that, for example, were started with the assistance of Trust Company? A. Yeah. See, all the major banks are affiliated with some banks one way or the other as the correspondent relationship. So, the far majority of them were **[910]** chartered with the correspondent relationships and help from other major banks than the C&S system, yeah.

Q. Yes, sir. And wouldn't that be a favorable factor, also, in your decision to grant the charter to a new bank, namely, it has—is getting assistance from, say, Trust Company and at formation is going to have Trust Company as its correspondent bank? A. Well, as a general rule, you see, a new application, you have got to know who the—is going to be the active management of that bank, you see. As a general rule, in these five-percent banks, well, the C&S—the proposed or the proponents of the bank have asked C&S to help them organize a bank or furnish management for the bank, you see, and, as a reward, I guess, they let them have five percent interest in it. And the C&S furnishes the management for that bank. Now, the correspondent relationship of the banks, sometimes one of these major banks will allow one of their men to go into one of these new banks and run it, which experience would have to meet the requirement for management factor as to experience and so forth, you see. And so they do—it operates both ways. But, I think in most cases the proposed applications that's not a five percenter, they furnish their own man, you see, and he may not be with a correspondent bank; he would **[911]** come from some other bank.

Q. Well, now, did you have cases where—now, these would be banks not being started with C&S assistance? A. Yeah.

Q. In those cases, weren't there cases where the new banks, the new bank's management was found with assistance from the correspondent bank? A. That is possible, yes, yes, sure.

Q. And in those cases, would that be a favorable factor in your eyes, not the only one, but would that be one favorable factor in granting the charter for the new bank? A. Favorable factor because the correspondent suggested somebody to run it?

Q. Uh-huh. A. Well, there again, we're going to base the decision on ability of that man that is proposed to run the bank; of course, the help of a correspondent would be a help, no doubt, to strengthen the management of the bank.

Q. Didn't you, as a matter of fact, check out the people who were going to be running the banks that were formed with C&S assistance? You didn't just take C&S' word? **[912]** A. No, we check out each man that is going to be executive officer of the bank.

Q. Whether he comes from C&S or some other bank? A. Or someone else, yes. We have got to know what his experience has been. If the C&S proposes some installment loan clerk to run a bank, we wouldn't approve it. See, same way with any other correspondent.

Q. Do you recall chartering the Peachtree Bank & Trust Company in Chamblee back in about 1960? A. The Peachtree Bank & Trust Company happened be be chartered before I was Superintendent of Banks, and I'm not as familiar with the details of the chartering of that particular bank. I think W. D. Tripp was the Superintendent of Banks at that time, but I feel that—and I think that that was a close affiliate of the Trust Company of Georgia. How much stock they had in that bank at the beginning of the business, I am not familiar with it.

Q. I forgot, you started in '63; is that right? A. '63, yes. But, I do know that I chartered a bank in Sandy Springs for them, and that was an affiliated bank with the Trust Company. In fact, they owned all of the stock in that bank, the directors of the proposed bank, and they furnished management for the **[913]** bank, and that bank was subsequently merged with the Trust Company of Georgia.

Q. Yes, sir. Mr. Jackson, do you take into consideration the board, the proposed board of directors for a new bank that is applying for a charter? A. Yes, we do.

Q. What do you look for in the board of directors for the new bank? A. Well, our examiners that make these investigations of charters are trained in their investigation. They meet with the proponents of the new bank, have a lot of information to get to fill in to complete the report, and so forth. And then,

they interview each proposed director individually, separately from the group, and they have a lot of questions they want to know and find out what—if there are any affiliations with any other bank; if any agreement has been made to resell or repurchase stock in his bank; how he is going to finance the purchase of this stock, and if there's going to be any repurchase agreements we find out all of that information, as well as his financial standing in the community and whether he has had any, of course, connection with any unfavorable business or dealings; whether he has ever been convicted of any crime or fraud. We don't want men like that on the board of directors. **[914]** so we go into every phase of a man's life nearly. His education, his family life and everything. Sometimes a man's family life might disqualify him because of family situations. That applies to management even, you see. Yes, sir, we go into all of those factors.

Q. Is one of the things you are looking for in directors of a bank that is being considered for a new charter, is one of the things you are looking for in that bank's board independence of thought, a group of men who will run that bank independently in the best interest of that bank? A. Sure.

Q. Is that a factor, sir? A. Why, sure, sure, absolutely. That is a responsibility of the directors. If he doesn't carry out and meet his responsibilities and the bank gets into trouble, he could very easily have a liability suit attached to him.

Q. I would like to show you something and ask you if you can recall this particular little booklet. Do you recall that, sir? A. Yes, sir. We send that to every proposed director of a new bank when it is chartered.

Q. I note that this appears to have been written in 1967; is that your recollection also? **[915]** A. About that time, yes.

[916] Q. Do you recall whether the directors of C&S South DeKalb and C&S North Fulton were given copies of this booklet? A. Well, as to the end, the particular bank, I couldn't re-

call. Our men had instructions at a certain stage of the chartering of every bank that this book be mailed to every director of every bank. Now, if they missed one, I wouldn't know. But, as far as to my knowledge, it was mailed to every director of every new bank, that is my men's instructions.

Q. Excuse me. Why were your men instructed to see to it that each new director of a new bank got a copy of this book? A. Well, we want the directors of every bank to realize their responsibilities, know what the responsibilities and duties are. The law doesn't excuse ignorance of the directors from approving something that's unsound and unsafe. You've got a responsibility to all of the rest of the stockholders as well as the public to operate that bank, see that it's operated in a sound and safe manner.

Q. Do you recall when you wrote that booklet, indicating that the directors of a new bank would most likely need help and advice from a lot larger banks, primarily the correspondent banks in the various respects? A. Sure, that's one of the essential and important **[917]** things that an independent bank or small bank should, who doesn't have expertise, management expertise, to consult his major correspondent for advice.

Like a customer of the bank would go to the bank and ask for advice on a certain matter, sure that's an essential thing in our banking industry, common practice all over the nation.

Q. Now, on the other hand, you didn't want your Board of Directors to get too dependent on somebody else for that kind of advice, did you? A. Well, if the Board is not familiar with certain phases of banking, I think it's their responsibility to acquaint themselves with it. I know of no better way than correspondents.

Q. Excuse me, Mr. Jackson, maybe we could just take a look and there are an awful lot of things in this book that are very interesting. I don't want to take up your time. A. Thank you.

Q. I enjoyed reading it. Could you look at 14, sir? This would be down, last paragraph where the heading is "The Individual Director." And it says, "A great number of bank directors when they are first elected have no technical knowledge of banking and feel that they must depend on someone who does." That's what you have just [918] been telling us; right, that these people have to get help and advice somewhere? A. Since they are really not bankers themselves, that's right.

Q. This is what you have in mind in this passage? A. Sure, a lot of successful businessmen in the community never had any banking experience, and have to rely, naturally, on somebody to know something.

Q. The next sentence, you say, "This should not become a habit." What did you have in mind with that expression? A. Well, it shouldn't become a habit of relying on someone else to make the decisions for you continuously. I think you should acquaint yourself as far as possible with banking transactions and matters and act upon your own judgment.

Q. Now, when you say relying on someone else, by someone else do you include there another bank, as well as the president of the bank, of the small bank itself? Would you include both of those? A. President of the small bank itself has to consult and confer with its major correspondent many times on banking matters. He doesn't know all the answers himself. His investment policies, loans, credit information [919] on major borrowers, loans in excess of his legal limits, naturally, the major bank is in a position of all that knowledge and credit information and can be helpful to him.

Q. Did you have in mind here that—— A. Frequently they participate with the small bank in loans and what have you, and even sell them loans.

Q. Well, on the other hand, you don't think the Board of Directors should become, should make a habit out of relying on

its correspondent bank? A. Well, I don't think a man that knows what he is doing will rely on somebody else to act for him.

Q. Do you think—was it your intention that the Board of Directors of the small bank make its own competitive decisions? Was that one of the things you did not want them to rely on someone else for?

Mr. Hodgson: I would appreciate it if Mr. Kinkaid would explain to Mr. Jackson what he means by competitive decisions. As I see it, it can go all over the ball park.

Q. (By Mr. Kinkaid) I feel a little funny advising a former State Superintendent what competitive decisions are. I will give it a whirl.

I'm not trying to be presumptious with you, I would think of things, you could think of many more, the setting of interest rates on savings accounts, determining **[920]** the amount of charges on checking accounts, setting of interest rates on various types of loans. Would you consider those competitive decisions made by banks? A. Well, of course, the interest on savings deposits is a matter determined by regulations under the FDIC. They have no choice in that.

Q. You mean the maximum determined? A. Yes.

Q. Do all banks pay the maximum? A. To my knowledge, as far as I know. I don't know of any that are under the maximum.

Q. What type of accounts are you thinking of, sir? A. I'm thinking about savings.

Q. Passbook or regular savings accounts? A. Savings, passbook, certificates of deposit, all that's governed by regulations with the FDIC as to maximum interest rates they can pay.

Q. Do you happen to know offhand what the maximum interest rate on passbook savings accounts is today? A. I guess it's four percent on mine. I think that's about the maximum on passbook savings.

Q. Are you aware that C&S National pays three and a half percent on such accounts? A. Well, we don't check every bank to see what the **[921]** minimum interest rates they charge on, pay on savings deposits and time certificates. We don't, as a general rule, as long as it's not over the maximum rate, we are not concerned whether it's under. That's a matter for the Board of Directors of the bank to determine.

Q. Would you consider that a decision that—— A. Would have to be made by the Board.

Q. The Board would have to take into consideration, among other things competitive, what competition the bank is getting; is that right? A. Sure, of course, banks are placed at a disadvantage, competitive-wise, for deposits with savings and loans. Banks can't compete with them.

Q. Do the banks compete with each other nonetheless for savings accounts? A. I don't think that's something that—two banks in the same locality generally pay the same interest rates, as a general rule. You might have one single bank in a community that might have a minimum under the regulated amount or the maximum. But, it's almost reasonable for banks to compete equally on savings deposits by the same interest rates.

Q. If in the City of Atlanta, if there were—if the interest rates paid on savings accounts, for example, ranged anywhere from three and a half to four percent, what **[922]** would you say as to competition in that regard among those banks? A. Let me say this. You're talking about paying interest rates in the City of Atlanta, and as I said a while ago, we, as a general rule, don't check every bank to see if they are paying interest under the maximum rate, minimum, whatever minimum they are paying. But, you do have a savings bank here in Atlanta, and I don't know what the interest rate is paid on savings, but I would think that it would be equal to the commercial bank savings account, passbooks. There is a bank that's four to five million dollars less than it was fifteen years ago. I don't know what is

the competition there, lack of paying maximum savings for savings bank or not, but there again, it's a matter of your Board of Directors, the management of the bank. If a bank is going to grow and expand, meet competition in its community, it's got to meet competition and if you don't branch, if you don't do this in your major cities, you are going to dry up, more or less. The fact that management is one of the most major factors of banking. That is one of the greatest problems we have today is banks have grown so large and we have got so many banks, new banks, it's very difficult to find management for all these new banks, I mean suitable, experienced management. That's why you have problem banks. Where you have banks [923] getting in trouble is resulting from management. You have had some testimony right in this case here that pinpointed some of that. You only heard one side of the coin, that management is their problem. When a bank gets into serious problems and you can't get it corrected, what are you going to do with it, liquidate it or merge it? Which is better for the public?

Q. Earlier, when you were talking with Mr. Hodgson, you indicated that one of your primary functions as Superintendent was to check to see that your banks were complying with state banking laws. Do I remember you correctly in that regard? A. Right.

Q. Did you check to see whether your banks were complying with any laws other than state banking laws? A. Well, if we have any reasons to believe that they aren't, of course, we would check into it. I don't know of any laws other than regulations of the Federal Reserve Bank and FDIC that they would be in violation of.

Q. Mr. Jackson, what I have specifically in mind was the Federal Anti-Trust laws. A. Yes. Yes, sure, we take that into consideration, as I gave you one of those factors, six major factors, competition in the locality. Sure, we take that into consideration, and I will say this, that in twenty-five [924] years

that I have been with the Banking Department, we have never chartered a bank that ever got into trouble for lack of business because of competition. Every bank we have chartered exceeded our estimated projections and we take competition into consideration.

Now, value in mind this, that we have rejected more applications than we have approved because the lack or weakness in the needs and convenience in the community. There again, competition comes into it. Sure, we take that into consideration.

Q. In other words, if I understand you correctly, by competition, you mean—— A. Banking competition.

Q. There is too much competition for the new bank or whether there is too little competition and, therefore, a new bank is needed? A. I think very definitely that the needs of the community factor outweighs the competition that you are speaking of. But, nevertheless, the competition is such that you can't warrant the needs and necessity, you can't grant the charter.

Q. And that's what—that's all you have in mind when you speak about looking into competition? A. The Federal laws, yes, we take the competitive factors in mind.

[925] Q. Do you take into mind—are you familiar with the Sherman Act? A. Yeah. I don't know of any—any law that we are in violation of there.

Q. No, perhaps you didn't understand me. Do you check to see whether your banks are complying with the Sherman federal Anti-Trust Statute? A. Yeah, yeah, we checked 'em all. See if they are complying with the Federal Reserve Board Act as to the interlocking directorships and all of that. There's no phase that I know that we overlook.

Q. Did you check—have you checked in that regard with respect to the state C&S banks that you, yourself, have examined that are defendants in this case? A. We give the C&S applica-

tions the same type rigid investigations that we give all the rest of them, of all the factors very definitely.

Q. In what regard? A. As a matter of fact, we restrict—place restrictions to some extent on the C&S five-percent banks. We place restrictions that are not in the law on all the charters of banks.

Q. I am not sure if I understand what you have in mind by restrictions. **[926]** A. Go beyond just what the law calls for. Well, our state law limits C&S Holding, any holding company to five percent of the stock. Well, there again, if a holding company has got five percent of the stock, we don't allow other associated members of the family to own controlling stock in that bank, you see. The law—the Holding Company Act did at one time, prohibit stock ownership by the associated families of holding companies, but the '60 Act repealed that law completely. Now the law does not prohibit stock ownership by members of the families of the holding company, and it doesn't prohibit, although we limit the amount that a holding company can have less the stocks of the members of its family to not more than twenty-five percent of the stock in that. And the same thing would apply to any other bank or independent bank. We don't want the board of directors of any new bank to own controlling stock in the bank. And I have never granted a charter during my superintendency of office where they owned more than that, perhaps—except in one instance, and that was the one you approved the merger, the Trust Company of Georgia at the Sandy Springs bank, and your own Division approved it.

Q. This is the one—you mean the federal board approved and we did not sue; is that what you mean? Is that what you have in mind? **[927]** A. No, it wasn't a member of the Federal Reserve system—well, the Trust Company was, that's right; but the affiliated bank at Sandy Springs was not.

Q. Incidentally, Mr. Jackson—— A. What difference does it make whether the Federal Reserve Board approved it or not with your department?

Q. You are absloutely right. It doesn't make any difference to us. A. Why wouldn't you act on the non-member, a member bank the same as the non-member bank?

Q. We try to treat all alike, sir. Incidentally, Mr. Jackson—— A. Of course, we can—wait a minute now; we are all professionals and we can agree or disagree, and I disagree with it.

Q. You certainly have that right, and I respect it. Mr. Jackson, in your experience as State Superintendent, can you say whether or not small banks tend to rely on advice given them by their correspondent banks? A. Sure they rely on it to a large extent and degree, yes. When they ask for information and advice, sure, they rely on it. A small bank in the rural communities don't have the—as I said a while ago, the **[928]** equities that your banks in Atlanta have.

Q. Well, in your experience as State Superintendent, would you say that that reliance by the small bank on its large correspondent results in the small bank being operated virtually as a branch of the large correspondent? A. Well, not as a correspondent, no, but as an affiliate bank, yes. When you take——

Mr. Kinkaid: Your Honor——

A. When you take these five percenters bearing the name of C&S, the general public looks at that as the C&S Bank. They don't know whether it is an independent bank or not, and the C&S management is in with that bank with the C&S name. Now, that is more of an affiliate bank than a correspondent relationship, and it makes little difference in the public's point of view whether it is a C&S independent bank or a C&S branch bank or a C&S National Bank. It makes little difference; that don't change the competition—competitive factor one iota.

Mr. Kinkaid: Your Honor, at this time, I don't know what number we are up to, but I would like several parts of this little booklet that I think are relevant to various issues here, I would like to introduce this **[929]** as our next exhibit.

The Clerk: 216.

The Court: It is so admitted.

Mr. Kinkaid: May I have just one moment, sir?

By Mr. Kinkaid

Q. I think you were just indicating that these C&S banks, as long as they have the C&S name and management that has been provided by C&S, they are all the same from a competitive standpoint. Are the C&S correspondent associates, nonetheless, were they not nonetheless chartered by you to be independent banks? I am thinking primarily of South DeKalb and North Fulton.

Mr. Hodgson: If Your Honor please, I object to the form of the question, not knowing what independent means; if he means chartered as separate corporations, of course, that is a fact. It is an undisputed fact. But as to what he means by "independent" is another question.

Mr. Kinkaid: What I have in mind is the thing that we have been talking about that you had in your booklet as to the duties and functions and responsibilities of the directors of banks.

[930] The Court: Why don't you ask him if he expected the directors of those banks to live up to what is outlined in the booklet?

Mr. Kinkaid: May I ask your question, sir, just use your question?

The Court: I assume his answer is yes.

A. Yes.

By Mr. Kinkaid

Q. Thank you, sir. A. Now, let's see just one minute.

The Court: Mr. Jackson, I think you have answered, but he threw you a question that could take us a year to answer, I'm afraid. You put it all in a book, and presumably you expected the directors to live up to the obligations that are set out. Your

answer is affirmative, and I think that is sufficient for his purposes.

Mr. Kinkaid: Thank you, Mr. Jackson.

Mr. Hodgson: We have no further questions, Your Honor.

The Court: All right. Thank you very much, Mr. Jackson.

Mr. Hodgson: Thank you, Mr. Jackson.

The Court: We will stand in recess [931] for fifteen minutes.

(Whereupon a recess was had.)

[932] Mr. Doyle: Call Mr. Evans Bruner.

Whereupon,

EVANS BRUNER

was called as a witness by and on behalf of the defendants, and having first been duly sworn, testified as follows:

Direct Examination

By Mr. Doyle

Q. Would you state your name for the record, please? A. W. Evans Bruner.

Q. By whom are you employed? A. Trust Company of Georgia Associates.

Q. In what capacity? A. Executive vice president.

Q. Is Trust Company of Georgia Associates a registered bank holding company? A. It is.

Q. Mr. Bruner, were you the man at Trust Company and Trust Company Associates who primarily had contact with Peachtree Bank & Trust Company? A. Commencing at about 1961.

Q. All right, sir. And the bank had begun approximately a year prior to that time? A. Right.

Q. Focusing on the time when Mr. Charles Ginden **[933]** was first made president of that bank, which I believe he testified was sometime in 1967, focusing around about that time, did you regularly attend meetings of the Board of Directors of Peachtree Bank & Trust Company? A. Pretty regularly, yes.

Q. Could you tell us at that time whether you attended all of their meetings or was it on the basis of when you were invited? A. Well, it was sort of a standing invitation, but I did get out there most times, but I suspect it is about that time when our own attorney said, "Let's just you don't, don't be constantly in attendance."

Q. All right, sir. And then, thereafter did your attendance change so far as Trust was concerned? A. Yes.

Q. Can you describe it or characterize it thereafter? A. Well, it was when they asked me to attend.

Q. And it was on a frequent or infrequent basis? A. Infrequent.

Q. All right, sir. Did you—or, beginning at that point and continuing thereafter, did you or Trust Company or Trust Company Associates routinely provide regular supervision of the management of Peachtree Bank? **[934]** A. You say before or after?

Q. After. A. After?

Q. Yes, sir. A. No, if they asked us questions, we would hop on the telephone, and if they wanted to talk about something, I would talk.

Q. You responded to the requests as they came? A. Oh, yeah, yeah.

Q. The negotiations were with the bank and—— A. Oh, yes.

Q. ——not with the Trust Company associates? A. (Witness shakes head negatively.)

Q. At that time, their pension plan, I believe, was that the same or different from the Trust Company Bank? A. It had never been the same, as far as I know. It was one they adopted of their own.

Q. When Peachtree Bank hired a man—— A. Wait a minute; it's not a pension plan, it is a profit-sharing plan.

Q. The profit-sharing plan; they didn't have a pension plan? A. No.

Q. When Peachtree Bank hired an employee or a **[935]** junior officer or an officer, if they hired a Trust Company man, they approached him just the same as if a stranger would have approached that man? A. Well, there are certain courtesies that any business extends to another. When he is going to talk to somebody working for him, if there is a reasonable sort of relationship, they would call up and say, "Listen, you have got a man working with you and I would like to talk with him." They would say, "Well, he is open".

Q. The Peachtree Bank & Trust Company had a board of directors of its own. Would you characterize that as a strong, independent board or as a weak board, or how would you tell us about it? A. It was strong and it was independent.

Q. All right, sir. From your relationship—— A. And we encouraged it, or at least, I encouraged it.

Q. Yes, sir.

From your vantage point at Trust Company Associates, you knew that there was the Citizens National Bank of Chamblee, which is now the C&S Bank of Chamblee, Citizens & Southern Bank of Chamblee? You were aware that it was there? A. Oh, sure, very much.

Q. And you had a familiarity, from your vantage **[936]** point or a view from your vantage point of the relationship

between that bank and the C&S National Bank downtown? A. It was generally through the eyes of those at Peachtree Bank & Trust.

Q. All right, sir. Would you tell us how you saw the relationship and characterize the relationship between Trust Company Peachtree Bank, on the one hand, C&S and C&S Chamblee, as you have told us you saw it, on the other hand. A. Well, the Peachtree Bank & Trust was one where we—to display the relationship, you sort of have got to say what each—what the one was in Peachtree Bank & Trust, I mean the differences. It was not certainly one of domination. It was a matter of advice and assistance. We did not direct business, redirect business. If somebody was out there and they called and wanted to know who they can do business with in Chamblee, why, of course, we would say Peachtree Bank & Trust. But it wasn't a matter of directing business to that bank. In other words, existing customers; whereas, through the Peachtree Bank & Trust Company's eyes, why, it was fairly open knowledge that at least they said that the C&S would say to customers living in that area that might be doing business with some of their [937] banks downtown, says, "Listen, you live out in Chamblee; why don't you do business with our bank out in Chamblee? They can take care of you, and as far as your capacity is concerned, if they need any more, why, they can get it here, and we know you. But let them wait on you." They, reportedly, would sell portions of even their credit card to that bank for them to own. I don't know whether that is true, but that was the report.

In earlier days, before Gordon's time, why, I remember one occasion when a rather large deposit showed up in the figures, and it looked like a million dollars. Since they don't just appear out of the thin blue, it either was a factor—was accepted as a fact that their major correspondent had made a substantial deposit with them in order to give them some monetary support. Folks in Peachtree Bank said, "How come Trust Company

doesn't do something for us like—". You know, we sort of would like to, but they said, "No, we don't operate that way." That was sort of the difference.

[938] Mr. Frisbie: Your Honor, if I understand Mr. Bruner's testimony correctly here, he is testifying not through his own knowledge at all and not through his contacts at all, but what, through what is heard from various unidentified persons at Peachtree Bank & Trust Company, what they believe is the occasion, relationship over at Chamblee Bank. As such, I would consider that it becomes double hearsay. I object strongly to his testifying any further than from his personal knowledge.

The Court: I overrule the objection. I suspect the appraisal of competition, the way people may react may depend upon double and triple hearsay, in fact. That's what the businessmen have to act upon in situations like that. But, you can point it out on brief the nature of the testimony. You may answer.

Q. Mr. Bruner, based, then, on your vantage point and position where you were and the relationship as you knew it between your position and Peachtree Bank, can you characterize for us the difference, if any, between the relationship of Trust Company and Peachtree Bank on the one hand and C&S, C&S Chamblee on the other as to whether or not it was a closer relationship or more distant relationship?

[939] Mr. Frisbie: Your Honor, again, if I may, we have not established that Mr. Bruner knows anything at all about the relationship between C&S Chamblee and the C&S system, and it would be the same objection, again, this is the fact that we are talking about and not the competitive effect of something that becomes—this should be a fact that he should testify to and establish that he has personal knowledge of.

The Court: Well, I don't think he can testify as to what it actually is, but the effects to the extent that it motivates his actions, Peachtree Bank & Trust Company, he can testify.

The Witness: As I said in the beginning, I have to look at all of these things from a standpoint, through the eyes of Peachtree Bank & Trust because they were my point of contact.

Q. Yes, sir. A. Very definitely, there was an at-arm's-length relationship among friends as correspondents in the Peachtree Bank & Trust. Whereas at the Chamblee Bank, from every source that I've got any information, it indicated a much more inter-working relationship, exchange of business to direction of business, and support of it through employees transferred and that sort of business, even to **[940]** the extent that we, everything we did was almost measured by it. This is not as much as what the C&S Bank does at the Chamblee National Bank. I said, "Well, that's as far as we're going to go,"

Q. Yes, sir. Thank you, Mr. Bruner. He's with you.

The Court: Does the entire Trust Division join the enemy? I've noticed two, now.

Mr. Frisbie: Just for the record, these ties were——

Mr. Hall: ——bribes.

Mr. Hodgson: We tried to supply enough for the whole division, if they needed more.

Cross-Examination

By Mr. Frisbie

Q. Mr. Bruner, is it the substance of your testimony that the Peachtree Bank & Trust Company enjoyed the same relationship with the Trust Company of Georgia that its regular correspondent did? A. Closer.

Q. Closer? A. Yes, sir.

Q. You have stated that somewhere in 1967, some—'68, somewhere around there, you stopped attending regularly the Board meetings at the Peachtree Bank & Trust **[941]** Company and that was on the advice of counsel? A. As well as their

agreement with the—I say agreement—with the understanding of Peachtree Bank & Trust, I would not be going there.

Q. All right. A. Except as they called.

Q. Was the advice given you at that time strictly to have less attendance or have more infrequent attendance at the directors' meetings or did it extend beyond that? A. That we should do no more for them than we would do for a correspondent bank.

Q. Then, it would be a fair statement to say that one of the main reasons that your relationship with Peachtree Bank & Trust Company lessened, the main reason that your policies and relationships diverged was because your attorneys advised you of this? A. I was having a lot of fun doing it, yes.

Q. Does the term retail oriented bank have any particular meaning to you? A. Yes, sir.

Q. Could you explain what a retail oriented bank as opposed to a wholesale oriented bank would be? A. I can explain what my idea is, having to do with consumer banking more than it would be, as a greater proportion of your business, I think, where you have, **[942]** certainly, if your larger customers, where your livelihood depends on the walk-in customers and the ordinary man on the street and you must do business with him.

Q. Is there any one bank in town that is generally known as a retail oriented bank as opposed to the other? A. More so?

Q. More so. A. Yes, I think—again, this is just my understanding—I would say that the Citizens and Southern is certainly more retail oriented even though it does have a sign out there at the airport—what is it—seventy or some eighty of the largest firms do business with us—

Mr. Frisbie: I have no further questions.

The Court: You may step down.

Mr. Doyle: Mack Robinson.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

CITIZENS AND SOUTHERN NATIONAL BANK, et al.

On Appeal from the United States District Court for the Northern District of Georgia

JOINT APPENDIX

INDEX

VOLUME I

	Page
Relevant Docket Entries	1
Complaint by the United States Filed November 2, 1971	9

Answer to Complaint Filed by the Defendants May 5, 1972 24

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia Commencing September 25, 1972:

Appearances [2] 45

Testimony of W. D. Padgett—
Direct examination [7] 49
Cross-examination [74] 89

Testimony of William Farr, III—
Direct examination [85] 96
Cross-examination [123] 118

Testimony of Herbert Leonard Megar—
Direct examination [151] 135
Cross-examination [161] 142
Redirect examination [171] 148

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 26, 1972:

Testimony of James A. Parker—
Direct examination [180] 151
Cross-examination [227] 178
Redirect examination [245] 188

Testimony of Charles B. Ginden—
Direct examination [256] 195
Cross-examination [296] 219
Redirect examination [309] 226

Testimony of Warren Jackson—
Direct examination [312] 228
Cross-examination [352] 251

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 27, 1972:

Testimony of Warren Woolsey—
Direct examination [361] 257
Cross-examination [408] 284
Redirect examination [424] 292

Testimony of Samuel L. Skogstad—
Direct examination [425] 293
Cross-examination [426] 294
Redirect examination [476] 322
Recross-examination [494] 333

VOLUME II

Testimony of Mills B. Lane—
Direct examination [508] 343
Cross-examination [539] 361
Redirect examination [562] 374

Transcript of Proceedings Held Before the Hon. Charles A Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 28, 1972:

Testimony of Howard S. Starks—
Direct examination [582] 386
Cross-examination [604] 400
Redirect examination [633] 417

Testimony of Joseph Hall—
Direct examination [637] 420
Cross-examination [683] 445
Redirect examination [744] 481

Testimony of Robert Daniel Handley, Jr.—
Direct examination [747] 483
Cross-examination [765] 494
Redirect examination [774] 499
Recross-examination [774] 500

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 29, 1972:

Testimony of Warren L. Berry—
Direct examination [777] 501
Cross-examination [784] 505
Redirect examination [802] 516

Testimony of Roy B. Holland—
Direct examination [802] 517
Cross-examination [805] 519

Testimony of Hubert Harris—
Direct examination [808] 521
Cross-examination [812] 523

Testimony of Lewis C. Beasley—
Direct examination [815] 524
Cross-examination [821] 528

Testimony of Joseph M. Ream—
Direct examination [824] 530

Testimony of Henry T. Collingsworth, Jr.—
Direct examination [830] 534
Cross-examination [837] 538

Testimony of Gordon B. Trulock, Jr.—
Direct examination [842] 542
Cross-examination [853] 548

Testimony of Ben C. Cook—
Direct examination [854] 548
Cross-examination [859] 552

Testimony of Merrill Autry, Jr.—
Direct examination [862] 554
Cross-examination [865] 555

Testimony of L. R. Gellerstedt, Jr.—
Direct examination [873] 559
Cross-examination [881] 564

Testimony of King Cleveland—
Direct examination [888] 569
Cross-examination [892] 571

Testimony of W. M. Jackson—
Direct examination [895] 573
Cross-examination [905] 579

Testimony of Evans Bruner—
Direct examination [932] 594
Cross-examination [940] 599

VOLUME III

Testimony of J. Mack Robinson—
Direct examination [942] 601
Cross-examination [945] 603

Testimony of Walter Eaves—
Direct examination [953] 607
Cross-examination [956] 609

Testimony of E. D. Dunn—
Direct examination [960] 611

Testimony of Nevins Dennis Baxter—
Direct examination [974] 619
Cross-examination [1004] 636

Depositions:

Warren Lanham Berry—
(GX-198) 671

Dr. William M. Cason—
(GX-199) 4.1-6.13 739

Gus Lockett Connelly—
(GX-200) 4-29.3; 53.13-54.22 741

Thomas E. Cook—
(GX-201) 4-26.4 760

Edward E. Elson—
(GX-202) 10.23-12.7 774

Louis J. Fortuna—
(GX-204) 19.6-22.3 775

Hubert L. Harris—
(GX-206) 4-28.7 778

T. Robert Hazelrig—
(GX-207) 4-28.13 793

Dr. W. Andrew Irvin—
(GX-208) 12.4-12.21; 18.10-18.24 811

Hugh F. Lane—
(GX-209) 812

Alva G. Maxwell—
(GX-211) 4-6.13 848

Dalton F. Scott—
(GX-215) 34.24-36.3 851

Economic Report (Excerpts):

Volume 1—[5-14]
[83-84]
[114 "E"-130 "B"]
[139-147] 852

Volume 2—Exhibits 20, 28, 29, 53, 54, 55, 69 877

Government Exhibits:

GX-33 B E-1

GX-33 C E-5

GX-33 D E-7

GX-33 E E-10

GX-35 ..... E-13

GX-36 ..... E-24

GX-37 ..... E-28

GX-38 ..... E-38

GX-104 ..... E-57

GX-105 ..... E-89

GX-106 A E-113

GX-107 ..... E-121

GX-108 ..... E-122

GX-109 ..... E-123

GX-110 ..... E-124

GX-111 ..... E-125

GX-112 ..... E-126

GX-113 ..... E-127

GX-114 ..... E-128

GX-115 ..... E-132

GX-116 ..... E-133

GX-117 ..... E-134

GX-118 ..... E-135

GX-119 ..... E-137

GX-120 ..... E-139

GX-121 ..... E-140
GX-122 ..... E-141
GX-123 ..... E-142
GX-124 ..... E-143
GX-125 ..... E-145
GX-126 ..... E-146
GX-127 ..... E-147
GX-128 ..... E-148
GX-134 ..... E-153
GX-136 ..... E-155
GX-138 ..... E-156
GX-139 ..... E-158
GX-140 ..... E-160
GX-142 ..... E-161
GX-148 ..... E-162
GX-151 ..... E-164
GX-153 ..... E-165
GX-162 ..... E-166
GX-163 ..... E-172
GX-164 ..... E-198
GX-166 ..... E-204
GX-169 ..... E-206
GX-170 ..... E-215
GX-177 [1-15.6] E-217
GX-177 B E-232
GX-177 D E-235

GX-188 ..... E-240
GX-189 ..... E-241
GX-190 ..... E-242
GX-191 ..... E-243
GX-192 ..... E-249
GX-193 [1-6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 28] ... E-251
GX-194 ..... E-268
GX-216 ..... E-269

Defendants' Exhibits:

DX-94 ..... E-305
DX-113 ..... E-329
DX-125 ..... E-330
DX-152 ..... E-331
DX-266 ..... E-337
DX-267 ..... E-460
DX-268 ..... E-502-2
DX-269 (Sections A, D, F, K and V) E-572
DX-270—Vol. I, GOG 9.27 and GOG 9.6 ..... E-692
Vol. II, GOG 26.01 and 26.011 ..... E-699
DX-277 ..... E-703
DX-278 ..... E-705
DX-300 ..... E-706
DX-301 ..... E-835
DX-302 ..... E-840
DX-310 ..... E-860

DX-311 ..... E-1024
DX-313 ..... E-1717
DX-316 ..... E-1804
DX-317 ..... E-1816
DX-318 ..... E-1822
DX-320 ..... E-1826

Notice of Appeal filed March 25, 1973 ..... E-1841
Order Noting Probable Jurisdiction dated October 29, 1974 ..... E-1842

Whereupon,

J. MACK ROBINSON,

was called as witness by and on behalf of the defendants, and having first been duly sworn, testified as follows:

Direct Examination

By Mr. Doyle

Q. Would you state your name for the record, please, sir? A. J. Mack Robinson.

[943] Q. Mr. Robinson, you are appearing here pursuant to subpoena, are you not? A. Yes.

Q. Mr. Robinson, you have ownership interest in various banks located in Fulton and DeKalb Counties; do you not? **[944]** A. I do.

Q. All right, sir. With regard to those, could you identify them for us, please, by name? A. What percent ownership do you——

Q. No, sir, just name the banks. A. Well, I have stock in Roswell Bank, Fulton Exchange Bank, DeKalb Exchange Bank, Citizens Bank of Clarkston, DeKalb County Bank.

Q. Are any of those banks located within the city limits of Atlanta? A. No.

Q. Could you tell us why this is so, sir? A. Competition is very keen in Atlanta, and I chose to operate outside the city.

Q. Could you give us a general description of the geographic area in which each of these banks compete? A. Well, of course, we are in the unincorporated area in most places; however, Roswell and Alpharetta are both incorporated, and so is Clarkston, but DeKalb Exchange Bank and DeKalb County are unincorporated areas, and we compete with the nearest bank. In some cases it is only two miles away; some cases, it is as far as five or six miles away.

Q. Would you say, then, that within that kind of [945] mileage radius is the area where your banks are most effective competitors? A. Yes. A few of our customers bank where they work, downtown Atlanta, but the majority of them, we think bank where they live.

Q. All right, sir. With regard to the Roswell Bank located in Roswell, Georgia, could you tell us the other banks that are also located in the Roswell area? A. At the present time, Fulton Exchange Bank has a bank in Roswell, and then the C&S Bank of North Fulton has a bank in Roswell.

Q. Now, in competing against that C&S Bank of North Fulton, can you tell us whether you compete against it the same or differently as if it were a branch of C&S National? A. Well, I would never know the difference if I didn't read the newspapers, because the sign looks the same to me.

Q. All right, sir. Do other factors go into it, in addition to the sign, other factors go into your answer? A. Yes.

Q. Could you describe those for us, as well, just as you see it from the competitive vantage point? A. Well, I think C&S furnished the president [946] to the bank. I think he came from the parent company. And I just consider them very tough competition, and I consider it just the same as a branch of the C&S Bank.

Q. Can you tell me, then, sir, if C&S Bank of North Fulton were merged pursuant to its application into the C&S Emory or C&S East Point Bank, whether or not you believe there would be any difference in banking competition in the Roswell area? A. I can't see as it would change at all, if they left the sign C&S out front.

Q. With that, Mr. Robinson, you do believe that there is a place for independent unit banks, such as you have named

that you are interested in in the Atlanta—in the area, is that correct? A. Yes, I do.

Q. You believe they have a future? A. Yes.

Mr. Doyle: No further, questions, Mr. Robinson.

Cross-examination

By Mr. Frisbie

Q. Mr. Robinson, taking the DeKalb Exchange Bank for a minute, does it not have a branch? A. Yes, it does.

Q. Would you please name for me, taking the main **[947]** office of DeKalb Exchange first, who it is, which banks are considered its chief competitors? A. Well, it is apparently outside the City of Atlanta, and you run into a number of banks. The Trust Company of Georgia, C&S, First Bank of Glenwood, or First National Bank of Glenwood, National Bank of Georgia, and possibly another one that I can't think of right at the moment. They are all about two miles away.

Q. And these are the chief competitors? A. Okay.

Q. Taking the branch now of that same bank, could you also name which would be the chief competitors for the business that that branch has? A. C&S Bank has one or two; First National Bank of Atlanta has one in Decatur. Of course, Citizens Bank of Clarkston is only two or three miles away, and I am sure there is another one that I can't think of the name.

Q. Taking the Citizens Bank of Clarkston next, could you also name the bank or banks that would be its chief competitors? A. A couple of C&S Banks, one at Avondale Estates, one at one of the exits on the perimeter; I am not sure which one, the name of it. But it is about **[948]** two to three miles away. Now, a couple of other Atlanta banks have opened on Memorial Drive; First National Bank has opened and still an-

other bank that I can't recall the name. It is one of the large Atlanta banks.

Q. Now, going to DeKalb County Banks which bank or branches of banks would be its major competitors? A. Peachtree Bank & Trust Company, C&S Bank, both, on both sides, or C&S Chamblee, I guess. And then, C&S on North Druid Hills; Fulton, I think, has a bank there. First National has one on Cheshire Bridge Road. Those would be our main competitors. And Toco Hills is not far away. That bank has a branch, too, and you run into another group of banks, but it is still about the same ones, Trust Company and C&S.

Q. Are all of these banks you have just named within this two- to three-mile radius that you talked about as being the area within which you get the majority of your business? A. I don't think any would be over three miles; they are all within two or three miles, yes.

Q. Do you consider them competitors only because they are within a certain distance or do these banks also draw customers out of this area? A. Both. They have large advertising budgets, far larger than we do, and any of the big Atlanta four **[949]** or five banks can attract people easier than we can because of their enormous amounts of money they spend on advertising.

Q. You stated that you could not tell the difference, words to this effect, that you couldn't tell a difference between a correspondent associate bank and a C&S Bank or branch, except for the sign out front; is that substantially correct? A. Being in the banking business, I read and I keep up with what is going on. But were I not in the banking business, it would be very difficult; I couldn't tell one from the other.

Q. You personally understand the legal distinctions then? A. Personally, yes, but——

Q. Do you know of your own knowledge the exact relationship or operating policies carried on between any of the correspondent associates and the C&S National Bank? A. No, none whatsoever.

Q. So, then, actually what you mean then is, from appearances, from the outside appearances you really can't tell the difference between these banks? A. And from competition.

Q. Do you feel that the Roswell Bank is able to **[950]** compete with the C&S North Fulton Bank? A. Yes, but let me clarify it. Roswell Bank is seventy-one years old and well-established and has thousands of customers. And this helps us. But, as far as the new people coming into the community now, I am sure C&S gets more than 50% of the people because of their enormous advertising budget.

Q. Can the Roswell Bank compete on terms of prices paid for services for loans, interest rates, service charges, things of this sort? A. Oh, yes, I think we are competing in all those areas.

Q. Is the North Fulton Bank generally known as a rate-cutter in that area? A. No, it is not.

Q. From your experience, generally, in banking all around in the Atlanta area here, can you characterize competition generally with C&S banks and branches according to prices? A. Well, I have never known C&S to get involved into cutting rates. I will add this, if you want—if you are asking me this, I think they are as tough competition as any bank in Atlanta.

Q. Can you tell me any one main difference that you know of between a corresponding associate and a **[951]** branch of C&S National, in your experience? A. I am just not aware of their internal operation. I can't answer that.

Q. Would the board of directors bring anything to mind? A. Well, they do have a board at the Roswell bank, C&S Bank

of North Fulton. I am under the assumption if it was a branch they would not have a board.

Q. Does the existence of a board of directors at a competitor bank affect, say, the Roswell Bank competitively? A. It hurts us.

Q. In what respect? [952] A. Well, they pick some of the most prominent men in the community, put them on the Board, and it's customary they do their banking with that bank. If my memory serves me right, several of them moved their banking from Roswell to C&S. When they went on the Board of C&S, of course, they have friends and I'm sure they solicit their friends to be customers of C&S. So, having a Board there does hurt us.

Q. Would it be a fair statement to say that the requirements of having a Board of Directors on a bank and a competitor, as opposed to a branch, would make that bank more competitive in regards to your bank business if it was a branch? A. Well, it's more competitive from a standpoint of having a Board, but if they didn't have the Board and called it another name, they would not be as competitive. I didn't state that exactly right. As long as they have the C&S name, they are very competitive, and, of course, the Board even makes them more competitive because of the friends of all the Board members, they are able to influence them to bank with C&S.

Mr. Frisbie: Thank you, sir.

Mr. Doyle: No further questions.

The Court: You may step down.

Mr. Doyle: I call Walter Eaves.

[953] Whereupon,

WALTER EAVES,

was called as a witness by and on behalf of the defendants, and having been first duly sworn, testified as follows:

Direct Examination

By Mr. Doyle

Q. Would you state your name for the record, please, sir? A. Walter A. Eaves.

Q. What is your occupation, Mr. Eaves? A. I'm president of Roswell Bank, Roswell, Georgia.

Q. How long have you served in that capacity? A. About fourteen and a half years.

Q. Is the Roswell Bank that you are president of now the one that was just described by Mr. Robinson on the stand? A. It is.

Q. Would you tell us what other banks are located in Roswell, Mr. Eaves? A. A branch of the Fulton Exchange Bank and C&S Bank of North Fulton.

Q. From your vantage point as a competitor at the Roswell Bank, tell us how you view the C&S Bank of North Futlon as an independent bank or as the C&S Bank. [954] A. Well, I've always viewed them as a C&S Bank.

Q. Would you tell us why, please, sir? A. Well, according to the information I had available at the time, C&S organized it and started it.

Q. Is it fair to say, then, that your view today is the same or different from the view when the bank was organized? A. I had no reason to change it.

Q. When the application to merge was filed, were you contacted by any of the bank's regulatory agencies to see if you had any opposition to the merger? A. Yes, sir.

Q. Would you tell us what your response to them was and why? A. I had no opposition.

Q. Would you tell us why you had no opposition to it? A. I didn't think there would be any overall change in the operation of the bank as far as the competitive standpoint is concerned in competing with us.

Q. Do you believe that your bank can compete with the branches of large, downtown banks? A. It is tough, but we have been able to so far.

Q. Can you tell us what competitive posture the Roswell Bank takes so far as competing against C&S North [955] Fulton is concerned? A. I'm not sure I really completely understand your question. If you mean what do we do in trying to compete, basically we feel that we have to go to the customers themselves, retail oriented type of thing. We don't have many large depositers. We are not in the wholesale bank field. We are not large enough to be there. We have to go out and try and do it with personal service with the customer. We contact the customers. I have a lady that does nothing but this. We ask for their business. We don't have an advertising budget that compares with C&S or Trust Company, or First National either. So, we end up trying to do all ours through personal relations, first class service. This is the idea we use.

Q. Does the community identification enter into it at all? A. Very definitely.

Q. I wonder if you would elaborate on that. A. We have been there for seventy-one years and this has a big effect on the people who have been living there many years. Also it has an effect on newcomers when they found that the bank had been established that long.

Q. You regard that as an important element in your competition? A. It's helped us tremendously.

[956] Q. All right. You told us what your response was to the regulators and why. Is that your same view today with regard to the merger application? A. We still have no objection to it.

Q. Because, and because why? A. We feel like it would be practically the same operations that we are competing with now.

Mr. Doyle: That's all.

Cross-Examination

By Mr. Stern

Q. Mr. Eaves, are you familiar with any other banks up around your neck of the woods that have a relationship with the C&S system which, to your belief is similar to that of C&S North Fulton? A. Not my personal knowledge, no, I do not. The closest thing we would have would be the C&S Sandy Springs and also C&S of North Springs, one of them is related to the East Point Bank and the other one is a separate organization, separate corporation.

Q. Right. When you were talking about how you viewed the initial organization of North Fulton, you mentioned that your opinion was based in significant part, as I understand it, on the information you had available at the time? A. Yes.

[957] Q. That's things you saw and perceived; is that it? A. Yes.

Q. Would you say that this was similar to the situation when Sandy Springs opened up? Is this the kind of thing you are talking about? A. No, Sandy Springs was, I'd have to say would be different from what the North Fulton was as far as what knowledge I had.

Q. It was different. Did it have the C&S name? A. Sandy Springs started off, I believe, with the name Citizens National Bank of Sandy Springs. I'm not sure, I think that was the name.

Q. Now, do you not personally recall it held itself out a number of years as an independent bank? A. For several years it did.

Mr. Stern: Yes. All right, no further questions.

Mr. Doyle: We have no further questions.

By the Court

Q. How is the bank run? Is it enlarging, growing, or what? A. We have been growing, yes, sir.

Q. Are you still growing? A. Yes, sir.

Q. Is that in part due to the phenomenon of people [958] moving to the suburbs? A. Yes, sir, this is a great part of it.

Q. Moving from without the central city into the perimeter area? A. This is having some effect. We are also having the effect of many new people moving into the Georgia area, Atlanta area, locating in our situation. The highway's got a lot to do with this.

Q. Despite what competition you're receiving, do you think your bank is in a healthy position, growing, has a good future? A. We certainly hope so.

The Court: All right, thank you.

Mr. Hodgson: We have no further witnesses available at this time. We will have Mr. Dunn after lunch.

The Court: Any particular time in mind as to after lunch as to when he's going to be here?

Mr. Hodgson: We can have him any time, any time after about 12:30. He will not have had his lunch by then. One-thirty, 1:45 is all right with us.

The Court: Do you intend to put on your economic witness after that, because I imagine Mr. Dunn will take only a short time?

[959] Mr. Hodgson: Yes, sir.

The Court: How long do you anticipate Mr. Dunn will take?

Mr. Hodgson: He should be relatively brief. I should think we would have him only on the stand maybe five or ten minutes and the Government not very long, I would guess. Dr. Baxter will be at the mercy of the Government. We have some preliminary points we want to make through him. I presume we'll put him on in order not to——

The Court: As I get it now, we have only Messrs. Williams and Munford to go.

Mr. Hodgson: Yes. Mr. Williams cannot be here until early in the morning. So, we are ahead of schedule. I understand from Mr. Kinkaid the Government's rebuttal is going to be quite brief also.

Mr. Kinkaid: That's correct, sir.

The Court: Well, maybe you can make a decision about Dr. Baxter at lunch. I hope you will make an affirmative decision. I hate to waste an afternoon.

We will stand in recess until 1:45.

(Whereupon, court was adjourned at 12:20 o'clock P. M. to reconvene at 1:45 o'clock P. M. the same day.)

[960] (Whereupon, at 1:50 o'clock, p.m., the Court reconvened the proceedings.)

Mr. Hodgson: Mr. Dunn.

E. D. DUNN,

being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Hodgson

Q. What is your full name? A. E. D. (Jack) Dunn.

Q. Mr. Dunn, I am going to ask you questions in two compartments, if I may, the first related to circumstances before you

became Commissioner of Banking and Finance, and the second after.

Before you became Commissioner, what was your principal occupation? A. I was president of the bank known as Glenwood National Bank, now known as First National Bank or First National Bank of DeKalb.

Q. Where is it located? A. Located at the corner of Glenwood and Candler Roads, the southern part of DeKalb County. Has a branch at Belvedere, which is at Memorial and Columbia.

Q. When was that bank formed? A. 1952.

[961] Q. When did you first become connected with it in any fashion? A. I was elected a director in 1953.

Q. What was your next position with that bank? A. President in 1961.

Q. How long did you remain president? A. Until 1969.

Q. Why did you cease being president at that time? A. We sold controlling interest in the bank to a man here in Atlanta, and I was moved up to chairman of the board.

Q. Did you remain with the bank for any period of time after that? A. Approximately a year and a half.

Q. Until what date, approximately? A. Well, officially until the board of directors' meeting in December of 1971.

Q. At Glenwood National, during your tenure as president and, subsequently, as chairman of the board, who were your competitors? A. The nearest competitors were two C&S banks, one at Belvedere and one at South DeKalb. And, then, to the east of us approximately some four or five miles, was the Trust Company in East Atlanta. Then to the north [962] of us in Decatur, the First National Bank and the Fulton National. Then a little east of that, C&S in Avondale. Then to the direct east of us, Lithonia, Conyers and Covington. The nearest bank south of us was McDonnough.

Q. What did you consider to be your trade area at that time? A. Well, over into East Atlanta, because we were only about a thousand feet outside the city limits of Atlanta in DeKalb County. Then, Decatur, Avondale and then all the way to Lithonia, Conyers and Covington, to the east, and south to McDonnough.

[963] Q. What determines your trade area so far as you are concerned? A. Well, unfortunately, of course, that's how my trade area was limited in one respect because of the branch banking laws. We were only allowed to have a branch two miles from our home office. As far as the trade area itself, it was any place where there was not another bank or bank system that did not allow us to actively compete in those areas in which there were not in those areas at that time other than two C&S.

Q. Now, the area involved was determined by the proximity of competitors around you; is that what you're saying? A. Yes.

Q. The fact that competition moved into, within that circle, served to circumscribe the area further or to affect it at all? A. No, it just made it a little more competitive. It didn't affect the trade area.

Q. As chief executive officer of the Glenwood National over these years, how did you look at C&S Belvedere, competitionwise, as it related to other C&S Banks such as the National Bank, Emory Bank or the DeKalb Bank? A. Well, of course, they were our only very close [964] competition. We consider them more or less like the public did, that they were a part of the C&S Bank. Most people thought they were actually branches of the National Bank.

Q. Did you know whether or not they had C&S trained people in them? That is to say, Belvedere and later C&S South DeKalb? A. Yes, sir, I was aware of that.

Q. When C&S Belvedere merged into C&S DeKalb, did you observe or experience any change in your competitive environment as a result? A. No, sir.

Q. Why not? A. Well, it was still the same system as far as we were concerned.

Q. Did you ever consider affiliation with the Citizens and Southern system? A. We never considered it, no, sir. Mr. Mills Lane come out and visited us one day and offered to buy us out. But, we never considered it other than this particular meeting.

Q. Why not? A. Well, we were independent and had wanted to remain independent. As far as we were concerned, we were happy the way we were. We had known, if we had sold out, they would more or less end up with control from the [965] standpoint of management and usually they wanted enough stock that they could let some of their friends have it. As far as we were concerned, we just preferred to remain independent.

Q. Eventually you sold out, though, didn't you? A. Yes, sir.

Q. Why did you do that? A. Well, as I mentioned a few minutes ago, we at first in DeKalb County were not allowed to branch at all and not even have one branch. We ended up actually going to the Comptroller of the Currency and contending there was no law in the State of Georgia that would keep us from having branches anywhere in the State of Georgia. The Comptroller agreed with us and gave us a branch at Belvedere. Then, the Georgia Legislature hurriedly passed what is known as the Village Banking Bill. The only trouble, it restricted us to one branch no further than two miles from the home office. I still contend the law should have been no less than two miles rather than the extent of two miles. Then, we realized we would not be able to expand, grow and compete and serve our customers, and we did not feel like there would ever be a county-wide branch banking law, so we sold out because we did not feel like our future was so good. We could not compete.

Q. And subsequently, the county-wide branch banking [966] law was passed? A. Yes, about six months too late.

Q. Now, Mr. Dunn, turning to the second compartment of your testimony, what is your present title and job? A. I'm known as Commissioner of Banking and Finance for the State of Georgia. It used to be the Superintendent of Banks, of course, the Banking Department.

Q. What are the functions of your office? **[967]** A. Of coure, we are the regulatory authority for all state banks, several other institutions, but, basically, state banks.

Q. And trust companies? A. And trust companies, and credit unions and state savings and loans. And, of course, our basic responsibility is to be sure that banks are examined on a regular basis, which is once a year, be sure they are solvent for protection of the public and stockholders, and all of the many other facets of a regulatory authority as far as approval of charters, mergers, branches and charter applications for new banks. I could go on in detail, but if there's anything you want to ask me——

Q. As a result of all of this, does this bring you into more or less contact with bankers around the state? A. Yes, sir, I think I last month toured the entire state on group meetings, and I met some three thousand bankers.

Q. Do you receive telephone calls and letters from them in some regularity? A. Yes, sir, daily.

Q. Have you had such regular contacts with people at the C&S? **[968]** A. Yes, sir.

Q. Primarily whom? A. Well, as far as—now, you talking about the C&S National or are you talking about the affiliates, five percenters, or what?

Q. All of these. A. Well, of course, the bankers who are state bankers, five percenters or affiliates or whatever you want to call them, make their formal requests to us, and then at times I talk to some of the people in the National Bank who assist them in either filing branch applications, or increases in stocks,

or mergers or anything in that category. You want me to name some of the people, is that what you want me to do?

Q. No, sir, not particularly, as long as you include Mr. Hall. A. (Nodding affirmatively) He has been there a long time.

Q. Yes. A. Excuse the joke.

Q. Have you found your prior conception of the C&S five percenter relationship to be changed as a result of your new position as Commissioner of Banking and Finance? A. No, sir, I think all bankers, particularly me [969] being a direct competitor or they being a direct competitor of mine, I had pretty common knowledge of exactly how it worked, and it hasn't changed. Now, other than, of course, I have more information available now, I know.

Q. And your opinion about them has not changed? A. No, sir. I think a little more of them now than I did before, Mr. Hodgson.

Q. Mr. Dunn, in your official capacity as considering applications for branches by non-C&S banks, let's take, for example, Trust Company of Georgia, into market areas where C&S five-percenter banks are located, let's take C&S Sandy Springs or Chamblee, did you consider the C&S five-percenter bank, Chamblee or Sandy Springs, for example, more able or less able to withstand branch competition from the major Atlanta bank, let's say Trust Company, than if they had been independent unit banks? A. No, they would definitely have an advantage as far as competition is concerned.

Q. Why would you consider that to be the case? A. Well, of course, as you are well aware, and most of the people in the room are, banking is a very competitive business. And the bank who is closely affiliated, whether they are a five percenter or [970] independent and well-affiliated, not from a managed central control standpoint, with one of the larger banks, is much

Q. Now, Mr. Dunn, turning to the second compartment of your testimony, what is your present title and job? A. I'm known as Commissioner of Banking and Finance for the State of Georgia. It used to be the Superintendent of Banks, of course, the Banking Department.

Q. What are the functions of your office? [967] A. Of coure, we are the regulatory authority for all state banks, several other institutions, but, basically, state banks.

Q. And trust companies? A. And trust companies, and credit unions and state savings and loans. And, of course, our basic responsibility is to be sure that banks are examined on a regular basis, which is once a year, be sure they are solvent for protection of the public and stockholders, and all of the many other facets of a regulatory authority as far as approval of charters, mergers, branches and charter applications for new banks. I could go on in detail, but if there's anything you want to ask me——

Q. As a result of all of this, does this bring you into more or less contact with bankers around the state? A. Yes, sir, I think I last month toured the entire state on group meetings, and I met some three thousand bankers.

Q. Do you receive telephone calls and letters from them in some regularity? A. Yes, sir, daily.

Q. Have you had such regular contacts with people at the C&S? [968] A. Yes, sir.

Q. Primarily whom? A. Well, as far as—now, you talking about the C&S National or are you talking about the affiliates, five percenters, or what?

Q. All of these. A. Well, of course, the bankers who are state bankers, five percenters or affiliates or whatever you want to call them, make their formal requests to us, and then at times I talk to some of the people in the National Bank who assist them in either filing branch applications, or increases in stocks,

or mergers or anything in that category. You want me to name some of the people, is that what you want me to do?

Q. No, sir, not particularly, as long as you include Mr. Hall. A. (Nodding affirmatively) He has been there a long time.

Q. Yes. A. Excuse the joke.

Q. Have you found your prior conception of the C&S five percenter relationship to be changed as a result of your new position as Commissioner of Banking and Finance? A. No, sir, I think all bankers, particularly me [969] being a direct competitor or they being a direct competitor of mine, I had pretty common knowledge of exactly how it worked, and it hasn't changed. Now, other than, of course, I have more information available now, I know.

Q. And your opinion about them has not changed? A. No, sir. I think a little more of them now than I did before, Mr. Hodgson.

Q. Mr. Dunn, in your official capacity as considering applications for branches by non-C&S banks, let's take, for example, Trust Company of Georgia, into market areas where C&S five-percenter banks are located, let's take C&S Sandy Springs or Chamblee, did you consider the C&S five-percenter bank, Chamblee or Sandy Springs, for example, more able or less able to withstand branch competition from the major Atlanta bank, let's say Trust Company, than if they had been independent unit banks? A. No, they would definitely have an advantage as far as competition is concerned.

Q. Why would you consider that to be the case? A. Well, of course, as you are well aware, and most of the people in the room are, banking is a very competitive business. And the bank who is closely affiliated, whether they are a five percenter or [970] independent and well-affiliated, not from a managed central control standpoint, with one of the larger banks, is much

better able to serve the community simply because they are more knowledgeable. They have the resources of the larger banks in order to make larger loans that they would not be able—allowed to make, as far as their own capital structure would be. And, also, of course, the day of the computer is here and this sort of thing. They are better able to serve their banks, whether it be a five percenter or another type of affiliate.

Q. Would the existence of the common name have any effect on this? A. On the public?

Q. Yes, sir, insofar as its ability to compete with this Trust Company branch coming out is concerned? A. Well, it certainly is an advantage to a C&S affiliate. Let's use a state bank for an example.

Q. Yes. A. To be able to just display the "C&S", to compete with, as you mentioned, a Trust Company.

Q. And does the fact that it has continuity of C&S management help it or not? A. There's no question about that it helps them.

Q. With respect to the merger applications that [971] are at issue before this Court, Citizens & Southern North Fulton and Sandy Springs into Citizens & Southern East Point, and Citizens & Southern Chamblee, Park National and South DeKalb into Citizens & Southern Emory, do you believe that there would be any competitive impact one way or the other from these mergers? A. Mr. Hodgson, not at this time, simply because people have always felt that these were C&S banks, and I think I mentioned earlier, most people thought they were branches of the C&S National. Most of my competition with them in the past, people thought they were dealing with basically C&S National, rather than a state bank.

Q. Might it be an advantage to the banks being merged? A. Well, it would be an advantage to the banks, yes, sir.

Q. Why is that? A. Well, they would be able to make larger loans, they will be able to simplify a lot of their operations. They could better serve the customer.

Q. Mr. Dunn, do you regard the Atlanta area banking market or any part of it either to be overconcentrated or not competitive? A. Not at this time. It has been times in the [972] past when it was, but at this time it is not overconcentrated. Of course, we have had a—since 1971, we have had some 125 branches, I think, in metropolitan Atlanta since countywide branching went in, but up until that time, we had some areas that needed additional banking.

Mr. Hodgson: No further questions, Your Honor.

Mr. Kinkaid: One moment, if Your Honor please. Your Honor, we have no questions.

The Court: Thank you, Mr. Dunn, you may step down.

A. Thank you.

[973] Mr. Hodgson: Dr. Baxter, take the stand. I need to do a little housekeeping, Your Honor. It will take me only a moment.

Mr. Kinkaid: Excuse me, Your Honor, while everybody is getting set up, there's one point I'd like to raise here. Perhaps we can get some indication of the scope of whatever dialogue Mr. Hodgson and Dr. Baxter have planned in view of the fact that it's our understanding that so far as direct testimony was concerned that was already in the form of the written report.

Mr. Hodgson: That's exactly right. The way we propose to do this, Your Honor, I believe it would be appropriate, is that Mr. Kinkaid is exactly right. We intend to go into none of the direct as such. I thought it would give Mr. Kinkaid and the Government overall a better bull's eye to shoot at, however, if Dr. Baxter did these things. He, first, of course, has to authenticate his report and highlight his methodology because this has subsequently been attacked by Dr. Skogstad's second affidavit

clarifying the reasons for data, all in response to that affidavit, and the Government's trial brief and Dr. Skogstad on testimony.

I would intend to keep this within as [974] brief a period of time as possible. I really think that perhaps Mr. Kinkaid would be better served by this. I'm quite certain it will give us a better cohesion to Dr. Baxter's testimony if that is all right. That will be my goal, in any event, and if I may say so, Your Honor, since matters have gone along so nicely for which the Government is certainly very much a part of and we appreciate it, the case proceeded so quickly, we propose to move this as fast as possible, and assuming we may even be able to finish today, we have called Mr. Williams and told him there is no need for him to come up in the morning. We are going to make every effort to finish today.

Whereupon,

NEVINS DENNIS BAXTER

was called as a witness by and on behalf of the defendants, and after having first been duly sworn, testified as follows:

Direct Examination

By Mr. Hodgson

Q. Dr. Baxter, state your full name for the reporter, please. A. Nevins Dennis Baxter.

Q. Your report contains your complete credentials, Dr. Baxter, but would you tell the Court, if you don't [975] mind, the areas in which you have attempted to specialize? A. Well, for the past several years I have spent almost all of my time consulting in the banking field with large and small banks on a variety of management problems, and a good deal of regulatory, consulting, branches, mergers and charters.

Q. We have previously filed, Dr. Baxter, in this court, an economic report supported by a volume of exhibits and a sec-

ond volume being analyses, analyses of the competitive and convenience and needs, effects of the five individual mergers. Were each of these prepared by you or under your direct supervision? A. They were.

Q. And are the facts and data included therein verified by you and the people under your direct supervision? A. Yes, sir, they were.

Q. Are the conclusions reached yours, reached as a result of your expertise and the data which had been gathered and tabulated in these reports? A. Yes.

Q. There is a customer survey, Dr. Baxter, which has been objected to on the grounds that the results were too incomplete to be adequate, on the further grounds that the questions may be misleading. Referring to your [976] customer survey, which is part of your report, were the questions included in those surveys designed in accordance with generally accepted actuarial principles, sampling matters and procedures which, in your opinion, insure reasonable reliability of the responses, were of the size sufficient to satisfy reasonable reliability of the responses and were the numbers of responses as proportionate to the number of questionnaires mailed, and were all of these sufficient to make the result, so far as you are concerned, statistically reliable and significant? A. Yes, sir, they were. We used, probably a much larger sample than was necessary so as to insure given the response rate that we expected, which was about what we got, that we would have a sufficient number of questionnaires returned in each category to do the detail of analyses that we want to. Samples were very carefully designed to get results to a high degree of reliability.

Q. Dr. Baxter, since your methodology and that of Dr. Skogstad seems to have differed, would you please tell the Court how you set about to analyze what you considered to be the economic issues of this case? A. Well, my first interest was

learning what I could about the banking in the Atlanta area, who the main competitors were, what methods they used to compete; how they identified themselves in the public's minds; what [977] types of services they offered; where they were located; historically, how they had developed and how they had obtained their market positions.

I look at banking very much as a people business. It's one that is very difficult to analyze by mere statistics, published data, concentration, numbers of banks. These have to be examined and I do that, but clearly they can't tell the whole story about competition. For this reason I conducted a very large number of interviews of C&S people, competing bankers, customers, business customers, large and small, mostly in the Atlanta metropolitan area, and specifically, in the trading areas of the defendant banks.

I also did some interviews and specifically in Belvedere and also in Savannah and Augusta to see what the competitive impact, if any, of the merger of five percent banks there, which had been concluded, to see what the competitive impact was. Of course, in addition to these interviews, I wanted to gather some primary data about where these banks compete and where they do business. And, to do this, we studied very carefully the break out of the source of business accounts by zip code. Then, we refined this to account address because zip codes can often be misleading.

Q. Business of what banks? [978] A. The defendant banks as well as other banks in the metropolitan area, data from which was derived from the answers to the Government's interrogatories.

When we received those, we looked at what their service areas were, as well. As I pointed out, these were later extended to get a better definition of where the accounts came from because zip codes can often be much larger than the real market area.

Finally we conducted the customer surveys to understand some of the reasons behind why people choose to bank where they do.

Q. With regard to the forms of statistical studies you conducted, please explain their purposes and indicate the results. A. The main purpose of the statistical study was to compare banking in the Atlanta metropolitan area with other areas around the country. I think it's very difficult to learn very much from a concentration measure, number of banks, population per bank, per banking office in a vacuum without reference to that meaningful comparison of other market areas around the country.

And, so, we made these comparisons and concluded as the Court describes in detail, that Atlanta really is not, in relative terms, a concentrated market at all, but population, per bank and per banking office is [979] lower, that is, than other bench marks, Atlanta being well-banked. These population per office figures are really indicative of how hard banks are forced to compete because no bank voluntarily puts out branches unless its competitor forces it to do so to get the business and keep up. The branches serve as the convenience to the public. They serve as a competitive measure whereby banks can chase after business against each other. So, we looked up the source of indexes of market structure relative to comparisons.

Q. Dr. Baxter, a very large portion of the report, as I recall it, very much of the middle part deals with issues of, as the statute puts it, any section of the country. This is commonly known as the relevant market or geographical market? What is the relevance of all that investigation and all of those data to the issues in this case? [980] A. Well, frankly, Mr. Hodgson, I think that the market area here is of really no relevance. If it is found, as I believe to be the case based on my investigations, that these banks are C&S banks, they compete as such; they are competitors; they are customers; they themselves view themselves as C&S banks; they provide C&S banking services; if

that is the case, there's not really much competition between them and the precise areas in which they draw their business is not really very important.

However, I felt it was necessary to investigate the situation fully to assume that this wasn't—that my finding about competition was not based on the fact that they were C&S banks, although I think that is the overriding factor. I wanted to see where they draw their business, would they be competitors, given their location, if they were not all C&S banks.

Q. And how did you go about determining that issue? A. First, from analysis of where their customers come from, based upon zip-code data; then, as I mentioned, a refinement of this to street addresses, so that we could draw approximate service areas, market areas of these banks to see where their customers come from. Finally, given the results that we had found about the [981] distribution of customers, based on these data, I wanted to determine what caused the banking patterns that emerged.

We found that the customers were quite closely clustered around the offices of the bank. I wanted to see if this was really a matter of convenience, if most people choose a bank based on convenience. One of the things that the questionnaires were directed to was to determine why people chose to bank where they did. Indeed, proximity to home is very important to a majority, about half, as I recall, of the customers.

Then given the fact that there was some scattering of accounts outside the concentrated market area that we had defined, I wanted to determine what factors called for the scattering of accounts. Was it the fact that these banks were out competing beyond the two- or three-mile radius where they draw the bulk of their accounts, or was it something germane to metropolitan-area banking patterns?

The questions were designed to determine that, and, indeed, we concluded that the commutation patterns in the metropolitan

area, and that the desire of many customers, I believe it was about 80%, to use more than one office on a continual basis, more than one C&S office, indicated that where they maintained [982] their precise account for customers dealing with a branch, and, effectively, a branch-banking system, wasn't the critical thing. They could maintain an account at one location, bank at many others. People who moved around the metropolitan area often kept their account relationship where it had been.

Perhaps many corporate customers indicated that this was because they had had a relationship with an individual at the bank as they moved around the area and kept their account there where it had been. They were able to continue to transact conveniently by using other C&S offices. This was a conclusion that explained, in effect, why this account spill-over had occurred throughout the area.

Q. Dr. Baxter, in comparing your methodology to that set forth in Dr. Skogstad's two affidavits and referred to in his testimony, how would you characterize his as compared to yours? A. As I understand it, Dr. Skogstad started by looking at where the banks were effectively and saw that the banks involved, defendant banks here, were in various locations in DeKalb and Fulton Counties. He then said, "Can we explain why this broad area would be the market,?" because it is where the banks were located, and he did so by trying to show interactions [983] between them through transmission effect, as it was referred to.

I believe that this constituted basic definition of the market, and it was not based on where customers of the individual banks are located, what customers the banks are competing for, which was the thrust of my analysis.

Q. Doesn't the fact that there are or may be other banks not part of the C&S system which intervened between C&S banks, nevertheless, as he says, bring the C&S banks into competition with each other? A. I don't think it brings the C&S banks into competition with each other, because they are deal-

ing—well, first of all, because they are C&S banks, and, second of all, even if they were not, given their locations, because they are going after different customer bases; they are looking for different customer groups by virtue of their location.

Q. What is your response to the government pre-trial brief which asserts that, on the one hand, your economic report contends that Atlanta banking markets are highly localized and each defendant bank is in a separate market, but, on the other hand, your report apepars to state that the only meaningful market for banking that can be defined from an initial investigation **[984]** is the entire standard market statistical area for Atlanta? Can you reconcile these? A. Yes, I think that when one is looking at locally-defined markets, narrow markets, one is asking where these individual banks compete as individuals; and, looking at each bank separately, in terms of the competitive effects of these mergers, when one takes a broader view and looks towards a statistical analysis of competition and looks at structural measures, one then has to broaden the market in order to make reasonable comparisons and look at banking patterns around metropolitan areas; see where people commute from; bring in these types of factors. On this basis, it seems to me to be artificial to take the outlying counties where many have, for example, North Fulton draws business from Cobb County, and Tucker draws some business from Gwinnett County, East Point from Clayton County, it seems artificial to stop at the DeKalb and Fulton County boundaries rather than looking at the broader picture, all of the mergers together. And, indeed, for looking at convenience and needs one needs this broader metropolitan area.

Q. Is this to say then that the entire five-county area is the section of the country to be examined for relative market purposes? **[985]** A. The five-county area can be a section of the country in this case, that's correct. I don't think it tells where the individual banks could compete were they not C&S banks, nor do I think it tells where the competitive impact of each in-

dividual merger, taken separately, could be felt. But it could be a relevant section of the country, based on all these economic factors about the metropolitan area.

Q. How does it relate to the needs of individual groups of customers, the five-county area? A. Well, metropolitan banking customers have banking needs which have developed from their own habits, from where they commute, from where they live and work, from their policies of transacting on many offices at the same time. And, therefore, that area which describes the economic relationships is relevant in those terms.

Q. Do the five individual banks named as defendants herein, the smaller banks compete throughout this entire five-county metropolitan area? A. No, they do not. They compete in their own localized service areas from which their own customers are derived.

Q. Why is there any interrelationship among them all then? A. Well, there's no competitive relationship **[986]** among them, except that they do draw some accounts, what we refer to as spill-over from outside their immediate area, and the spill-over results from these metropolitan banking patterns that I have referred to.

Q. Have you considered the possibility of there being relative markets somewhere in between the very confined areas you described for competitive purposes and the larger area you described for convenience and needs and understanding the circumstances purposes? A. I considered the various intermediate areas, especially those alleged in the complaint and felt that they had little significance, really no significance for competition or for convenience and need purposes, because of the factors I have described.

Q. How would you feel about a combination of DeKalb and Fulton County markets, as it has been asserted by Dr. Skogstad? A. It seems to me to be an artificial place to stop when one talks about banking patterns in the metropolitan area. Of course, far

too broad, as Dr. Skogstad himself admits, when one talks about the areas in which the individual banks compete.

Mr. Hodgson: If Your Honor please, there is one issue somewhat made in the Government's brief that Dr. Baxter's testimony **[987]** is, perhaps you might say, is in elastic fashion, and he may not always be consistent. We think this is irrelevant. Dr. Baxter himself is prepared to show his consistency if he is cross-examined, but we thought we would not go into it on this presentation at all.

Q. Doctor, your report contained a concept known as spill-over, which you used defining markets for various banks involved as defendants, and this seems to have created significant interest in the Government's brief. Would you explain what you mean by "spill-over" as compared to over-lap and other such words in your analysis? A. Well, the concept of over-lap is based really on where primary service areas are, on where the banks draw the bulk of their business from. If two banks are really fighting for the same customer base and competing actively for them, then there is an over-lap in the geographic markets that they serve. In the analysis, as I have pointed out, these five defendant banks are not seeking the same customer base; they are geographically separate. Spill-over results from a scattering of accounts outside of the area where the real concentration is. It is basically customers for whom the bank is not aggressively seeking. It is **[988]** customers who come to the bank because of commutation patterns, perhaps, because they may pass the bank's location on the way to work or shopping, on some regular basis, very often. Because the individual account address reflects a previous condition, a business has moved, it had maintained a good relationship with this banker, it will continue at that location. Although, it will transact at other banking offices, these often—especially where the relationship is due to a tie to a particular individual, these are really accounts that you can't compete for. They are loyal accounts. It is the accounts that are based on geographic proximity that are the ones that you

can compete most effectively for, because they have chosen a bank because of location rather than because of some particular need or loyalty or service that had been performed in the past, or a long-standing customer relationship in the case, especially, of businesses.

Q. What has complementarity got to do with this? And perhaps you can tell us what that word means in your presentation. A. By complementarity, I mean that many individuals who use more than one C&S bank office, branch or five-percent bank, or whatever, do so for varying purposes, not because one competes with the **[989]** other, but because they can make use of multiple offices, make use of the variety of services offered by the different C&S banks, and, especially, the variety of locations with only one account relationship. In that sense, these banks are complementary to each other, rather than substitutes or competitive. If you give an example of a business which moved, say, from downtown Atlanta with a long-standing C&S National relationship, say a borrowing relationship, if it moved out to Sandy Springs, it might not move its account, so it would have a Sandy Springs address with a National bank, on a National bank account, but, yet, it would use the Sandy Springs office all the time to make deposits, to have checks cashed, get funds for its business or whatever.

Q. Dr. Baxter, in the Department's trial brief, it has asserted that you didn't really direct yourself to the matter of competitive interaction among the C&S banks and other banks in the metropolitan area. Did you or did you not direct yourself to this? A. In terms of the banks which intervene between the C&S banks, this was a basic part of my analysis. Since the change in the branching law early last year, there have been many branches opened up in suburban areas. These branches are often between C&S bank **[990]** locations. As such, they intensify competition, and this was part of my analysis.

Also, I spent considerable time having developed a series of exhibits which showed the branching patterns in the Atlanta

area relative to other areas that allow branch banking, and showed the importance in the suburban communities of the branches of the downtown banks, reflecting what I called a rational banking structure or a rationalization of the banking structure.

Q. Do you care to illustrate any of your views from these maps and overlays, which I believe Your Honor may recognize as having been here once before, but which have been brought up-to-date, and I show you the Sandy Springs area marked as it was December 30, 1970. **[991]** A. Well, at that time there were exactly two banks. There was the C&S Bank of Sandy Springs and Trust Company Bank of Sandy Springs.

Q. The green being C&S in every instance and blue being—— A. Other downtown banks.

Q. And a year later from December 31 of 1971, what happened? A. After one year of change in the branching laws, the Roswell Bank, Mr. Eaves' bank, opened an office in north—well,——

Q. North Springs? A. In the North Springs area as did the C&S Bank of East Point, a branch that was opened out of East Point rather than out of Sandy Springs simply in anticipation that the banks would all be one.

National Bank of Georgia opened a branch in Sandy Springs and the Trust Company merged its Sandy Springs five percent bank into the main bank.

Meanwhile, out in the Perimeter Mall area, National Bank of Georgia, First National and Trust Company all opened branches. So, the intensity of the competition——

Q. August 31st of 1971, the following eight months, what had happened? A. Two more Sandy Springs branches, every one is **[992]** now represented there—First National. Every one meaning the five largest downtown banks, First National and Fulton and in the Perimeter Mall area, C&S National, Fulton National

over to the east and Dunwoody Park and Peachtree Bank & Trust opened a Georgetown branch right near this Dunwoody Park branch.

Q. I'm talking about exhibits, Defendants' Exhibit 275, for the court reporter's benefit.

Now, moving to the far opposite end, the South DeKalb area, which is Defendants' Exhibit 274, remember at the end of 1970 it looked like this. I don't know how much detail you want to go into, Dr. Baxter. Feel free. There is no need to go into it all. A. Let me just say that the same pictures emerged. There were more banking offices in this area before the law was changed, but—and, therefore——

Q. Where is Decatur on this map, Dr. Baxter? A. Right in there (indicating).

Q. All right, sir. A. These were the old branches of First National and Fulton that had been established there earlier.

Q. All right. And then, the end of 1971, what has been added? A. Three branches, a C&S Emory branch at Covington-285, and Trust Company and First National **[993]** down in South DeKalb. The First National was a merger of the South DeKalb affiliate and Trust Company.

Q. In the first eight months of this year—— A. C&S Decatur Square, C&S National Decatur Square and C&S South DeKalb, Candler Road—that's not open yet, but that's approved —and, well, Trust Company branch, National Bank of Georgia branch, Peoples Bank of Lithonia, Fulton, same pictures. There were more offices to start with. So, proportionately, there was less intensification than Sandy Springs, but nonetheless very striking.

Q. Finally we have the North DeKalb area, Defendants' Exhibit 273, which is a good bit thicker. Here's the picture December 31st, 1970 just before county-wide branch banking. What does that show you? A. Well, note the independent banks com-

area relative to other areas that allow branch banking, and showed the importance in the suburban communities of the branches of the downtown banks, reflecting what I called a rational banking structure or a rationalization of the banking structure.

Q. Do you care to illustrate any of your views from these maps and overlays, which I believe Your Honor may recognize as having been here once before, but which have been brought up-to-date, and I show you the Sandy Springs area marked as it was December 30, 1970. **[991]** A. Well, at that time there were exactly two banks. There was the C&S Bank of Sandy Springs and Trust Company Bank of Sandy Springs.

Q. The green being C&S in every instance and blue being—— A. Other downtown banks.

Q. And a year later from December 31 of 1971, what happened? A. After one year of change in the branching laws, the Roswell Bank, Mr. Eaves' bank, opened an office in north—well,——

Q. North Springs? A. In the North Springs area as did the C&S Bank of East Point, a branch that was opened out of East Point rather than out of Sandy Springs simply in anticipation that the banks would all be one.

National Bank of Georgia opened a branch in Sandy Springs and the Trust Company merged its Sandy Springs five percent bank into the main bank.

Meanwhile, out in the Perimeter Mall area, National Bank of Georgia, First National and Trust Company all opened branches. So, the intensity of the competition——

Q. August 31st of 1971, the following eight months, what had happened? A. Two more Sandy Springs branches, every one is **[992]** now represented there—First National. Every one meaning the five largest downtown banks, First National and Fulton and in the Perimeter Mall area, C&S National, Fulton National

over to the east and Dunwoody Park and Peachtree Bank & Trust opened a Georgetown branch right near this Dunwoody Park branch.

Q. I'm talking about exhibits, Defendants' Exhibit 275, for the court reporter's benefit.

Now, moving to the far opposite end, the South DeKalb area, which is Defendants' Exhibit 274, remember at the end of 1970 it looked like this. I don't know how much detail you want to go into, Dr. Baxter. Feel free. There is no need to go into it all. A. Let me just say that the same pictures emerged. There were more banking offices in this area before the law was changed, but—and, therefore——

Q. Where is Decatur on this map, Dr. Baxter? A. Right in there (indicating).

Q. All right, sir. A. These were the old branches of First National and Fulton that had been established there earlier.

Q. All right. And then, the end of 1971, what has been added? A. Three branches, a C&S Emory branch at Covington-285, and Trust Company and First National **[993]** down in South DeKalb. The First National was a merger of the South DeKalb affiliate and Trust Company.

Q. In the first eight months of this year—— A. C&S Decatur Square, C&S National Decatur Square and C&S South DeKalb, Candler Road—that's not open yet, but that's approved —and, well, Trust Company branch, National Bank of Georgia branch, Peoples Bank of Lithonia, Fulton, same pictures. There were more offices to start with. So, proportionately, there was less intensification than Sandy Springs, but nonetheless very striking.

Q. Finally we have the North DeKalb area, Defendants' Exhibit 273, which is a good bit thicker. Here's the picture December 31st, 1970 just before county-wide branch banking. What does that show you? A. Well, note the independent banks com-

peting alongside with the affiliated banks and again the blue being the non-C&S downtown bank branches and affiliates and then the C&S Banks in green, and the independent banks in orange.

Q. Then, turning, if you will, to the first full year of county-wide branch banking, what happened? A. Well, during this first year, every downtown bank but C&S entered most of these markets in the Perimeter Mall. I believe I have talked about these **[994]** Perimeter Mall offices. They were on the other side of the Sandy Springs map. In Chamblee, First National now has a branch as in Doraville. That was through a merger. Again, the same type of picture on Memorial Drive. Stone Mountain, Mountain Industrial Park area, Trust Company and Fulton, First National of Atlanta.

Here in Toco Hills. In all of the areas where C&S five percent banks had been, there has been an intensification of competition through the liberalization of the branching laws.

Q. Do you count in the area of eighteen blue circles on there, Doctor? Would you count them for me? A. That's correct.

Q. Eighteen. How many green ones? A. None.

Q. Commencing the first eight months of this year, tell us the developments in the North DeKalb area. A. There is one green one, Perimeter Center. I might add, several were applied for and not approved. This one at Hairston Road, there was a hearing held, opposed by the Stone Mountain Bank, Citizens Bank of Georgia. No action yet.

Junior College has been approved, not open. Most action has still been by the other downtown Atlanta banks entering all of these markets.

[995] Q. Doctor, if you will, resume the stand, please.

Doctor, the Government contends in its trial brief that the banking in this area, or however you define it, is highly concentrated and reflects congressional concern with a trend to-

wards concentration. What is your opinion with respect to this? A. The analysis that I have conducted indicates that relative to any bench mark, Atlanta is not highly concentrated nor is the State of Georgia. The trends are very much the opposite. The number of new banks and banking offices have increased substantially in the past decade and this reflects intensification of competition but the level of concentration is much lower than the standard for banking. Banking must be judged against the standard for banking.

Q. Have you studied the Government's exhibits delineating market areas of various defendant banks? A. I have.

Q. In your opinion, are those reasonable representations of the market areas claimed by the Citizens and Southern in their application for these mergers filed way back, indeed, approximately two years ago today? A. That's correct; they are reasonable representations.

Q. Do you have any opinion as to the divergence **[996]** between the market area proposed in those applications and the market areas which you conclude are the relevant ones? A. Well, the explanation, Mr. Hodgson, is that when I attempted to analyze what market was served by the banks, where the competition effect would be felt, I started not from what had been done before by the application, but rather by an analyses of where the business was and what explained the origin of the accounts.

In certain cases the market area is conformed reasonably closely to what I have come up with. In others, particularly the North Fulton area, there are broader market areas in those applications. I think that one of the reasons is that in the two years that have intervened, there has been a substantial compactness created by economic development. When you are talking about a sparsely populated area, you are going to have a broader market area to be served.

When you are talking about a denser area where more banks and branches come in, create new convenience alternatives, perhaps are closer to customers, your market area is going to have to become more compact because of the availability of alternatives. I think that those two factors, the analysis, detailed analysis I did, plus these changes, account for the difference.

Q. What is your view with respect to the theory [997] that the amount of competition is determined by the number of competitors in the market and concentration of the number of competitors in that market? A. I don't think that one can say very much about competition in banking by looking only at concentration or numbers of competitors. One can make broad theoretical statements to the effect that, 'all other things being equal, it's going to make more competition. It's not necessarily the case because the issue depends on how banks compete. They don't compete simply by being there. How aggressive they are in seeking business, what range of services they offer in banking where you have to achieve a certain size to be able to provide modern banking facilities, clearly, if the banking resources of an area is diluted over a very large number of banks, you can't get as competitive an effect as you can if each bank is of significant size and part of the banking system that can do the job.

Q. Do you agree with the Government's contention and its trial brief that these five percenter banks are vigorous significant competitors to C&S National Bank and other affiliated banks? A. I do not believe that they are competitive at all to the C&S National Bank and its affiliates because they are C&S Banks.

[998] Q. Do you believe if these banks, these five banks, were forced to be independent entirely of C&S they could continue to be vigorous competitors in the market place at all? A. I think that they will be much less vigorous competitors than they are today and that they would lose a substantial portion of their

customer base, which was attracted to these banks by virtue of the fact that they are C&S Banks, provide that range of services and have had these past relationships with C&S. I think the customer survey supports the fact that many accounts were attracted to these banks for precisely those reasons.

[999] Q. In several areas of your report, you assume an inevitable disaffiliation of the five banks from C&S if these mergers are enjoined. Did you make these assumptions—this assumption based in any degree upon your interviews with bankers or other persons in your investigations? A. No, I did not.

Q. What was the basis of that assumption then? A. Well, I wanted to consider the possibilities for convenience and needs in light of the only possible assumption that would make these banks potentially competitive with C&S, and that assumption was if the mergers were denied and the relationship of these banks to C&S which has existed were permanently enjoined and the banks were forced to compete. It is only on that type of assumption that the banks could become or would be potential competitors, and under that assumption, I concluded, as the report states, that C&S National and its affiliates and its—close to wholly-owned affiliates would be forced to establish branches in the markets served by these other banks.

Q. And then what would happen to the convenience and needs of the community? A. Well, the customers who had been using these other banks would be—many of them would be at a [1000] serious disadvantage, because, as I have indicated, they chose these banks because they could get the range of services and the complementarity of services that C&S provided.

Q. Assuming for the purpose of giving me an answer that the geographic market areas, the several ones proposed by Dr. Skogstad, DeKalb County, North Fulton County, DeKalb, Fulton, Atlanta, as the case is in the complaint, which are identical, as a matter of fact, to those alleged the complaint; assume you accept those as relevant, would that alter your determination

with respect to the competitive effects of these mergers? A. No, it would not.

Q. Why not? A. Because these banks are C&S banks and compete as such. They offer the same range of C&S services, and, whatever market area one assumes, the inevitable conclusion about the competitive effects is not altered.

Q. Are you generally familiar with services offered by correspondent banks around the country? A. I am.

Q. And you have heard the testimony of various witnesses here, including Dave Padgett and Bill Farr and Herb Megar and the others in this case? **[1001]** A. I have.

Q. Do you agree with them that the correspondent services offered by the banks those three gentlemen represent are typical of correspondent services offered by major, big-city banks? A. I do.

Q. How would you distinguish those packages of services from those which the C&S offers and which are relied upon by these five percenters? A. These are much—I might say these are much the same type of services that C&S offers to its normal correspondents, but, when it comes to the five-percent banks, as we have heard, placed on top of the support services is a management involvement of providing personnel, managing the managers, auditing, controlled performance, evaluation, as well as identification, as being part of C&S and reaping the benefits of C&S system in that light. So, these really are C&S banks as opposed to banks that are buying support services from C&S.

Q. Now, if you took away those aspects of the services which are unique in this case, as distinguished from the regular correspondent relationship, over and above it, what would do to the capacity of these banks to compete in the market? **[1002]** A. They would be much less effective, because of all of the things that their customers had been relying on.

Q. Would the fact that they had always relied upon these services have anything to do with your opinion? A. Well, it would be critical because independent banks are—there's a role for independent banks in suburban communities, probably less so than there is in the free-standing small towns, but clearly the independent banks that have been there a long time and had appealed to a certain segment of customers and had grown up with these customers have no trouble competing and surviving. But banks that were born into C&S and went after a customer base that was looking for this complementarity and looking for the type of services that branch banks offer, and many larger customers that were really C&S customers, clearly, if these banks suddenly woke up and found themselves independent, their customers would—many of them would look elsewhere.

Mr. Hodgson: That's all, Your Honor.

Mr. Sims: Your Honor, we really didn't expect quite as extensive testimony from Dr. Baxter on the stand. I wonder if we might have about a fifteen-minute recess before we **[1003]** start our cross.

The Court: All right.

[1004] **Cross-Examination**

By Mr. Sims

Q. Mr. Baxter, I assume you can see that I am wearing a tie with some local identification here. Are you familiar with these ties? A. I've seen them in the courtroom yesterday and before.

Q. Are you aware of who passes out these ties or who wears these ties in and around Atlanta? A. Yes.

Q. Who would that be? A. C&S people and their friends.

Q. Well, if I was walking down the street of Atlanta and somebody saw me wearing one of these ties, do you think he

would assume that I was either a C&S man or a friend? A. I think so. I think he would think you have money to lend. He might go after you for a loan.

Q. It shows you how impressions can be deceiving, I suppose.

Dr. Baxter, I have been a little confused by a couple of portions of your report. But, there is one passage that completely escapes me. I wonder if I could get you to explain it for me. If you've got a copy of Volume I, the narrative, if you'll look on page 125 of **[1005]** that, the first paragraph there, fifth line down, most customers cannot recognize the distinction between the correspondent associate and any branches of C&S National, although larger customers may be aware of the legal distinction. It's in no sense apparent to them operationally, yet these observations are entirely consistent with the fact that many customers view the correspondent associate as independent entities.

I must admit I don't understand that. Can you explain that to me? A. Yes. The types of questions that elicited this response, and these conclusions were as follows: Do you view these banks as C&S Banks? The answer was overwhelmingly, yes.

Do they behave? Do you get services from them as though they were branches of the C&S National?

Can you recognize any distinction in the way they operate, in what sort of services they have to offer to the public, and who is managing them, and so on.

And the answer was, no.

Yet, many customers indicated that these banks have a local identity that they try to orient their approach as to the particular market they serve. This is precisely the same sort of thing that I found in interviews in the areas served by C&S branches where we talked to **[1006]** some people in the Buckhead area

and in the South Moreland Avenue office area. And answer was, "Well, these people have a sense of community." You don't have the problem you often get in branch banking of a fellow coming from another part of the city or, in the extreme, out of the state and not being able to tailor the services he is offering to the particular needs of that community. **[1007]** A. I think C&S branch people are conscious of being able to do that, to identify with what their customers need and that the five-percent people, five-percent bank people have the same interest, appealing to what Chamblee customers need in Chamblee and identifying with them and learning what they can do for them.

Q. Okay. Let's look at Chart No. 67, if we could, in your exhibit, and if I read that correctly, are you with me? A. Yes, sir.

Q. If I read that correctly, about 52% of the commercial customers responding to your survey thought the correspondent associates and other banks you had listed here, I guess the subsidiaries, were local banks with independent identities, and about 48% or maybe 49% thought that whatever relationship there was between C&S and those banks was not important; is that correct? A. The second part of your sentence, of your question escapes me.

Q. 52%, as I read this chart, 52% of the responders thought that the correspondent associates were local banks with independent identities; is that right? A. Right.

Q. And 48, almost 49% of the commercial customers **[1008]** responding thought that whatever relationship there was between C&S and those banks was not important? A. Right.

Q. Okay. Let's look at No. 60, if we can. Now, 60 is the same chart for individual as opposed to commercial accounts, I believe. Now, on No. 60, as I read the chart, about 61%, slightly less, thought that the relationship was important for various reasons? A. Right.

Q. But about 43% still thought that these banks were local, independent banks; is that right? A. Right.

Q. Okay. Let's try looking at the letter now that elicited those responses. One, as an example, let's use Exhibit 43, that is titled "Survey Questionnaire Sent to Commercial Customers of C&S Affiliates and Correspondent Associates". The particular example we have here is the Chamblee Bank. A. I am with you, sir.

Q. Do you know how many times the name Citizens & Southern or the initials C&S appear in that letter? A. The letter covering it?

Q. The letter and the questionnaire. A. In the letter, it just goes on the letterhead, which is the normal letterhead used **[1009]** by the Chamblee Bank. In the questionnaire it appears a number of times, yes.

Q. Would fifteen sound right to you? A. I haven't counted; I assume that's correct, if you say so.

Q. Okay. Now, let's look on Page 3 of Exhibit 43. We are into the questionnaire. Do you find the sentence marked No. 5 in the middle of that page? A. Yes.

Q. Could you read that sentence for me, please. A. "Please check which of the following banking services you use regularly for your business at some C&S banking office or offices, other than the C&S Bank of Chamblee in the Atlanta area."

Q. Okay. Now, let's go down to No. 6, right below that list there. Could you read that sentence for me, please. A. "In terms of meeting the total banking needs of your business, do you consider the relationship that the C&S Bank of Chamblee has with the C&S National Bank and its affiliates in the Atlanta area as being important? Not important? If important, tell us why."

Q. Now, the very next question on that—in that survey on the next page is the question dealing with whether they

consider the bank independent or just like **[1010]** any other branch; is that right? A. Right.

Q. Now, despite the language you just read, let me ask you first, would you agree that the language in Sentence No. 5 and Sentence No. 6 suggests the existence of some kind of relationship with C&S National Bank? A. Well, it suggests—6 suggests some kind of relationship, but certainly less so than the name of the bank does.

Q. And 5, where it talks at some C&S banking office, other than the C&S Bank of Chamblee, would that suggest some kind of relationship? A. It suggests that C&S has other offices that are called C&S.

Q. Other than the Bank of Chamblee? A. Yes, that is has such offices, but not necessarily that they are used.

Q. All right. Now, despite the language in those sentences, despite the fact that the name Citizens & Southern or C&S appeared fifteen times in the letter, in the questionnaire, despite the publicity that you heard referred to earlier in the trial in terms of newspaper ads and notices sent out to customers, so on and so forth, concerning this trial, and despite all the testimony that we have heard about the correspondent **[1011]** associates being operated just like branches of C&S National, despite all of this, in Exhbit 67, the commercial customers, the ones you would assume would be more knowledgeable, I take it, over 50% of the responses, on the average, from those customers indicated that the bank they were talking about was an independent bank; is that correct? **[1012]** A. The bank which appears or competes with a local identity, independent bank with local identity—underline that—which really works to say that the C&S bankers there can differentiate their approach to particular markets, to half of them, approximately the same half that said that the C&S, the same number, not necessarily the same people, that said the C&S relationship was not important to them. You

wouldn't expect that this would be important to all customers. Half is a rather substantial number.

Q. Now, on page 123 of your narrative, Exhibit 1, you state, and I quote, "Because the correspondent associates are managed as C&S Banks, they are identified as such in the minds of the customers. Most of their customers look at these banks as C&S branches through which to avail themselves of the advantages of the entire C&S organization."

Now, considering the numbers we have just seen on your charts 60 and 67, isn't that statement a little exaggerated? A. I don't think so. I think that the interview resolves, talking to people about this, the vast majority of the people we talked to made this statement and also said, but they do orient their approach to the particular needs of this local area.

[1013] Q. The vast majority of the people you talked to? A. That's right.

Q. That's different than the people who you mailed these questionnaires to? A. No, I think it's a representative. I think that both are representative cross-sections. When you talk to people and explain precisely the ramifications of some of the things you are asking, some of them may say, for example, they look at this particular market they are serving and they serve it locally. They really recognize what the local needs are. If you follow up with a question, well, if they are still C&S Banks, you may very well get the answer, yes, without any inconsistencies at all.

Q. Don't the surveys, aren't the survey results equally—couldn't they support equally the conclusion that people understand there's some kind of relationship between C&S National and the correspondent associates, that at the same time the correspondent associate is in fact a separate, independent bank? Wouldn't those statistics we are talking about support that conclusion just as much as the one I have just quoted from you on page 123? A. Absent interview results and having discussed this,

yes, they could support it for half of the customers. Perhaps the same half who would choose to bank independent banks, perhaps not.

[1014] Q. Now, let's look at some of your other charts, if we could, Exhibit 1 in Volume II of your report, headed, "The Relative Size of the Largest Commercial Banking Organizations by State." A. Yes, sir.

Q. Could you explain the significance of this chart, please? A. This is really a background exhibit designed to show what has happened to concentration in the United States as a whole. How large a share of the market, the largest bank has in most states in the country.

Q. Now, I think you have broken down Exhibit 1 into three areas titled, "State-wide Branching, Limited Area Branching and Unit Banking"; is that correct? A. Yes. Yes.

Q. Now, Georgia is listed in the limited area branching state. If I read the chart correctly, the largest bank or bank group is noted as having 19.95, about twenty percent of the commercial bank deposits in the state; is that right? A. Right.

Q. Do you know what bank group that is? A. C&S.

Q. Isn't it true that C&S has a larger share of Georgia deposits than the leading banking organizations in **[1015]** five of the states you listed in a state-wide branching part of that exhibit? A. That appears to be.

The Court: You mean 19.95 is greater than the percentage shown in the first column on the first page?

Mr. Sims: That's right.

The Court: We can get that.

Mr. Sims: All right, Your Honor, I'm trying to build up to a point slowly. I will try to go a little quicker.

By Mr. Sims

Q. On page 28 of your report, you noted that the Georgia —— A. The text.

Q. The text; I'm sorry, yes. You noted that the Georgia concentration was higher than the averages in limited branching states as a whole. In fact, it's considerably higher than the average, isn't it, about thirty percent higher? A. Yes, sir.

Q. And, in fact, you explained that, and here I'm quoting, many of these states permit less branching and holding company activities than does Georgia; is that correct? **[1016]** A. Yes.

Q. How much holding company activity does Georgia permit? A. At the present time, holding company acquisitions are limited to five percent.

Q. How many of these states in your limited area branching list allow, just to pick, one state wide holding company activity? A. I can go down the list. Alabama has an emerging holding company. Indiana does not. Kentucky does not. Louisiana, I think, is still one banking holding company. Massachusetts does. Michigan is developing theirs. Mississippi does not. New Hampshire, I'm not sure. New Jersey does have wide spread. A couple starting in New Mexico; very wide spread in New York, Ohio; Pennsylvania does not.

Tennessee and Wisconsin do. More than half have.

Q. So, ten of the states in that list do permit state-wide holding company activity? A. If that's what you counted. I believe I am correct on that.

Q. You're right on those. Do you still stick by your statement on page 28 that many of these states permit less holding company activity than does Georgia? You **[1017]** explained that Georgia was relatively unconcentrated by pointing out, by comparing it with all these states and tried to explain away its relatively high concentration among limited branching

states, by pointing out that holding company activity is less allowed in other states than in Georgia. In fact, there is more holding company activity allowed in ten of these states; is there not? A. Well, in New Jersey, New York, except for the Midland, this has all been in the last few years. The concentration figures in 1970 reflected this thing developing. Georgia's holding company growth occurred before 1956, so that's the major difference. It's happening in these other states. I think that the figures will reflect it in five years.

Q. In fact, in any of your charts in here, trying to compare Georgia with the other states, Atlanta with the other SMSA, did you take into account at all the fact, the ability of banks to operate through holding companies? A. Well, on some of these, yes, others not. It depends on what comparison you're able to make. You will have to be specific in your question.

Q. Okay. Let me try to run them down. How about Chart No. 2; did you take it into account there? A. That's based upon banking organization, largest **[1018]** banking organization, holding companies will be included, yes.

Q. But, in terms of comparing Atlanta with these other SMSA's, you don't find any difficulty in comparing Atlanta with SMSA, which allows state-wide branching or state-wide holding company activity? A. This is only limited area branching. If the question is, are all limited area branching states the same and are all holding company developments the same, can you make precise comparisons, one against the other, without taking into account the specific laws, I would say, of course, not. If you are going to compare Atlanta with Kalamazoo, you have to know something about Atlanta and Kalamazoo, which is one of the criticisms I levied at the structural measure from the start.

But, if you are comparing our SMSA in the United States and you are trying to get a ranking and you are trying to see what creates a competitive norm, and you come out with At-

lanta ranking very close to the bottom, then the question is should it be five notches higher or lower? My answer is, of course, it can be five notches higher or lower at a point.

[1019] Q. Well, I don't want to belabor this point, but you rank Atlanta in this chart No. 70. If I read it correctly, and by my calculations, of the 69 states or higher SMSA's, 47 of those are located in states which allow statewide holding activity. Now, since you did not compare it with SMSA's in states which allow statewide branching, I am unclear as to why you didn't take into consideration statewide holding activity. A. Well, first of all, virtually one can divide these states by that category, that is true. But, in most cases, the holding companies operate in different markets around the state rather than having that many affiliations in the specific standard metropolitan statistical area, and these do have this most limited area branching states. You can branch throughout the metropolitan area, and so it is essentially equivalent to statewide branching states where one looks at metropolitan areas. It is only in a statewide concentration basis that you are going to get a different result.

Q. All right. I won't spend too much more time on these charts. Just look at No. 5 for one minute, if you would, and No. 5 is a comparison of SMSA's in states where unit banking is prevalent. I take it there you did not take into consideration statewide **[1020]** holding company activity either? A. Yes, because it's banks or bank groups, percentage held by largest banks or bank groups.

Q. But, in terms of ranking, that wasn't a factor in your decision? A. Well, this is the way it was ranked. It was ranked by the percentages held by banks or bank groups.

Q. Are you likely to find a higher concentration in states which have statewide branching as opposed to states which have unit banking? A. You will find higher concentration on a statewide basis, that is correct.

Q. All right. A. But, in local markets such as metropolitan areas, you need not find higher concentration at all.

Q. Would that statement still be true if, in fact, the unit-banking states allowed statewide holding company activity? A. It would not—there are many unit banking—there are several unit-banking states that, when holding companies are accounted for, you get very high concentration. Minnesota is one example; Montana is another.

Q. Do you believe the state is an appropriate section of the country or a relevant market in this case? **[1021]** A. I most certainly do not.

Q. Are you asserting now, based on your direct testimony, that the SMSA, Atlanta SMSA, is an appropriate section of the country or a relevant market? A. For convenience and needs aspects, it is an appropriate section of the country to look at the structural considerations.

Q. How about for determining the competitive effect of the merger? A. I think you have to look the way the competitive impact of each of these banks is separately.

Q. Okay. If we can talk a little bit about the phenomenon you call market spill-over. On Page 59 of your report, you give an example of market spill-over. I am quoting here from the last line on the page, going on to the next page: "A spill-over effect typically occurs when the location of a customer as identified by the zip code of his address on the bank's records is an inaccurate indicator of where it is convenient for him to conduct banking business."

Then, on Page 60, a little later down here, you state that: "These spill-over effects have no significance for competition, either actual or potential." Some of these questions may not sound—may sound a little simple, but I am confused by this. Do you mean **[1022]** that such customers are in no market at all? A. No, I don't mean that. I mean when you look at the market, this is why the metropolitan area, as such, comes into

play and has to be examined. I mean that when you look at where a bank is going out and is aggressively seeking its business, the area it serves, you have to look at where the concentration of where its accounts are. It may have a scattering throughout the metropolitan area that appear there for all sorts of reasons. One of them is because of this complementarity aspect that I discussed. Another is because that these customers may have moved around the area. Another may be a partciular tie to an individual officer. Many of these result from the C&S relationship. Others of them result from simply metropolitan banking patterns, but it is not where the base of business is being conducted by this bank.

Q. Could these spill-over effects result from different prices offered by different banking institutions? A. Let me see if I understand your question before I answer yes or no.

Q. Okay. A. You were saying, are there certain customers who may be attracted to a particular bank and willing **[1023]** to travel a great distance because of price——

Q. No, we are not on the same wavelength. We are not on the same wavelength. A. That's why I wanted you to explain it.

Q. Could this, what you call spill-over, account, the scatteration of accounts, could this result in the Atlanta area in any place that you find it as a result of competition on the basis of price, quality of service, between banking organizations? A. I don't understand why it would result from that. I believe I have explained why I think it results.

Q. Let me see if I understand you correctly. Are you saying——

The Court: Well, if you will, go back one step, will you.

You say a spill-over effect typically occurs when a location of a customer as identified by the zip code or his address on the bank's record is an inaccurate indicator of where it is convenient for him to conduct his banking business.

Now, I had assumed that the address would be—would be their home address.

A. Often, but not always, Your Honor. There are a substantial number of addresses that are business **[1024]** addresses, and yet they may bank where they live.

The Court: Well, but when you consider the bank's forms, what does that typically call for?

A. I believe that—I would have to check this, but I believe that the bank often asks for both addresses, but the accounts are sometimes mailed to business address and sometimes mailed to home addresses, and it is the mailing address that is on the computer.

The Court: On the bank statement.

A. On the bank statement.

The Court: Well, now that would be an indication of where it is convenient for somebody to do his paperwork, his reconciling his bank statement, wouldn't it? A. That's correct, that's correct.

The Court: Somebody who may have considerable office time could do it at the office, but if he worked for a large corporation where his time was accounted for, he would hardly ever have his bank statement sent there, would he?

A. That's correct. I would say the vast majority is sent to home, but certainly there could be a substantial number that appeared to be banking at a **[1025]** distance from home, because they think——

The Court: And he has the bank statement sent elsewhere?

A. That's correct.

The Court: I was thinking in terms of a bank such as Park National. Now, I would assume that with a bank like that, that the great majority of the customers of the bank bank there be-

cause of business, convenience to their business location, rather than their home location?

A. I think that's certainly for the business location; for the business customers, it would be sent to the business anyway. The corporate customers, in large part, and it would be the business address that the statements would be sent to, and that would appear in the zip-code analysis.

The Court: Why would that be the case? Why would they be sent to the business address?

A. I think most business customers, most firms do have the business accounts sent to the business.

The Court: Oh, I can understand if it is a business account, but as to the employees, who is the individual person who banks at **[1026]** Park National, is there any reason that they would have their address given as somewhere in Executive Park rather than their home address?

A. Some might, if they bank near where they work, and they want their statement sent there. Others might have it sent home.

The Court: But would someone who lived in North DeKalb and banked at Park National, because of the convenience of a business address, be a spill-over customer in your definition?

A. If he lived in North DeKalb and banked at Park National because it was convenient to business, it could be a spill-over customer, yes.

The Court: Well, wouldn't he invariably be a spill-over customer in your definition?

A. Yes, yes, if he lived far enough away.

The Court: If he didn't live in what would be the area of where Park National was, the convenient office as far as his home location was concerned, then he would be a spill-over customer every time?

A. Yes, that's correct.

[1027] The Court: Under your definition.

A. That's correct.

The Court: Now, would you go ahead? I think I understand this man.

By Mr. Sims

Q. Okay. The point I was trying to get at, is it possible, in your mind, that this kind of a scatteration of accounts could result from something other than convenience, if you indicate here? Could it result from competition among banks? A. To some customers it could, although some customers have a definite preference for banking either where they work or where they live, and the two are not really substantive.

Q. Okay. Following up, if I understand what you just stated to the judge, if a person lives in Chamblee and receives his bank statement in Chamblee and banks downtown, he would be a spill-over effect, right? A. Outside of the service area of the downtown bank, yes.

Q. Is he competitively insignificant to Chamblee banks? A. He most likely is, because he wants to bank where he works, and banking where he lives is not a real alternative.

[1028] Q. You assume that from the fact that he banks downtown and no other facts? A. I assume that from the fact that he banks downtown, together with a lot of work which has been done in the area of why people bank where they do, and pretty consistent proportions turn up. Twenty-five or thirty percent of people bank on the way to work cycle. This is sort of a generally—it comes up in various surveys and has been confirmed, generally confirmed result. People want to bank where they work.

Q. Then, I assume that you would think that Chamblee banks don't care where he banks; they have no interest in him. Is that what you mean by competitively insignificant to Chamblee banks? A. I would not state it as strongly as you did. I would

say that Chamblee banks would better spend their resources going after the people who are in their immediate area who want to bank there.

Q. Do you further assume that this particular customer would not consider Chamblee banks if his downtown bank treats him badly and he decides to leave? A. Some might. Most would want to bank downtown and would look elsewhere downtown.

Q. Do you know how many customers C&S National, let's take as an example, has whose addresses, their **[1029]** statement addresses, are in DeKalb County? A. I don't have a figure at hand. I am sure it is substantial.

Q. Does 15,000 sound correct to you? A. I really don't know.

Q. In any event, these customers would all be spill-over effect as far as DeKalb County is concerned? A. Some of them who would be large customers and who may have had long-term C&S National relationships would not really be spill-over effects; for larger customers, C&S National certainly serves the entire metropolitan area and beyond. Others may actually be banking at C&S affiliates in DeKalb County and never bother to move their account from the National Bank. So they may appear on the National Bank's records and they may never go into the National Bank because of these complementarities that I refer to.

Q. Now, in your report, I think on Page 88 and 89, you say that spill-over, such spill-over as you have been talking about, appears to be substantially more prevalent at branch-banking systems than among local independent, suburban banks.

Is this a general conclusion, or is it relevant merely to the Atlanta area? **[1030]** A. I think it's a general conclusion in the metropolitan area based on banking patterns in the metropolitan area.

Q. Have you done any previous studies in other metropolitan areas that support that conclusion? A. I've not done surveys of the sort I have done specifically here. But, I've worked with branch banking organizations and with independent unit banks and I think that the distribution of their accounts reflects this general conclusion. Most definitely it does.

The Court: Let me get a question in here. You indicated earlier that the primary competition would be in the area of, as I understood it, geographical convenience where you put a branch here in order to compete for the customer in that area. And then, I got the idea that you said that apart from that, then there was a certain insulation from competition because they are banking for other than convenience reasons which would indicate that competition wasn't really effective; is that in any way a statement of what you said?

The Witness: Yes, for certain customers who may be dealing with a particular office. They are the hardest customers to get away from the bank.

The Court: What I wanted to find out was **[1031]** whether you were identifying that type of customer with the spill-over customer or complimentary customer, or simply a unique individual.

The Witness: Well, he may be reflected in the spill-over data.

The Court: But, it's not coincidental?

The Witness: There are other types of spill-over customers than the type who were loyal to particular offices and one of the types who haven't, who have moved their location and haven't moved their accounts. What I am saying is, there are a number of reasons that there is a scattering of accounts around away from the primary service area. I'm trying to elaborate on some of these reasons for it.

By Mr. Sims

Q. Dr. Baxter, can you cite me to any professional journal or book by a recognized economist which describes or utilizes the concept of translating over-lapping into spill-over such as you have done? A. I'm not aware of any.

Q. Can you cite me to any such journal or book in which the word spill-over is used in the context you have used it? A. I'm not sure that I can.

Q. Now, on page 60, 60 and 61, you attempt to **[1032]** distinguish spill-over from over-lapping. Market overlapping implies over-lap of identifiable geographic markets, thus the two banks draw part of their customers——

A. Excuse me; I want to find out where you are.

Q. Down at the bottom of page 60. A. Market over-lap implies——

Q. ——implies over-lap of identifiable geographic markets. Thus, the two banks draw part of their customer base from the same area. A. Primary customer base.

Q. Primary customer. Market spill-over on the other hand tends to be widely scattered outside any such definable market area. Does this mean you must determine a market before you can find spill-over, or do you first determine spill-over and then determine the market? A. I think you look and see where your customers come from, and you see a concentration of customers in a particular area. And when you see that your customer base thins out, the accounts become much more scattered, that is what we refer to as spill-over.

Q. Okay. Now, on page 8—I don't think you need to look at this, I'm not going to quote you—states that no reasonable expansion of defined geographic market can significantly reduce much less eliminate the number of accounts from these outside markets. **[1033]** A. Right.

Q. Would two-thirds reduction be significant to you? A. Yes, but I'm not sure that one can have a reasonable expansion. If

the accounts become so thin outside of the primary service area, then this is not your market.

Q. I'm going to get to that. Are you aware that for all banking offices located in DeKalb County, approximately ninety to ninety-two percent of their small accounts come from within DeKalb County? A. That's about correct. I'm aware of a similar figure to that; yes.

Q. Then, I assume that since that would indicate two-thirds reduction in the amount of spill-over, you would note DeKalb to be a reasonable expansion of the defined geographic market? A. That's correct, because you are getting a scattering of accounts when you get more than a couple of miles typically away from these offices. So, you are going after that sort of business in a very different way. It's coming to you for different reasons than proximity.

The Court: Why do you say that, Dr. Baxter? Because, it seems to me even home-to-business travel, if the bank is located at some point along that line, **[1034]** he can be coming to that bank because of proximity, maybe proximity to the automobile's line of travel?

The Witness: Oh, yes, indeed. That was in fact one of the alternatives that appeared on the questionnaire. There was a significant portion of people who banked because it was on the way to work. In fact, the market areas typically extend away from the center city, from the location of a bank, indicating people pass the bank on the way to work and tend to bank there. That's clearly the case.

But, I feel, I think what I was pointing out was when you get accounts totally scattered without any concentration of accounts from the extremities in the metropolitan area, then these accounts occur for reasons other than convenience because there are more banks that are convenient. This is—if there are other alternatives that are more convenient, then they can't be choosing this particular bank based on convenience factors.

By Mr. Sims

Q. Could they be choosing it based on the fact it does business better for them than the other banks that are more convenient, offers them lower price, offers them better service? A. They could.

[1035] Q. Doctor, how do you define a banking market? This is a broad definition. How would you define one? A. I would define the banking market in terms of the area in which banks seek out their customers and which customers find these banks relevant alternatives or reasonable alternatives.

Q. Did you testify for the defense in the *Phillipsberg* Bank case? A. Yes.

Q. Do you recall it? A. Yes.

Q. Let me show you—this is the appendix, Supreme Court appendix. See if you recognize this particular paragraph on page 507, where I believe Mr. Weinberg asked you the same question I just asked. A. I look at a banking market just as I look at any other market—do you want me to read this?

Q. Yes. A. ——as an integrated area where there are buyers and sellers and where the operation of the buyers and sellers determine the quantity of sales and the price in that market, and the people in this market are all interacting to effect the price and people outside the market are not significant factors or products outside the market. I believe you can define a market in a reasonable sense only in **[1036]** terms of a specific product that is sold.

Q. Now, does that say the same thing as you look, I think you just said you looked at where the banks get their business? A. Where they are inter-acting, yes.

Q. That's what you mean by where they are inter-acting, where they get their business? A. Yes.

Q. Would you agree that the market in which a customer buys includes the sellers that the customer could reasonably have chosen or reasonably choose as well as the bank he did in fact choose? A. Yes.

Q. Dr. Baxter, did you have anything to do with the preparation for the application for the mergers which are the subject of this litigation? A. No.

Q. Have you ever assisted in the preparation of bank merger applications? A. Holding company acquisitions.

Q. Holding company acquisitions. Holding company acquisitions is fine. Are you familiar with the regulatory aspects of the prime service area? A. Yes.

Q. Are you aware of how that's defined by the FDIC? **[1037]** A. Most defined in terms of seventy-five percent. The language has been changed in the national banks. I'm not sure of the FDIC.

Q. Seventy-five percent of what? A. Of the business where you get your deposits.

Q. Where you get seventy-five percent of your deposits. In complying with the instructions in all bank merger applications, to delineate the primary service area for a particular bank, is there any consideration given to other customers of area banks? A. You will look at where the bank involved derives seventy-five percent of their business. You are also asked to indicate who are your competitors in another section.

Q. To determine what the primary service area would be of a bank, do you give consideration to other banks in determining primary service areas of one of the parties of the merger? A. No, you do not.

Q. Do you give any consideration to the location of other banks? A. No.

Q. Is it correct to conclude, then, that a determination of primary service area of a bank is not necessarily a determination of the banking market in which **[1038]** that bank competes? That the primary service area and market are not synonomous? A. They are not necessarily synonomous.

Q. Isn't it true you use these terms as if they are synonomous in your report? A. No, it's not. I'm saying, in determining the competitive effect of a merger involving essentially suburban banks, one has to look where the service areas are to see if there's any significant over-lap between them. That's how I would determine a competitive effect.

Q. Look at page 19 of your report, Doctor, the second paragraph. You begin to tell us how you undertook to define the geographic service areas. If I might read that, "The second study involved the definition of the geographic service areas of the C&S affiliates and correspondent associates in Fulton and DeKalb Counties and the determination of the degree, if any, of geographic market over-lap among these banks. It thus addresses directly the issue of the markets in which actual and potential competitive effects are to be determined."

Then, over on page 20, up at the top, in the first sentence, "However, for a variety of reasons, zip code area definitions do not adequately describe bank service areas. Thus, for a number of zip code areas samples of accounts were analyzed by street address in order **[1039]** to test further for geographic market over-lap."

Aren't the terms service areas and over-lap used relatively synonomously in that language? A. No, I don't think so. What I'm saying is that we are looking at the area, market area served by an individual bank and the market area served by another bank to see whether or not they are drawing, they are addressing themselves to the same customer base. This is the service area and the area of market over-lap, if any.

Q. In determining those markets, did you pay any attention at all to the customers of other banks other than the banks, the C&S Banks that you were drawing markets for? A. There were other banks who drew customers from these areas.

Q. But, did that have anything to do with drawing the market for, say, Park National? A. No.

Q. Did location of other banks have anything to do with drawing that market? A. No, because you would consider the location of the other banks when you're asking whether or not Park National, which other banks Park National is competing with. In the *Phillipsberg* case, if I may go back to that, the question was which banks were Phillipsberg National **[1040]** and Second National competing with. So, you had to look at their customers as well as the customers of the two banks involved in that case. In this situation you are not asking who these other banks are competing with. I wasn't asking that question. I was asking whether these two banks compete with each other and, therefore, I looked at the areas that they served.

In the *Phillipsberg* case, there was no question but that those two banks competed with each other. They were right across the street. Therefore, the question was who else do they compete with? Who else is an alternative to the customers that they serve?

[1041] Q. So, in your mind, in terms of determining the market areas for the defendant banks, it was irrelevant who else they competed with other than the other defendants? A. In looking at the market areas alone in this case, that is correct.

Q. Isn't it true, then, that what you describe as markets in your report are, in fact, something less than primary service areas, as would be defined by the regulatory authorities? A. In which to judge the competitive impact of two banks located apart from each other. That is what these markets—that is what these markets were based on, what areas they served.

Q. Well, now, if we could, according to your Exhibit 35, which I think is the big exhibit that gives all the market areas for all the defendant banks, according to these exhibits, they run 35A through H? A. Right.

Q. Zip code 30345 is in the market served by Emory, Park National and Tucker, but not in the market served by Chamblee? A. Right.

Q. Is that correct? A. 30345, I will have to check that. Emory, **[1042]** Park National and Tucker.

Q. But not in Chamblee? A. That's correct.

Q. Are you aware that the Buford Highway office of C&S Chamblee draws some 8% of its small demand-deposit accounts from Zip Code 30345? A. 8% of its——

Q. Of its. A. Of the office accounts?

Q. That's right. A. That is possible.

Q. Would you agree, then, if that was, in fact, a fact that this banking office is a supplier of banking services in a market that includes at least part of 30345? A. Not substantial, though, because we are talking about one branch having 8% of its total deposits. You have to draw a cut-off somewhere.

Q. Substantial or not, it is a supplier, isn't it? A. To an extent, yes. I imagine it has some Florida accounts, too.

Q. Now, if I am not mistaken, the boundary that you drew between the market which you delineated for Emory, on the one hand, and Park National, on the other **[1043]** hand, in 30345 runs through an area called Sagamore Hills, which I understand is a neighborhood just northeast of Clairmont Road, between Briarcliff and La Vista. A. Well, I will have to check.

Q. Would you check that and see if that is accurate? A. I will have to check and see where we are. 30345?

Q. Right. Now, I think you gave, on Page 86, I believe, you told how to draw that line, and as I followed it through a map, came out between Emory and Park National, and roughly parallel to La Vista and Briarcliff Roads. But, I think that would run through that Sagamore Hills neighborhood, I believe. A. Well, I would have to—I would have to check that on a map.

Q. Well, that is not terriby important. It runs through, approximately, the middle or it is between La Vista and Briarcliff Road, so it runs through whatever neighborhood is between La Vista and Briarcliff Road; correct? A. Okay.

Q. If a resident of this area is banking, say, with Park National and should become dissatisfied with the treatment he was getting at Park National, would you **[1044]** expect he would be able to find equally convenient alternate sources of banking services? A. He might be able to, yes.

Q. What banking offices, or do you know what banking offices such a customer would be likely to have as a convenient alternative, if you can use your map over here. A. I would have to check the map.

Q. You can use this one over here; it is a big map. A. All right, I will accept your invitation.

Q. Okay. A. It should have the locations of the banks.

Q. Let's see if we can locate this area. Now, Briarcliff Road is here; correct? A. Right.

Q. La Vista Road is here? A. Correct.

Q. Clairmont Road is here. So, we are talking about somebody right in here. A. Okay.

Q. Now, where would he be able to go if he got dissatisfied with Park National? A. Okay, Park National is here.

Q. Right. **[1045]** A. All right. He has about as close as Park National or closer a branch of the Fulton, of the Trust

Company, of the First DeKalb County Bank. Well, he really has two branches of the DeKalb County Bank, Peachtree; I am just trying to draw a rough circle with this.

Q. That is okay, that is fine. A. He has a bank of the National Bank of Georgia branch, of the Trust Company; he has a Northlake branch of Fulton not yet opened. He has a branch of Tucker.

Q. C&S Tucker? A. Yes. And he has a branch of Trust Company at Northlake. I think that that is—I think that these are within a comparable distance.

Q. Now, where is Toco Hills on this map? A. Where is Toco Hills? Somewhere in here, isn't it?

Q. Is that right? A. There it is.

Q. Would Toco Hills be convenient for him, as well? A. About the same distance as Park National, I thought.

Q. And there is an Emory bank and a Trust Company bank and a First National bank, is there; is that right? **[1046]** A. There is an Emory bank; there is a First National. Trust Company is a little bit away, and so is Peoples American, I guess now called First Georgia.

Q. Okay. Thank you, thank you, Doctor. A. May I make a comment on this?

Q. Certainly. A. It seems like a lot of banking alternatives available to him.

Q. Is that your comment? A. A lot of competition.

Q. In fact, customers anywhere in the area between Briarcliff and La Vista would have convenient access obviously to many more than one source of banking services; is that correct? A. Oh, yes, definitely.

Q. Now, if you could turn to 85-86 in your report, where you describe how to delineate the lines between these markets. If you

can use your other book and look at Exhibit 40, if you would. Now, Exhibit 40 lists the zip-code areas where you had more than one of the defendant banks drawing some substantial amount of business, and between which you wanted to attempt to draw lines in order to delineate markets. On Page 2, let's see, Pages 3 and 4, you note that there are six pairs of C&S banks which you tried, or attempted to draw market lines between. That would be Chamblee and **[1047]** Park National. A. Now, what, what zip code is this?

Q. 30345. A. 30345, okay.

Q. Last one on Page 3. A. Chamblee and Park National.

Q. Then on Page 4, Tucker and Chamblee, Tucker and Park National, Emory and Tucker, Emory and Chamblee. A. Right.

Q. Now, on Page 86, you described, in fact, drawing the boundaries for four of those pairs, Chamblee and Park National, No. 4; Emory and Park National, No. 5; Tucker and Park National, No. 6; and Emory and Chamblee, No. 7. I would like to show you a copy of the map that was included in as Exhibit 71. A. Yes.

Q. In your report. Now, you will notice there are some lines drawn on that map. Can you tell me if the lines drawn on that map through 30345 are essentially faithful to the descriptions on Page 86? A. I would have to check that out one by one.

Q. The descriptions are there on Page 86. A. Right.

Q. Could you do that? A. All right. Park National, I would have to **[1048]** have a bigger map of the area. Park National and Emory.

Q. Well, okay, Park National and Emory. A. Running roughly parallel to La Vista and Briarcliff. Park National is about a mile north of the boundary.

Q. Okay. Park National-Emory is between, roughly parallel to La Vista and Briarcliff. A. Right.

Q. There is a line on there that is between and roughly parallel to La Vista and Briarcliff? A. Right.

Q. Is that essentially where the line—I am not trying to get precise with you here—— A. Yes, I think that's right.

Q. And then, let's see, No. 4, between Chamblee and Park National, essentially vertical to the Buford Highway, I think there is a line on there that meets that qualification; is that right? A. I am trying to find Buford Highway on here.

Q. These papers are a little small. A. It is your Xerox of Xerox, yes.

Q. Yeah, Buford Highway is up on the left-hand side there? A. Yes.

[1049] Q. Right. That would be the boundary between Chamblee and Park National, or something like that? A. Yes, yes.

Q. Okay. And then No. 6, approximately, essentially coincides with Shallowford and Briarlake Road, that would be between Tucker and Park National? A. Right.

Q. And that would be the other one that is on there; is that essentially accurate? A. Yes.

Q. Okay. And the last one essentially coincides with Briarcliff Road; it is compensating for Briarcliff's winding, and you said that your lines were straight. Is that essentially accurate there? A. Yes.

Mr. Sims: Your Honor, we would like to introduce this as Plaintiff's Exhibit—I am not sure what the next number is.

The Clerk: 217.

Mr. Sims: As 217.

The Court: All right, it will be admitted.

By Mr. Sims

Q. Doctor, can you tell me how many banking markets those lines represent or do they represent any **[1050]** banking markets? A. No, they do not represent any banking markets.

Q. What do they represent? A. They represent a boundary which divides the customers of the banks in question that are drawn from the zip code, and says on one side of the zip code they are drawn—if we take this as the boundary of Tucker's banking market, and also the boundary of Park National's banking market. If we take that line between them, we then ask how much business does Park National have on the other side of the boundary and how much business does Tucker have on Park National's side of the boundary. This was done to see whether the apparent overlap in the zip codes was scattered throughout the zip code or whether it could be separated from one side of the zip code and the other. And by putting in boundaries here, these boundaries were attempting to make such a separation, and the results in Exhibit 40 simply show that, of course, they are not totally separate. Of course, there are some customers who are drawn from the other side. That would be expected, but, basically those are nearer to Tucker, go to Tucker, and they are getting their business from different parts of the same zip-code area.

Q. Now, if I understood you correctly, are you saying then that those lines which divide, say, Tucker **[1051]** and Park National, those lines represent the outermost boundary of each's banking market, as you have delineated? A. Essentially, yes.

Q. Okay. Now, in drawing those lines, of course, you didn't consider any other banks at all; is that correct? A. That's correct.

Q. And you didn't consider any other customer of any bank's? A. That's correct.

Q. If the other banks that were sellers in this zip code were included in your analysis, how many more lines would you have to draw to separate all of their banks? A. Well, as many as there were—as there were banks clearly multiplied. This would be one time. You are getting some permutations and commutations there that I have since forgotten. But, it seems to me that that really isn't the question that I would want to ask, because the question is, does one of these C&S banks draw customers from the same area as another C&S bank, which is different from the question, "What banks do each of these C&S banks compete with. It is a very different question, and, in this particular situation, it was the former question that was relevant.

[1052] Q. Let me show you another chart, if I can. Now, this chart purports to show what banks draw the demand deposits, a thousand dollars and under, from the various zip codes which you included in the market of C&S Emory. The last one on there is 30345. According to the chart, all of the banks on this list draw from that zip code. Would you be surprised if this were in fact accurate? A. No, it wouldn't surprise me. That's why we did the boundary analysis.

Q. I'd like to introduce Exhibit No. 218.

The Court: Two eighteen.

Mr. Doyle: If Your Honor please, we object to it. We have not seen it before, haven't had an opportunity to examine any of the figures.

The Court: You may submit your objection later. Admitted.

(Whereupon, Defendants' Exhibit 218 was received in evidence.)

Q. Now, Dr. Baxter, your definition of Emory market includes eight zip codes; is that right, these eight zip codes listed on this chart? A. A portion thereof. I'd have to check it again. I'm assuming you transcribed it correctly.

Q. I hope they are correct. Did you do any calculation as to the market shares within the market which you **[1053]** outlined for Emory of any of the banks in any of the markets you drew? A. No.

Q. Why not? A. Well, these are very localized markets, most of which have only a few banks. By the nature of this localized market, it didn't seem to me that the market share drawn within that market was relevant to the question of whether one C&S five percent bank competes with another.

Q. If you'll look on page 2 of this chart, Dr. Baxter, that I've just given you, it purports to show that the total accounts drawn by all of these banks listed are some 59,000, that C&S National and C&S Emory together hold some 14,700 or almost twenty-five percent of those accounts and that C&S, and all of its correspondent associates and affiliates, all of the defendant correspondent associates and affiliates hold a total of 41.4 percent.

Now, assuming, if you will, although I realize it's contrary to your opinion, assuming that the correspondent associate defendants in this litigation were in fact independent banks, would the fact that this merger would result in an increase in the market shares merged by the origin of accounts of the C&S system from twenty-five percent to forty-one percent, suggest to you that **[1054]** competition would be eliminated? A. There's a lot of questions in there. Let me try and break it down in answering. It would not suggest that competition would be eliminated, no.

Q. You are operating under my assumption, now? A. Assuming that these were independent banks, it would not necessarily suggest that competition would be eliminated, this increase in concentration.

Q. Would it suggest to you that competition would be lessened? A. No.

Q. Is there any difference in your mind between those two concepts? A. Competition being limited and being lessened?

Yes, I think it's a gradation. If each of these banks are separate markets from each other, there need not be very much competition eliminated. It's certainly not a significant reduction in competition.

Mr. Sims: Can I have just a moment, Your Honor?

By Mr. Sims

Q. Doctor, if I could go back to your direct testimony today, did I understand you correctly, did I understand you to say that you do not now feel that after these mergers, disaffiliation would be inevitable? **[1055]** A. It need not be inevitable, no.

Q. Did you not say that in the report? A. Yes, yes.

Q. Are you changing your mind, now? A. No, what I am saying in my report was that this was based on the assumption that if the merger would be denied the relationships between the banks would have to cease because I wanted to look at the situation in which they could become potential competitors. I wanted to ask myself was there any potential for competition. After all, potential competition was one of the things that was alleged in the complaint. That's the only conceivable way that there could be potential competition is that the mergers are denied, that there is disaffiliation, and that upon such disaffiliation each party would be forced to compete. But, we have heard testimony here that officers of the bank don't know what they would do absent the merger.

Q. Now, Doctor, we have had a little talk about concentration ratio, concentration figures. Again, let me see if I understand you correctly. Do you think concentration ratios are at all useful? A. It depends on the purpose. Yes, I think they are useful.

Q. If you were trying to calculate concentration ratios and market share figures in any of the markets **[1056]** alleged in the complaint, would it be appropriate in your mind to include the total deposits of the institutions found in those markets? A. It

would be appropriate to include the total deposits drawn from those markets, divided by the total deposits, total deposits in those markets.

Q. If you calculated—— A. Or of offices within. One can get a very nice concept and then make it operationally impossible when you are trying to calculate it.

Q. When you were calculating the DeKalb market here, would you think it appropriate to take the banks located in DeKalb County and use the total deposits held in those offices? A. It's really the only way to do it. I mean, I could think of better conceptual ways.

Mr. Sims: I have no further questions, Your Honor.

Mr. Hodgson: We have no further questions, Your Honor.
The Court: You may step down.

Mr. Hodgson: The defendants close their case.

The Court: Mr. Kinkaid, how long will you take?

Mr. Kinkaid: Can we have two or three minutes **[1057]** to chat a little bit about this, sir?

The Court: Do you want a break, or can you do it there?

Mr. Kinkaid: Just a very short break would be all right.

The Court: If you can, do it here so we can all stay rather than disassembling and come back, it'll be fine. Take your time.

Mr. Kinkaid: Your Honor, I'm sure you are pleased to hear we can't think of anything more to do.

The Court: The Government rests. Thank you. All right, now, do any counsel insist on oral closings?

Mr. Hodgson: We think the Court will be best served by being spared that.

The Court: Well, briefing is a month, fifteen days; fifteen days reasonable? Do you want a different schedule?

Mr. Kinkaid: I would request until the middle of November for our briefs and findings would be acceptable, if Your Honor please.

Mr. Hodgson: Judge, we have pressed, obviously, from the beginning. We would still like to press as soon as possible. We would like it to be short.

[1058] The Court: Well, as a practical matter, I don't think —— that I am going to do much reading before December, anyway.

Mr. Hodgson: Well, in that event, we would, at least, like for all of the papers to be completed and in the Court's hands by that time.

The Court: All right. You want to file, simultaneous, say, on the 15th, and then both file rebuttals?

Mr. Hodgson: No, sir, we have considered that, Your Honor, but under the circumstances, we think the Court may get less if we respond——

The Court: All right. Well, okay. Let me split the difference then. I will give you until the end of the first week in November, November 7th, whatever that is. You figure it out, the Monday following that weekend. And, then you take fifteen days thereafter, and then seven days thereafter.

Mr. Hodgson: All right, sir.

The Court: Anything further? One thing that I should note, we have a tremendous record here.

Mr. Hodgson: Yes, sir.

[1059] The Court: Where there is anything particular in the record that you want to rely on, I think it is better if you would do it by quoting it extensively, if you need to, or attaching it as an exhibit to your brief, if you will, because I have a habit

of taking stuff home, and I can't check it back and forth with what is in the exhibit here.

And I would also appreciate it if you would have a preliminary section which is sort of like an appellate brief that would be, in effect, a summary of argument or contentions of the party, or something where you would give me sort of a preview of where you are going and how you get there. I think I can understand what may be thereafter a voluminous brief better if I know what point you are attempting to develop.

Mr. Hodgson: Yes, sir.

Mr. Kinkaid: Your Honor, perhaps we had better try to be a little more specific with the date.

The Court: All right.

Mr. Kinkaid: It appears that the first **[1060]** full week in November starts on the 6th.

The Court: All right. Your first brief will be on—you have got one, two, three, four, five, that is five weeks, so make it on the sixth. You have already got really the heart of your brief in your pre-trial brief, so I am sure you can do it in five weeks.

The defendant's brief would then be due on the 21st. No—yes, fourteen days, the 21st, and I don't want one coming due in that period on—when is Thanksgiving, the 23rd?

Mr. Kinkaid: The 23rd, yes.

The Court: The 21st, all right. Then the rebuttal brief would be due—make it on November 30th. Well, let me stretch it a little bit. The 6th and the 22nd, which would be the day before Thanksgiving and then the 30th.

Mr. Hodgson: Yes, sir. That will suit us fine.

Mr. Kinkaid: Is Your Honor contemplating filing of both proposed findings on the same days?

The Court: Oh, why don't you finish **[1061]** your briefing, and then at that point I will get the briefs and start reading. That is going to take some time, and then how about, say, on the 15th both of you filing proposed findings of facts and conclusions.

Mr. Hodgson: 15th of December?

Mr. Kinkaid: That is why I asked for more time, because I was thinking of putting it between the findings first before we get the brief.

The Court: I think the important thing is to get your contentions and the arguments in primary rebuttal fashion, and then you are sort of on paper. And then the findings of fact and conclusions will be so competitive, I think you can sort of anticipate in advance what they are going to be.

All right. Anything further?

Mr. Hodgson: Thank you, Your Honor.

The Court: I must say it has been a great pleasure. I have enjoyed the case. I think you all have both done a magnificent job. Thank you.

(Whereupon the Court adjourned this matter until further notice.)

[1] GX 198

(Title Omitted in Printing)

The deposition of **Warren Lanham Berry,** taken at the instance of the Plaintiff. Reading and signing of the deposition not waived; signing before any notary stipulated. Taken before William L. Meigs, Deposition Officer, commencing at 11:00 o'clock, a.m., July 28, 1972, 12th floor, Citizens & Southern National Bank Building, Atlanta, Fulton County, Georgia.

[2] Appearance of Counsel

For the Plaintiff:

Donald A. Kinkaid, Esquire
Curtis L. Frisbie, Esquire
Neal F. Lehman, Esquire
Assistant Attorneys General
1776 Peachtree Street
Atlanta, Georgia

For the Defendants:

Alston, Miller & Gaines
By: Walter M. Grant, Esquire
Michael A. Doyle, Esquire
C&S National Bank Building
Atlanta, Georgia

Also Present:

James D. Dixon

[4] PROCEEDINGS

Whereupon,

WARREN LANHAM BERRY

was called as a witness and, having first been duly sworn, was examined and testified as follows:

Cross-Examination

By Mr. Kinkaid

Q. Will you state your full name and residence address? A. My full name is Warren Lanham Berry. My residence address is 684 Lakeview South, Milledgeville, Georgia.

Q. During the course of the deposition I will have occasion to use a couple of terms quite frequently, and we might as well get those squared away at this point. One would be "C&S system." Now, when I use that, I will be meaning C&S National, C&S Holding, C&S East Point, C&S Emory and C&S DeKalb. Other times I will just use one name of a particular bank. But if I say "C&S system," I mean those institutions that I just named, and if I use the phrase "a member of the C&S system," that would mean any one of them taken individually. Is that okay? Do you understand that? A. Any one of the ones you just named?

Q. Yes. In other words if I ask a question about "any member of the C&S system," I would mean—for instance if I asked you "Have you ever visited a member of the C&S system," I would mean "Have you ever gone into C&S East Point or have [5] you ever gone into C&S Emory," et cetera. A. I see. But you would not be referring to those banks that the C&S has a 5 percent interest in?

Q. That's right. Those I probably will refer to as "correspondents, associates of 5 percenters." A. All right.

Q. The other term that will probably come up will be "Supplement," and that's the supplemental material that was filed in support of the application for approval to merge. Do you recall that particular document? A. I am familiar with it; yes.

Q. Now, I will just be calling that the "Supplement."

Incidentally, as far as the Supplement is concerned, did you personally have anything to do with the drafting of that? A. No.

Q. Do you recall whether you were consulted with respect to the drafting of any part of the Supplement? A. I do not. I can't recall exactly what part I played in that. I don't—some of the information that is in the supplement I am not as familiar with as other parts of the information.

Q. But you can't recall whether anybody asked you any questions or asked you for any information that would go into the Supplement? [6] A. We may have gotten some of the information from the South DeKalb office. I do not recall specifically. It's been a long time ago that that was prepared, and I don't recall exactly how that information was compiled.

Q. Okay. What is your present occupation? A. Well, I am president of the Citizens and Southern Bank of Milledgeville and also I am president of the Citizens and Southern South DeKalb Bank.

Q. Now, how long have you been at Milledgeville? A. I have been in Milledgeville since the first of 1971.

Q. When did you start in as president of South DeKalb? A. Well, the bank was opened for business in September of 1969, and when I became president, from the legal point of view, it probably was a couple of months before that.

Q. What were you doing at the time just prior to becoming president of South DeKalb? A. I was vice president of the C&S National Bank and branch manager of the South Expressway office.

Q. How long had you been in that position? A. Here again, I'm going to give you approximate replies. I would say two years at the position of branch manager at that office. I was made vice president after I got that office. I can't remember how many months.

Q. Could you take us on back in your positions with [7] C&S, going back from becoming vice president and taking over the South Expressway office? A. May I come forward rather than go back?

Q. Sure. A. And here again, I've been in many different areas, so I might have one before the other, but I can give you a general idea, and if you want to ask me how much time or something, interrupt me. I would say that I started with the

C&S Bank, the C&S National Bank, in December of 1957—excuse me; it wouldn't be C&S National Bank at that time. It was the Citizens and Southern Bank of Atlanta, I believe, and it later became the Citizens and Southern Bank, and I started with the Citizens and Southern Bank of Atlanta at the Northwest office here in the city limits of Atlanta, and I stayed there for a year or so and them became under the direction of the Correspondent Bank Division, and I operated an animated, electronically operated display concerning how a bank affects the community, and I took this display throughout the state of Georgia. After that I was in charge of the New Business Department, which had 10, 15 to 20 ladies, and we worked primarily—and we also had a couple of gentlemen in that department, and we worked primarily with new business, assisting calling officers and so on for the bank.

From there I was at one point supervisor-adminstrative assistant over the tellers and savings and various other [8] departments on the main floor of the main office. I was installment loan interviewer. I became assistant branch manager of the Cascade Heights office. I became assistant manager of the Stewart-Lakewood branch. I became manager of the Roswell-Wieuca branch, and then I became manager of the South Expressway branch.

Q. Had you been working for a bank before '57? A. No. I came up out of the service and went to work almost immediately and went to work here.

Q. Are you also a director of South DeKalb? A. Yes.

Q. Did you become a director at the same time you became president? A. Yes.

Q. Were you one of the organizers of South DeKalb, A. Yes.

Q. How did you first become aware of something called the Citizens and Southern Bank of South DeKalb? A. Well,

I was approached by either Dan Handley or Howard Starks with the C&S National Bank, and my memory fails to tell me which one of these right now, but it was someone, either one or the other, who approached me and asked me if I might be interested in becoming affiliated with a correspondent associate bank, a 5 percent bank, of which C&S owned 5 percent of the stock. And I indicated an interest in this, and [9] subsequent to that period of time I was asked if I might be interested in the area in South DeKalb County. And I rode out there and had a look at the area; the bank, the C&S National Bank, had some property out there and they asked me if I might be interested in forming a bank where that property is located. And so that's how I got started.

Q. When you were first approached by either Mr. Handley or Mr. Starks, there was no specific location in mind; is that a fair statement? A. I don't remember whether or not a specific location for the bank was mentioned, although at that point, as I recall, we owned this property. And when I say "we," I mean the C&S National Bank owned this property. I don't know that it was definite that that particular location would have to be the location that we would be talking about.

Q. Actually that was not so much a specific location as the general area or the general portion of the county? A. The general area we were looking at was South DeKalb County.

Q. Are you aware of whether any individuals living or working in the South DeKalb area had approached anyone at C&S with respect to getting assistance to start a bank in that area? A. I'm not aware of that; no.

Are you aware of whether any individual or group of [10] individuals, either at the time you were approached by Mr. Handley or Starks or prior to that time, had attempted to form a new bank in the South DeKalb area? A. I was not aware at that time that any attempt had been made. I was told that an attempt had been made to form a bank; it may

have been several years, but previous to us coming out there, that some of the people in the community had attempted to form a bank.

Q. Incidentally, are you aware or can you recall any of the identities of the people who had earlier tried to form a bank in that area? A. I am not sure. I feel like that perhaps I could name a person or two, but I'm not sure at all that that would be correct.

Q. Well, were any of the people who eventually became directors of your South DeKalb Bank, do you know whether any of them had been part of the group that had earlier attempted to form a bank? A. This is what I was going to say. There are one or two directors that might have been in that. It's been—I'm not sure whether they were involved in it or not. I think so.

Q. After the first meeting with either Mr. Handley or Mr. Starks when the subject of a South DeKalb Bank was first broached to you, can you recall roughly how many discussions you had after that with either Mr. Handley or Mr. Starks or [11] anybody else, for that matter, in C&S along the same lines or with respect to the same topic? A. I would like to know what you mean when you say "along the same lines or with respect to the same topic."

Q. In other words, how many discussions can you recall with C&S officers with respect to forming a new bank in South DeKalb? A. I'm taking that as a very broad type question.

Q. Right. A. And I would say that I had considerable discussion with many officers in the bank.

Q. During these discussions, what were you told as to the relationship that this new bank would have with C&S National or C&S Holding? A. I don't recall being told any specific information along those lines.

Q. I think you mentioned earlier that Mr. Handley—or he mentioned something about your being interested in running a correspondent associate in South DeKalb; is that correct? A. Right.

Q. Was that the only discussion you can recall with C&S Officers as to the relationship between this new bank and C&S? A. I'm sorry, but I don't understand your question.

Q. Okay, let me try it again. What I'm getting at is **[12]** your earlier statement that Mr. Handley asked you if you were interested in running a correspondent associate in South DeKalb would, in effect, be an answer to my question, whether during the discussions you had with these various C&S officers if there was any mention of the relationship between C&S and the proposed bank? A. Not per se. I would say no.

Q. Is all you can recall that this would be a correspondent associate, and C&S Holding would have 5 percent of the stock? A. That's all I can recall.

Q. At that time, what was your understanding of the term "correspondent associate"? A. I really was not too familiar with the term "correspondent associate." I understand that this was an oportunity for me to work with a board of directors and to also be able to make a sound financial investment. But I really didn't have a lot of information about the term "correspondent associate."

Q. Well, wouldn't you at that time have been interested in finding out what you were getting into? A. That's correct. That's right, but I knew what I was getting into.

Q. Well, let me ask it that way; what was your understanding as to what you were getting into? **[13]** A. It was the formation of a bank whereby it would be affiliated with the C&S Bank; the C&S Bank, C&S Holding Company would own 5 percent of the bank, that C&S Bank would be very helpful to me in the formation of this bank, that they would certainly

support me in every way that was possible, that my C&S training would be of benefit to me in going ahead but when that training was inadequate and that experience was lacking that I would be—that the C&S resources would be available to me to help make that bank prosper and grow and to properly serve the community.

Q. When you say the bank would be affiliated with C&S, do you have anything in mind more than the 5 percent, or is that what you mean by "affiliated"? A. Well, from a stock viewpoint 5 percent would be all that would be involved. I do have more in mind than just saying a 5 percent affiliation. I feel like that the C&S influence would be certainly involved in that bank, that C&S trained people would be there, that the C&S style of banking would be used in that area.

Q. What do you mean by "the C&S influence" would be there? A. Well, when I say "influence," I'm speaking of people such as myself who were raised in the C&S National Bank and who have the C&S National Bank's approach to banking and serving the community.

[14] Q. Is that all you mean by "C&S influence"? A. Well, I think that by "influence" we could also include guidance, and, as I mentioned, where my experience was lacking I would have the availability of the resources and guidance of the C&S National Bank and all of its many resources.

Q. You indicated earlier that C&S is the only bank for which you worked; am I right in that? A. That's correct.

Q. As a matter of fact, in running a bank, in running any bank at this point, would you know how to run that bank in any other way than the way in which you have already been trained at C&S? A. I don't believe that I would want to run a bank in any way other than the way I've been trained.

Q. In other words, when you went out to form the bank at South DeKalb, at that time the only way you knew how to oper-

ate the bank would be the way you had been trained during your tenure with C&S; would that be a fair statement? A. That would be a fair statement.

Q. During your discussions with C&S officers before the South DeKalb bank was actually formed, can you recall any discussions as to the manner in which the stock in the new bank would be distributed? A. Well, the recollection I have would be that we had [15] many people within the C&S National Bank and its affiliates, individuals who would like to have an investment in that bank out there, and, of course, we wanted people in the community to have a chance to have an investment in the bank also because we felt like that was good business. And, quite frankly, I wanted those people to have stock in the bank who I felt like would support the type management we would have.

Q. Included in that discussion, was there any discussion as to the amount of stock any one individual would be allowed to purchase? A. I think that we generally wanted to keep any one person from having—and when I say "wanted" I'm including directors and everything; we wanted to keep the directors, I believe—and give me a little leeway here—but I believe we wanted to keep the directors to about 600 shares each. We wanted to keep other people, other than myself and the C&S Holding Company, to 50 to 100 shares each. Now, that's a guide. And we felt like that would be the best distribution of the stock for the—to maximize the benefit of those holding stock and also the bank.

Q. Incidentally, what, roughly, in terms of percentage of the bank's total stock, would 600 be? A. I really did not compute it. You could compute it very easily, but I don't know.

Q. The directors, then, were to have no more than what, [16] 600? A. I believe 600 was right. It might be a hundred or so off, but I believe 600 was correct.

Q. What was the reasoning behind keeping sort of a lid or limit on the amount of the stock that any one individual could have? A. Well, simply because we wanted—it was a good investment, and, as I said, we wanted to maximize the benefit to the stockholders and also to the bank, and we felt like spreading it out in the community and also within the officers and employees of the C&S National Bank and its affiliates would accomplish that goal.

Q. When you say "to the benefit of the community and the bank," by "the bank" do you mean South DeKalb? A. Yes, South DeKalb.

Q. To your knowledge, how many shares—or it might be easier for you to think in terms of percentage—of the total stock was actually sold to C&S officers and employees? A. I think that it was probably around 50 percent. I did not look at it from a specific percentage viewpoint, although we did tend to divide it, and I think it came out right at around that amount.

Q. To your knowledge, what percentage of the C&S National or C&S officers and employees who bought the stock, what percentage of them, roughly, would have resided in the [17] South DeKalb area, to your knowledge? A. Let me go back to your previous question. I was—it might not have been as high as 50 percent. You said "officers and employees" of the C&S National Bank and affiliates. I really can't give you a definite percentage in that area. I think that I had at least 50 percent that I knew the people would support the management of the bank, but I don't know that in just those two categories it would be that figure.

Now, if you would ask that second question again.

Q. Let me just back up a second, then, on this one. Insofar as supporting the management of the bank, by that do you mean that the 50 percent who bought the stock and would support the management would support the management in terms of bringing business into the South DeKalb bank; is that what you

had in mind? A. Well, no, I had in mind that they would support the type of bank that I wanted to run.

Q. Well, how would they support it, in other words? A. Well, I wanted people that would be knowledgeable about banking, that would recognize a bank's responsibility to the community, that would realize the rules and regulations that the bank has to adhere to and that kind of thing.

Q. In what way would that sort of awareness on the part of the stockholders be important to the functioning of the bank? [18] A. Well, I think it's important because we are a bank that is involved in community service, and we support those things that we feel like are important to the community, and you need your stockholders behind you in that area. We also support pretty close auditing procedures, and these type things cost money, and if you have stockholders that don't support the expenditures of funds or this type of thing, well, then, you've got a problem.

Q. And in your reference there to stockholders supporting various activities, are you referring to activities of the South DeKalb bank? A. South DeKalb bank; that's correct, yes.

Q. Okay, going ahead, then, on the portion of the stock that was purchased by C&S officers and employees, my question then would be, of those stock purchasers do you have any idea what percentage actually resided in the South DeKalb area? A. What percentage of all stock that was purchased resided in the DeKalb area?

Q. All right, that may be an easier way for you to answer it. A. Either way; I just wanted to be sure I was interpreting it correctly. I really can't say. I will say this, that a large percentage —now, this is not a very definite way to answer the question, but I really don't have a definite percent, [19] but I know that the directors sold a good bit of stock, that there were many people that wanted stock in the bank, local people, many of whom I did not know.

Q. Now, can you answer it the other way? I take it that answer is of the total stock? A. Right.

Q. Okay, can you answer it the other way as to the C&S officers and employees, specifically? A. Lived and resided in South DeKalb or DeKalb County?

Q. South DeKalb area. A. South DeKalb area. We did have some that resided in the South DeKalb area. I can't give you a percentage.

Q. Were you interested in trying to get that stock in the hands of C&S officers and employees who also resided in the South DeKalb area? A. It makes sense to have folks have stock who are affiliated with C&S National Bank and live in the South DeKalb area, although, really, that didn't enter my mind at that point. We had quite a people wanted stock in the bank, and that was just—I didn't get to that consideration.

Q. From the standpoint of the bank, did you consider whether or not your bank would be better off if all or virtually all of the stock were placed in the South DeKalb area? A. Well, I really don't feel like it would be better **[20]** off. I think that if you had it all in the South DeKalb area it certainly would have the advantage of having all local people owning the stock, but it would have the disadvantage of not having people in the banking fraternity owning stock in the bank, which, I think, is just as important. I think it was important that we have people affiliated with the C&S Bank own stock in the South DeKalb bank.

Q. Well, why was that particularly important? A. Well, I thought I answered that previously when I said that because those people have the same goals and desires that I did as president of the bank, and that is the style of banking that we performed out in that area.

Q. When you were talking in those terms, I thought you were referring to the stock that was distributed locally; that's what you were looking for in local subscribers. A. No, I was referring to the stock that was distributed overall and primarily and in

particular the stock that was distributed to the C&S National Bank officers and employees and affiliate officers and employees.

Q. Insofar as the limitation on the amount of stock any individual could purchase, was the question of an individual getting enough stock to in any way control the bank a consideration in that regard? A. Well, it's a consideration to me because I certainly would be not a very informed person if I didn't consider who [21] owned stock in the bank that I was president of.

Q. I'm not sure if you understood my question, or I don't understand your answer. Was one reason for limiting the stock that any individual could purchase, was any reason for that your fear that your fear that any one individual, if he got X percentage of the stock, would in some way be able to control your bank? A. Well, I don't know that I really gave that much consideration. My prime reason for that was, as I stated previously, was that I wanted the stock to be spread out because I thought we would get maximum benefit from it at the bank that way.

Q. During these discussions with C&S personnel before the bank was actually established, what was the discussion as to where the bank would be located, the status of the land on which the bank building would be located, whether the new bank would buy the land, buy the building or rent the land and rent the building; what were the discussions generally in that regard? A. Well, the C&S National Bank—and here I say "National Bank," and I'm not sure whether it was the National Bank or the Holding Company—but they owned a piece of property out there; they put together two or three pieces of property, and to me it was just ideal for a bank location. So we—I say "we"; myself and our board of directors wanted to use this [22] piece of property so we negotiated with the C&S Bank regarding leasing this property from them at a rate of whatever amount of charge would be involved, and we accepted this piece of property because it was beneficial to the bank.

Q. During the period of time before the bank actually opened for business, what sort of expenses were incurred in terms of getting a charter and getting the bank ready to open for business? A. This is prior to opening the bank?

Q. Yes. A. And when you say "what expenses," this is not easy to answer for two reasons. One is that it was a long time ago, and number two is that they are varied.

Q. Well, if you could give me just a general idea, that would be sufficient, really. A. I would say that there were some expenses involved in that my salary is one, but at that period of time my salary while I was working on this bank, the C&S National Bank handled my salary for a period of time, and they also did the same thing for my cashier to give us the opportunity to work on the bank. But those would be some expenses. Of course, in the opening we had a lot of expenses involved there, in the celebration for the opening of the bank, and in the hiring of people we ran all of our employees that we hired through the C&S Personnel Division, and they tested them and this kind of **[23]** thing to see that they would be adequate employees. When you say "expenses," a lot of expenses were really given to us by the C&S National Bank. We had so much advice and so much help in forming this bank that a lot of it wasn't—we didn't pay for. But it certainly would have been expensive had we had to pay for it.

Q. Incidentally, I don't think we established when all these things started. Can you remember your first meeting with either Mr. Handley or Mr. Starks? A. I can't—I would say that probably the first of 1969; I would say maybe in February, But I don't remember specifically. It might have been in January.

Q. When you actually—I think you indicated that it might have been sometime around July of '69 that you formally became president of South DeKalb. At that time, from then on, by whom was your salary paid? A. I can't remember

exactly when my salary was paid by the C&S South DeKalb bank, but somewhere along in there they began paying my salary. It might not have been until September, because I think it would probably have been changed over when the bank opened. But I'm not positive.

Q. After the bank opened, was there any arrangement made by which South DeKalb reimbursed C&S National for the salary, your salary, that had been up till then paid by C&S National? **[24]** A. No, not that I can remember.

Q. What I had in mind there was not only just a—you know, "Here's a check for Mr. Berry's salary for those X number of months," but was there any other kind of payment that would have covered your salary? A. No. And also I'm trying to recollect here, but my salary might have been paid by the National Bank throughout that year, until the end of that year, until December of '69. I said September, but it might have been paid to me and my cashier through December, but I'm not sure about that. You see, we were technically severing our relations with the C&S National Bank, and my cashier and myself had both put in a long period of time, so I don't feel like it was out of order at all for them to pay us for a period of time.

Q. What sort of relationship were you severing with C&S by taking on the South DeKalb job? A. Well, obviously it's a separate corporation, and the board of directors of South DeKalb in effect hired me, and also I employed the employees out there; although I used the C&S Bank and their facilities, I employed the people in that bank. So it was a severance in that sense of the word.

Q. From a personal standpoint, did you have to give any benefits up of any kind that you had with C&S National in order to take on the South DeKalb job? A. No, my benefits remained the same. The board **[25]** adopted the same benefits that I had with the National Bank, because, quite frankly, if they had not seen fit to do so I would have had to give that serious considera-

tion, because I have a great many benefits now and had at the time when I was at the National Bank.

Q. Is one of those benefits called, roughly, "pension and profit sharing plan"? A. Yes, and, as a matter of fact, if I had given up that benefit, obviously it's—and related it to the profits of the South DeKalb Bank, there for a couple of years I wouldn't have had any profit sharing at all.

Q. Is that one plan, pension and profit sharing, is that one plan? A. Two separate plans.

Q. Could you give us a general idea of how those plans are set up and administered; just roughly what are they? A. Well, of course the pension plan is self-explanatory. When you reach —and I'm not, perhaps, as well versed on the technicalities as I should be—but when you reach retirement you have an income, and it's based on a percentage of your last five years' salary, I believe, or maybe there are a couple of alternatives. And then the profit sharing plan is based on a formula related to the National Bank and its affiliates and their income. The reason for that simply is, as I stated, so that by becoming associated with a correspondent **[26]** associate bank you would not give up the benefits of profit sharing.

Q. So far as the pension plan is concerned, is that one of these things where a certain amount of your own salary goes into a fund, and then to some extent what you put in is matched by your employer? Is that roughly the way—— A. No. Your pension plan is handled entirely by the bank. You put in nothing. In your profit sharing fund, you have the privilege of putting 2 percent of your salary in at the end of two years, and 4 percent at the end of five years or 4 percent after you reach 35 years of age if it were to be before five years, of your own income, and the bank has a formula, and in this case the South DeKalb bank accepted the C&S National Bank's formula, the board of directors accepted it, and it was based on the profits of the C&S National Bank and affiliates. And whatever income came out

after that formula was computed was the profit sharing that was divided between the participants of the plan.

Q. So far as the pension plan is concerned, where do the funds come from that go into the plan for your benefit? In other words, let me put it this way. You indicated that the bank puts the money into your pension fund; you don't put anything in. What bank is it that puts that money in? A. No. The C&S South DeKalb bank puts money into both funds, but it's based on the C&S National, on the formula that **[27]** we have from the C&S National Bank.

Q. I see. So that the funding for both plans comes from South DeKalb? A. That's correct.

Q. What discussion did you have with C&S personnel before the bank was started as to the name the new bank would have? A. Well, I had discussion with, I think—I believe that I had discussion with the Research Division, and we just arrived at the name. We wanted a name that would describe the location of the bank, and that's the reason we included "South DeKalb."

Q. What were the discussions insofar as including "Citizens and Southern" in the name? A. There never was any question about that. I mean I certainly wanted the C&S name in the name of the bank for the obvious benefits that we would derive from the customers.

Q. Did any of the C&S personnel with whom you discussed this, like Mr. Handley or Mr. Starks, did you have them or anybody in a similar position suggest that you use C&S in your name, or was this strictly your idea? A. Well, I don't think—now, really, when you say whose idea it was, it just wasn't any—it was just understood. I don't think there was any question about it. There certainly wasn't on my part, and I don't think there was on anybody **[28]** else's part. We were going to use C&S. The only question that came up was, "What other name are we going to include?"

Q. Could you spell out a little bit more your reasons for wanting "C&S" in your name? A. Well, "C&S" stands for progressive banking with normally, I would say, excellent customer service. It has a very fine reputation. I wanted "C&S" in our name because it reflects strength; it reflects integrity. I could take the benefit of all the C&S advertising that's done on radio and television and this kind of thing. Just numerous benefits in using the name.

Q. What were the discussions before the bank started with C&S personnel as to the type of services that C&S would provide in the bank? A. Well, I communicated with some of the people downtown relating to what kind of services we would provide.

Q. Generally speaking, would the services that C&S was going to provide to the new bank when it started, would those services be the type that are ordinarily referred to as "correspondent services," to your knowledge? A. I really don't know what "correspondent services" refers to.

Q. What discussions did you have with C&S personnel before the bank opened for business as to the—for example, the hours that the bank would maintain? **[29]** A. Well, we talked about what hours might be most beneficial to serve the area, and, as I recall, I probably talked with our research division to try to find out what kind of hours to use. I also talked with my board of directors, and I think that the decision we made has proved to be the right one.

Q. Now, as I understand it, you started opening on Saturday; is that correct? A. Yes.

Q. Whose idea was it to open on Saturday, if you can recall? A. Well, I would have to say it would have been my idea.

Q. And what was your basis for that idea? A. Well, I looked at one thing, and that was how best to serve the community

and how to get the most business for that bank, and I felt like being open on Saturday would serve both of those purposes.

Q. Did anybody in the Research Department have anything to say in terms of Saturday hours? A. No, not really. We discussed—I discussed it with two or three people in the bank about what would be good banking hours, because it's a very important in handling customers in order to be sure that we were open at the best times. We had some affiliate banks, correspondent associate banks and [30] affiliate banks that were open until 6:00 on Friday, but there was no bank in that area that was open on Saturday at the time. So I think that almost anyone that I talked to to try to get the benefit of their ideas agreed that Saturday banking would be a benefit to the bank, and when I say "the bank," I mean the South DeKalb bank.

Q. Did you have any discussions with C&S personnel before the bank was open with respect to the service charges that you would have on the checking accounts? A. I don't recall having any specific discussions along those lines. I just used the service charges that I was familiar and had used in the past.

Q. In other words, was that, the initial decision as to the service charges with the new bank, was that basically your decision? A. Yes. I think it probably would be consistent with other service charges within the metropolitan area of Atlanta, though, pretty much, because it has to be competitive.

Q. When you say "competitive" with other banks, what banks do you have in mind? A. Well, any banks in the area there at that time. You had the Glenwood National Bank, I believe—they might have changed names since then—the Glenwood National Bank, and the First State Bank came in subsequently, around the same time that we did. We had another bank that came in out on Glenwood [31] and Gresham Road; I can't recall the name of it. We had the Bank of Georgia right up the street, and I think probably you will find that most of the times

those charges seemed to be pretty much the same because competition has an effect on what you charge at the bank.

Q. Did you take into consideration the service charges of the downtown bank in making your decision? A. I took into consideration what everybody was charging.

Q. How about discussions with C&S personnel as to interest rates that you were paying in various types of savings accounts? A. Well, I used my past experience to try to arrive at interest rates that we paid. I don't recall any specific discussions about it. I just really didn't feel like it was necessary to have any discussions, but that was the way I wanted it to be. I will say this, that I would not have used those same service charges and/or interest rates had the competitive situation and the market situation been different. They may have been lower; they may have been higher. As a matter of fact, right now at the Citizens and Southern Bank of Milledgeville, we pay a half percent differential on regular savings from what the—most of the banks in the Atlanta area, including C&S Banks and affiliates, pay. We also have a difference in the minimum balance maintained for [32] the checking account, and we also have a difference in service charges for that checking account, because in our particular locale we have to consider the competition and we have to consider the other factors involved in it there. Our minimum balance in a checking account happens to be higher that it is—in Milledgeville than it is in Atlanta.

Q. When you were managing the South Expressway office, did you have a different service charge and interest rates on savings accounts than other branches of C&S—that C&S National had at the time? A. At South Expressway?

Q. Yes. A. You're speaking about checking accounts and savings accounts?

Q. Yes. A. I believe they were the same as far as I can recall. And when you say "savings" you also get into an area of perhaps time certificates of deposits or large deposits of over

$100,000. Well, those can almost fluctuate with individuals. So you're asking me a question that I want to be sure that we are communicating about.

Q. Okay, let's leave aside the large CD's and just consider more the personal type savings account. A. I would say as far as I can recall they were the same.

[33] Q. Did you ever consider changing them because of the competitive situation in your particular area? A. At South Expressway, for instance?

Q. Yes. A. No—I mean when you say "consider," I try to consider anything to improve a particular office or branch or whatever I happen to be working with. I don't recall any specifics about raising them or lowering them or anything like that. Now, I could, and if the situation would warrant it, there might be an occasion or two where a service charge might be waived because of one reason or another. It could be that a person is in a charitable work, and maybe you feel as though you would want to encourage that kind of activity, or it might be for another reason or two, but generally speaking that would be an exception.

Q. Would you have been able to have different service charges on checking accounts and different interest rates on personal savings accounts at South Expressway from those in effect at other national branches in the Atlanta area? A. I don't know. I didn't pursue that. I don't know.

Q. Were there any discussions with C&S personnel with respect to interest rates that you would be charging on the lending side of the South DeKalb Bank? A. I would have to say —or I would say; I don't have to say—I would say that I discussed interest rates with many [34] individuals, and I do that now, simply because it's very difficult to keep up with what kind of interest rates are proper for certain kinds of loans. As an example, within the last couple of weeks I have had a request for a mobile home development loan, and I also had a

request for another type loan—I'm trying to remember what kind it was right now—but anyway I've had two requests that I can remember where I—well, for receivables, an accounts receivables loan—and so I made several phone calls trying to find out what a competitive rate should be and what we ought to get for that kind of loan. As it turned out, I didn't charge the same rates from the information that I got. I do that quite often because if you don't handle a particular loan very often, you are not familiar enough with it as to really what is involved in that type lending.

Q. What other banks—Now, this, I take it, was in Milledgeville? A. Yes. But I might call—it might not be C&S necessarily. I might turn around and call anyone that would be knowledgeable about a particular type loan and say, "Look, what would be"—and "What kind of documentation do we need on this, and how much work is involved in it," and, you know, refresh my memory about the risk involved in it and this kind of thing.

(Short break.)

[35] Q. We were talking earlier about the assistance that the South DeKalb bank would receive from C&S. Did C&S expect anything from South DeKalb in exchange for the assistance it was going to give it and actually did give it? A. They didn't ask me for anything. You would have to them if they expected anything. I can't answer that.

Q. But so far as you were concerned, there were no conditions attached to the assistance you received? A. No, none whatsoever.

Q. Did they make it clear to you at that time that you were free to run the bank as you saw best, you and the board of directors saw best? A. I think that they recognized that I didn't have experience in all areas, especially in running a bank that had its separate operations and board of directors. So there was no doubt that I was president of the bank, but I think that

I expected to communicate with them in the areas that I was weak in.

Q. So far as savings rates are concerned, since the bank has opened have you had occasion to change any of the rates that you pay on personal savings accounts? A. No, not to my knowledge. And, I might add, when I say "not to my knowledge," the reason I would say that, I am 99 percent sure that that is true. But you see, since I left—I'm not active at South DeKalb at this point on a day-to-day [36] basis because I left there when this merger was in process, and I anticipated that this matter would be resolved at any time, and therefore I accepted another position. So there are some things that I am not as clear on as I would be if I were there on a day-to-day basis.

Q. As a matter of fact, if I recall correctly you were there really less than two years? A. That's correct.

Q. Have there been any changes in the banking hours at South DeKalb, or were there any while you were still there? A. If there were, they were not of a significant nature. We could have changed an hour, an hour and a half or half an hour or something one way or the other, but nothing very significant. We found that our banking hours were just really—as far as people coming and using the bank, that bank is just really very busy, so we didn't see any reason to try to change the hours and still don't, really.

Q. Incidentally—and maybe I left this out—on the rates on savings accounts, did you ever think in terms of or consider changing any of those rates? A. I have considered it, really, and you asked me that question about the branch; I have considered it before on several different occasions, and I believe that perhaps at South DeKalb—and I'm not positive about this—but I believe that I talked it over on occasion, the possibility of changing [37] rates to get the pros and cons of it, but I decided that I didn't think it would be to the best interests of the bank to do so.

Q. With whom did you discuss those possibilities? A. I really don't recall. I just in general seem to remember, and I'm not positive, seem to remember considering the possibility of making some changes, but we didn't do it. We just didn't feel like it was in the best interest of the bank.

Q. Do you have any recollection as to whether or not any people you discussed the possibility of changing the rates on savings accounts with would have been C&S personnel? A. I really don't know. It could have been with the board of directors; it could have been with our own personnel; it could have been with some of my associates with the C&S National Bank; it could have been with some of my peers with other 5 percent correspondent associates. The thought, though, has come to my mind from time to time because I would be pretty naive if I didn't try to consider that possibility.

Q. When—Let's take the same thing with the banking hours. The changes, the slight changes which may have been made, to your recollection, in the banking hours, were any of those changes discussed with anyone from C&S? A. I don't recall. I really don't recall any specific **[38]** changes, first of all, although there could have been, and if there were I don't recall discussing them with anyone except making up my own mind to do it.

Q. Did you ever, during the time you were at South DeKalb, receive any advice from anyone at C&S with respect to savings account rates? A. Here again, I don't recall that being a real problem or an issue, and I just cannot recollect any conversations along those lines specifically or even—I'm not sure at all.

Q. Can you recall receiving any advice from—or suggestions from anyone at C&S with respect to your banking hours? A. I sought advice relating to the opening—I believe I mentioned this—to the opening on Saturday, which would be

banking hours, and I would think that I discussed it with people within the C&S National Bank to get their opinions.

Q. What I meant was after the bank was opened, you mentioned that there might have been a change or you might have considered a change. A. I don't recall.

Q. In view of the fact that it was only a couple of years ago that you were at South DeKalb, would the fact that you can't recall receiving advice from C&S on banking hours or interest rates on savings accounts indicate to you that it's [39] likely that you did not receive such advice? A. I think it would indicate that it was likely that there were no changes in hours, and it was likely that the necessity of trying to change the savings rates didn't seem important to me.

Q. While you were at South DeKalb, did South DeKalb in any way participate in a program to coordinate its banking hours with the banking hours of any other, either C&S system bank or other correspondent associate? A. No.

Q. Are you aware of any program which involved coordinating the hours of C&S system banks and hours of C&S correspondent associate banks in this area? A. No.

Q. This would be particularly with reference to the question of being open on Saturday. The though would be having banks in a particular area—some of the banks in particular are open on Friday, late on Friday, and others are open on Saturday so that all banks in that area did not have to be open both on Friday—you know, late Friday—and also on Saturday. Does that ring any bell with you? A. No, it doesn't. As I said, I sought advice on when would be the best time to be open, and I know that several people mentioned to me that being out in the community, that being open on Saturday would seem to be much more advantageous, [40] and I agreed with that thought, and that's the reason we opened on Saturday. And in fact, I say I agreed; it might very well have been my original thought. But

I know that other people felt the same way. But there's no communication or coordination between other banks insofar as hours are concerned.

Q. Well, at the time you were kicking around the idea of staying open on Saturday when the bank opened, was any thought expressed in your discussions with C&S personnel as to the fact that your being open on Saturday would in any way fit into a plan to coordinate your hours with those of any other C&S Banks? A. No.

Q. You may have covered this already, but I'll ask it anyway just to make sure. So far as the service charges on checking accounts is concerned, were any changes made in those while you were at South DeKalb—that is, after you started the business? A. That is difficult to answer. There could have been some changes made. I really don't recall. When you refer to checking accounts, we have several classifications of checking accounts, and you might be referring to many company checking accounts. Well, we change our method of analyzing company accounts fairly often, fairly routinely, depending on what the price of money is and what kind of credit we can give a commercial customer for keeping a certain balance, and also, **[41]** where as in a personal account we say if it's over a certain amount you don't have to pay any service charges, where on a commercial account it's handled differently. So when you say "changing service charges," you see, it could include the changing of the credits that we give on company—the interest rate credit we give on company accounts and this kind of thing. So to my knowledge, any significant change, no.

Q. So far as the personal accounts would be concerned, can you recall any change with respect to the minimum balance that would have to be maintained in order to have a free checking account? A. It seems that we did have—and here again I'm not positive—but it seems as if we did have a reduction in the minimum balance required for no service charges on a personal account during the period of time that I was in South DeKalb.

Q. Can you recall how that change came about at your bank? A. I believe at that time we had a reduction. Many of the banks in Atlanta—I think that the Trust Company of Georgia came out with a minimum reduction and minimum balance and, as a result, we felt like it would be wise from a competitive point of view to meet the competition.

Q. At that time what was the nearest Trust Company office to your bank, roughly? A. Well, there's one in Decatur. I don't know how— **[42]** the Trust Company has affiliate banks quite a bit. I do know they have a bank in Decatur. I don't know exactly how far it is. I would say 10 minutes.

Q. Do you know whether the Trust Company Bank in Decatur was in existence at the time you made the change? A. I believe there's a bank in Decatur; I'm not really sure. I think there's a bank in Decatur, but I'm not sure, in answer to your question.

Q. Did you consult with anyone at C&S with respect to lowering the minimum balance? A. I would think that I probably communicated with someone within the bank to get their advice on the situation.

Q. Can you recall what the advice was? A. No, I can't. I think at this time, as I recall, all of the banks in Atlanta either had or it was indicated that there was a drop in the minimum balance. I know that in the past I had been familiar—when I was with C&S National Bank I had discussed it with our comptroller's department about a reduction in this area relating to the cost of the accounts and that the C&S National Bank at that time was studying this particular thing. So I think it was something that many banks found out, that it was as profitable to make this reduction as not. And that's the reason that it came about. They related it to the cost of handling these small personal accounts.

Q. Coud you briefly explain the commercial account that **[43]** you mentioned a little while ago. A. What are you referring to?

Q. Well, you indicated that on the commercial side of checking accounts that there are changes quite frequently, depending on the cost of money. A. Well, I think it's just related to what used to be referred to as the "prime rate." That's no longer referred to in that area as often now. But I think that when the prime rate changed on the commercial accounts we tried to change the credit that we gave the commercial customer to offset the expenses in handling the account. Does that answer your question?

Q. You are still talking about a checking account? A. Yes.

Q. And if I understand you correctly, you would be attempting through the charge on the checking account to make up for what you might be losing in terms of what you would be getting on the loan side with that account; is that what you are saying? A. Well, we're just saying—let me perhaps rephrase it and see if we're communicating. I'm just saying that if a company maintains a certain collected balance with the bank, that we give him a credit for that collected balance, and that credit is based on the money market at the time and what money is worth, and that credit is used to offset the expenses, per [44] check expenses and the statement of expenses for handling that account, and that is used to offset it, and then that difference either is a plus or a minus, as the case may be.

Q. Well, to what extent did you consult with C&S personnel with respect to the changes that you made on the commercial checking accounts? A. Well, let me say this, the C&S National Bank and affiliates kept me pretty well abreast or informed about what these rates were. Being a small bank, the prime rate really does not mean a whole lot to me, so they would certainly communicate with me in this area and also in many other areas about these things that I really could not keep informed properly about.

Q. Generally speaking, how would they communicate with you on those matters? A. Well, I get memorandums, telephone calls, this kind of thing.

Q. What services did South DeKalb offer its customers on its own that would be in the sense that it did not require any assistance from some other bank to offer the service? A. Well, that's—here again, when you say "did not require," we used assistance from the C&S National Bank for most all of our services if you wanted to look at it that way. We perhaps could have handled certain accounts, like checking accounts, for instance. We used demand account processing, but **[45]** we paid the C&S National Bank for that service. There is a possibility we could have handled it with our own bookkeeping and proof departments, but it would have been much more expensive and much more difficult to manage. So when you ask me what could we have offered without using the service of the C&S National Bank, I would say that we just did not choose to not use the services of the C&S Bank. It was much easier and more practical to do so.

Q. To your knowledge, could the kind of assistance that you used from C&S in making your services available to your own customers, could you have obtained the same kind of assistance or something very similar to it from other banks or large banks in this area? A. Well, I don't think so. I don't think the other banks have the management that the C&S does, and I think that I could get more expertise from the C&S Bank than I could from the C&S Bank than I could from the other banks.

Q. The use of the computer on your checking accounts that was mentioned, would that be a service that, to your knowledge, would be available from other banks in this area? A. Yes, I would think from the large banks it would be available.

Q. Could you, in just general terms, indicate the categories of services that your bank offers—and when I say "your bank," I mean South DeKalb? **[46]** A. Well, it offers savings, checking, and, of course, drive-in banking; all different kinds of lending. If we had need of trust services we would refer trust prospects to the C&S National Bank. We do not have our own trust account,

but we certainly want to take care of our customers if they have a need in that area, and also that would be true with profit sharing and pension and this kind of thing. We offer just any service that anyone would need. If we didn't offer it at that bank and we couldn't handle it at that bank, then we would see that the customer was served through the facilities of the National Bank.

Q. Are you aware of any other institution in—we'll say in Georgia, other than a commercial bank that offers a demand deposit service? A. No.

Q. Are you aware of any other financial institution in Georgia other than commercial banks which make available to the public the variety of loans that would be available at your bank? A. No.

Q. To your knowledge, from what institution or institutions do businessmen generally obtain the funds they need to operate their businesses? A. Well, they obtain these funds from stockholders, and they obtain the funds from creditors, they obtain the funds [47] from personal savings or personal monies or personal net worth; they obtain the funds from other people who make loans to them; they obtain the funds from—when I say "creditors" I mean suppliers, when I said "creditors" previously —they obtain funds from commercial banks.

Q. What type of loans does a commercial bank make to businessmen, or perhaps I could put it in this term: Is there any type of funding that a commercial bank does for a businessman to satisfy his credit needs, or would a bank be able to provide all the credit needs of a businessman? For example, you mentioned a businessman would get funds from his stockholders. Well, would the type of funding that a businessman gets from his stockholders be available from a commercial bank?

Mr. Doyle: I object to the question. First, it's phrased in terms of "would," which is on the verge of being hypothetical. It calls for speculation and it's objectionable on that ground. I object further on the grounds of vagueness. Would a business-

man of a type undefined, from a bank of a type undefined, obtain funds of a type undefined? It's so vague that I don't think it can be answered within the limitation it's framed in.

Mr. Kinkaid: I accept your objection, because——

By Mr. Kinkaid

Q. ——what I'm trying to get across to you, what I'm [48] getting at is a difficult question to ask in five or six words. For example, are you familiar with the term "working capital"? A. Yes.

Q. What does that mean to you? A. Well, it's the capital that the bank uses in its day-to-day operations—I mean that a business uses in its day-to-day operations.

Q. Now, would commercial banks—would your bank, for example, provide working capital to a businessman? A. I believe you're asking me do we make working capital loans, and the answer is yes.

Q. Do you make any other loans to businessmen which would not be categorized as working capital loans? A. Yes.

Q. What would they be? A. Well, we make longer term loans, term credit loans that can be money, that does go into the business on a more—for capital expenditures which would not be repayable from over a—on a seasonable basis but would be repayable from profits over a period of perhaps years. We could get in the area of real estate loans that would be payable out of income. It just depends—there are many, many kinds of loans that we might make.

Q. Does your bank make available to businessmen any type of credit which would not be available from another [49] financial institution? A. What do you mean by "financial institution"?

Q. Well, any institution other than a commercial bank which is involved with money. As examples, savings and loan associa-

tions, insurance companies, I guess credit unions. A. I would have to say that all commercial banks make loans that would not be at this time readily obtainable from savings and loan associations and insurance companies. And in that framework, my bank would be one of those.

Q. What type of loans do you have in mind specifically there? A. Well, just what I mentioned before. When you start talking about working capital loans or when you start talking about term credit loans or—well, those receivables loans, inventory loans; those kind of loans.

Q. To your knowledge, are those types of loans available from any other institution other than a commercial bank at this time—I mean to your knowledge, of course? A. No, not to my knowledge. I'm sure any kind of loan is available if a person would look hard enough and would have the proper credentials, from personal investors or a group of investors; just many ways. But generally speaking, we would be the institution—a commercial bank would be the institution that would handle those kinds of loans.

Q. Is your bank's ability to offer the range of services **[50]** that you have indicated earlier, is that ability of any assistance to you in attracting customers to the bank? A. Yes, very definitely.

Q. Could you tell me in what way that helps? A. Well, as I said, we have assistance from the C&S National Bank in relation to trust services, to payroll processing services, to pension and profit sharing services, to freight payment services, to charge account services, and it certainly enables us to take care of the customer, whereas if we did not have these facilities we could not do it.

Q. Are you saying that the ability, then, to take care of many needs of your customer is what helps you in attracting customers? A. I'm saying that it's certainly a very important factor

and that if we weren't able to take care of these needs we would certainly lose customers.

Q. Incidentally, to your knowledge would the services that you mentioned that you would obtain through referral to C&S, to your knowledge would those services be available from another large bank in this area? A. I would say that some of them would. I feel as though the C&S National Bank offers more of these and offers better service. I don't feel like you would get the same service that South DeKalb gets with another bank in the Atlanta area.

[51] Q. Let me understand you correctly, then. Are you saying that you could get the other services, that they would be available, but in deciding from whom to take the services, you would have to take into consideration the quality of the service that is available? A. I think that one of the most important factors would certainly be the quality, but I don't feel as though all of the services would be available. So my response would be that no, all of the services are not available at other banks that are available through the C&S National Bank.

Q. Could you give me any specific examples of those? A. Well, I could say freight payment would be an example that we could offer our customers that—to my knowledge, now—many of the banks don't handle. We have certain services in the pension and profit sharing; investment services, this kind of thing that I'm not familiar with other banks offering. Our charge account service is certainly unique. It's the only one, really, like it in the United States. And that's what the C&S National Bank offers South DeKalb. Those come to mind just readily.

Q. Would your bank's ability to offer these various services be of any assistance to your bank in competing with other financial institutions as to certain types of customers? A. Well, certainly the more services that you can offer provide you with a competitive advantage. If you can take [52] better care of a customer and you can take care of his needs, I think it's ob-

vious that he's going to come to you, as long as you are providing the quality service that is necessary, before he will go to someone else.

Q. Excuse me; I didn't mean going to another commercial bank. I meant going to an institution other than a commercial bank. I didn't make that clear. A. Let me have your question one more time.

Q. Well, would your bank's ability to offer a variety of services be of any advantage or assistance to you in competing for certain types of customers with financial institutions other than commercial banks? A. Well, I think it would be of an advantage. How much depends on many, many things. But to supplement my previous answer, I think that the more services you have, the better position you are in to compete with anyone.

Q. And if I understand you correctly, it's the number of services as well as the quality of services that is important? A. I think so, as long as they are services that are demanded by people within a certain area that you can serve.

Q. I think we have covered this to some extent, but perhaps we can sharpen it up a bit more. When you were at South DeKalb, who were your commercial banking competitors at that time? [53] A. First State Bank and Glenwood National, Bank of Georgia. Maybe you could perhaps include some of the Banks in Decatur, in the square, which would be First National and Fulton, I know; I think the Trust Company.

Q. Can you recall the closest office to South DeKalb of a member of the C&S system or another correspondent associate? A. Sure. I think the C&S Belvedere was probabiy the closest, and it was about 10 minutes away, I guess. I don't remember how many miles. I would say 10 minutes away.

Q. At that time was Belvedere a branch of C&S DeKalb?

Mr. Doyle: At what time?

By Mr. Kinkaid

Q. This would be—let's see, you started—— A. September of 1969?

Q. Yes, sir. A. I really don't remember. I don't think it was, but it might; I really don't know.

Q. Did you consider Belvedere one of your competitors? A. I considered them a competitor in the same sense that I would consider, when I was at the South Expressway Branch, that I considered the C&S Bank of East Point and the Stewart-Lakewood office branch of Atlanta and those people as competitors. I guess you would say they would be friendly competitors in that—but no different from what I would **[53A]** consider another branch of the C&S Bank when I was a branch manager. We always have had friendly competition.

Q. Do you have unfriendly competition with the other banks? A. I have on occasion. It would be more unfriendly than it would be with some affiliated with the C&S. Let's put it that way.

Q. Except for the element of friendliness, would the competition between South DeKalb and Belvedere be any different, from your standpoint, than the competition between South DeKalb and, let's say, Glenwood National Bank? A. Well, it would have to be different because I would consider Belvedere a member of the C&S family of banks, and I would certainly not hold them in the same light as I would someone who had no interest in the C&S Bank.

Q. If you can, as a practical matter, how would that difference work out in terms of the operations of your bank? A. Well, as I say, it would be the same as a branch. I certainly would solicit business from anyone at any place throughout the United States if I can get them to do business with me. But, in the same light, I would be more inclined to solicit and be more

aggressive getting business from someone who did business with the Glenwood Bank or one of the other real competitor banks than I would someone that is affiliated with the C&S Bank. I would not be as aggressive [54] in that area because I would use my efforts in trying to obtain that business that did not benefit the C&S.

Q. When you were at South DeKalb, did you have any understanding with C&S that you would in any way modify your competitive efforts vis a vis other members of the C&S system? A. Well, I just don't think that that was worthy of any comment at all. I didn't feel and don't—I just did not feel the necessity for competing on an aggressive basis with the C&S Belvedere Bank. I had as much as I could do to compete against the other banks there. I might add that the C&S Belvedere Bank would be of assistance with me rather than be competing, and I would be of assistance to them on occasion. We might mutually call on a customer, which has been done, and when one of us might not derive any benefit from it.

Q. Was that pursuant to any program of the C&S system, your mutually calling on a customer with, say, Belvedere? A. I could say any formal program; no, that just happens to be the way I operate. And when I was at South DeKalb, a good friend of mine was at Belvedere, and we were very friendly toward each other and still are.

Q. For example, in soliciting new business for your bank, would you or did you attempt in any way to coordinate your efforts with those of any other members of the C&S system or any other C&S correspondent associate? A. Sure. If I felt like there was someone within [55] my area that I could serve and serve better at my bank, and they had a relationship with Belvedere or had a relationship with the National Bank, and they were not doing business with the C&S South DeKalb Bank, I would use every weapon at my disposal to get those folks into the C&S South DeKalb Bank.

Q. But would you coordinate those efforts with Belvedere or C&S National? A. Not necessarily. I might, because many times in our busines when you are calling on a customer, it also involves credit. I have called on a customer before and he said, "Sure, I'll bank with you if you will loan me a hundred thousand dollars." And you have to take that into consideration. So one time you are a salesman, and the next time you are a credit man. And so we try to coordinate those kinds of activities. Also, I will have to say that on occasion I will coordinate with any bank because most people should not be banking—if they are credit customers they should not be banking with but one bank unless they are very large type customers, because you simply can't maintain proper control or understanding of their credits if they are spread out, and I have with the Belvedere, with the National Bank or with Glenwood National or with any bank. On occasion I have told the customer that he was going to have to bank with one bank because from a credit viewpoint we just simply could not keep up with his activities if he didn't.

[56] Q. So, so far as you're concerned, any coordination from your standpoint would have been in terms of finding out what this man's credit worthiness was and trying to keep control over his credit ability so far as you were concerned? A. Well, there are many kinds of customers. Some are credit customers and some are deposit customers and some are both, and I was just saying—you asked me a general question, and I was replying that there are occasions when you want to communicate and coordinate because they are borrowing customers, and if you don't, you may find out that he has just made a large loan at an institution, competitive or friendly or affiliated, and you might make him another large loan at the same time based on that statement, and both of you would be in hot water and he would be in Hawaii somewhere.

Q. What would be the reasons for coordinating on a deposit customer as distinguished from a credit customer? A. Give me that question one more time.

Q. Well, maybe I had better ask the basic question first. Was there any attempt on your part to coordinate your efforts to obtain deposit customers, coordinated with the members of the C&S system or any other correspondent associate? A. Well, not with a correspondent associate necessarily, but—and I didn't coordinate; if you say "coordinate," I did not coordinate ahead of time, necessarily, or communicate ahead of time. Now, I would on occasion, if the C&S National [57] Bank had information that could help me in making a call, I would get that, and that's a tremendous service that the bank offered us. But other than that, all I did simply was call on the customer. Now, I did report that normally in the form of perhaps just—I say "normally"; sometimes I would report it, sometimes I wouldn't, but I would report the name and who I called on and communicate in the form of a report, just a simple listing through the C&S National Bank. The reason for that is, quite frankly, the C&S National Bank worked with me in doing the best job possible, and I wanted them to know what kind of job I was doing out there, and I would report to them when I made these calls so they would be aware of the job that was being performed.

Q. Did they ask you to make those kind of reports? A. Yes—I mean when you say "ask," I did it when I was with the C&S National Bank, so I just continued doing it. I don't remember anyone asking me, but I did do it.

Q. To your knowledge, when you were there, at least, did South DeKalb have any loan customers who were located outside Georgia? A. I don't know. But it wouldn't be too unusual to have a few. I mean it could have happened. I don't remember any right offhand and outside of Georgia.

Q. Well, how about any personal checking accounts; can you recall any at South DeKalb who were outside the state? [58] A. Personal checking accounts?

Q. Yes. A. I might be misinforming you, but I don't recall any right offhand.

Q. How about commercial checking account customers; can you recall any—— A. Well, when you say "outside the state," now, as I understand it you mean they did not have an office there; they did not have any—if you're talking about home office out of the state, I would have to say yes. But now if you're talking about that had no establishment in our area, then I don't recall any.

Q. Can you recall any savings account customers—first let's take personal savings account customers located outside the state. A. Yes. Now, we had personal savings. I don't know how many now, but we did have some personal savings I know from Florida and maybe perhaps in some other areas. I believe we had some from Tennessee. But those were primarily the efforts of our directors. We had one director who was very aggressive in that area, getting business for the bank, and he got us some savings business, and I think I had a relative in Memphis, Tennessee that opened an account or two with us.

Q. How about on the certificate of deposit side; can you recall out of state holders of your CD's? **[59]** A. I just can't right offhand. No, I simply don't recall any.

Q. While you were at South DeKalb, did you have occasion to purchase any of these things that I believe are called "Federal Funds" or "Fed Funds" in the trade? A. I did, I think, very seldom, but I did on occasion.

Q. Let me make sure I understand "Fed Funds." Are those funds purchased, technically or actually, from another bank? A. They are funds that—yes, that other banks—I think they are handled—I don't know exactly how they are handled because I called the Bond Division downtown, and they are the ones that would handle this for me, but I believe they are funds that are pooled. When other banks have their excess funds that they don't need to meet the reserve requirements, they put those on the market, and they sell them from one day forward any number of days. And then you would have lenders

and you would have borrowers, and those banks who are not able to meet their reserve requirements because of loan demand or deposit shrinkage, then they borrow Federal Funds. And I believe on occasion we borrowed; not often but maybe once or twice we borrowed Federal Funds because we were short of our reserve requirements. I don't believe we put any in Federal Funds but——

Q. I was just about to ask you that. A. We didn't—we were working our money pretty strongly.

[60] Q. On the occasions when you purchased Fed Funds, can you recall the bank from whom they were purchased? A. I wouldn't know. I mean it's just a market, and, as I recall, what I did was I called our—and I say "our"; the C&S National Bank's Bond Division and told them I wanted to purchase whatever Federal Funds that I needed to make me meet our reserve requirements, and they did it for me, purchased it for me.

Q. To your knowledge, those Fed Funds that C&S National would be handling, would they be the excess funds of commercial banks in other states than Georgia or throughout the United States? Do you have any idea or not? A. I think they would be everywhere. I think it's just a market, and I'm under the impression—in fact, they keep up with how much is in the Federal Funds market, so it would have to be a national market.

Q. In terms of your bank's operation, is there any difference in your mind between the term "income" and the term "earnings," or are they the same thing? A. They're the same as far as I'm concerned.

Q. Okay, so I'll use "earnings," then, and it would mean the same thing as "income." From what source, or from what activity, if you prefer, does your bank obtain most of its earnings? A. From loans.

[61] Q. Would loans be the primary source of your earnings? A. Yes.

Q. Are there any other that you can think of? A. Oh——

Mr. Doyle: Now, wait a minute. What's the question?

By Mr. Kinkaid

Q. From what activities of the bank—— A. The primary source of earnings?

Q. The primary source of the bank's earnings. A. And I said loans.

Mr. Doyle: How can you have anything else if you're asking him about "primary"?

Mr. Kinkaid: Okay; all right.

By Mr. Kinkaid

Q. Is there any other source that's not primary from which you also derive earnings? A. We derive earnings from service charges. We derive earnings from bond income. We derive from other income. We derive it from fees.

Q. Now, what would be the source of your bank's—the money that your bank uses in making the loans which you have identified as the primary source of your earnings? A. From depositors and capital.

Q. Would capital and deposits also be the source of the other activities from which you also derive some earnings? [62] A. Not necessarily. It could be related. It's all related, but I would say that you can have—people come in to buy Travelers Checks, for instance, that have nothing to do with deposits.

Q. Has your bank ever been in the position where it could not make additional loans because of the lack either of capital or deposits? A. I would say the answer to that would be no, that it's never been in the position where it could not make

additional loans. My bank is in a fortunate or unfortunate position, depending on how you look at it, where they have a tremendous loan demand. I think it's a very fortunate position, and, of course, what we try to do in a case like that, there are lending areas and there are deposit gathering areas in cities, primarily in cities, and what you try to do is if you are a deposit gathering bank you try to increase your loan activity because your deposits come rather freely. And you don't forget your deposit activity, but you try to increase your loan activity because you can maximize profits that way. And the converse is true, too. But I would say this, I don't think that any time that we've had a good loan request, a bona fide loan request, that we couldn't either handle it at South DeKalb or see that it was handled. We would not turn the customer away. We might use our sister banks. We might refer them to a sister bank. This is what I [63] mean. We might do that or we might ask the C&S National Bank to participate or to buy off some of our loans. But I don't think a bona fide good customer would be declined, not to my knowledge.

Q. If you put aside the opportunity to refer the customer or to participate on his loan request, in that sense have you ever been in a position where you could not make a loan because of lack of capital or lack of deposits? A. Well, I've never been in that position. I've always been able to make a loan if I thought it was beneficial to the bank. I've had tremendous assistance from the C&S National Bank in this area.

Q. Is that something that could happen or is that just a fantasy? A. Oh, it's possible, yes. If you don't have an affiliation, you can have a real problem here. There's no doubt about it. If you did not have an affiliation and you had more loans than you had deposits, you couldn't do it. You have a guide; we try never to normally get over 80 percent loans to deposits. That's just a guide; that's no regulation. And most banks are much more conservative than that. But this happens to be my guide, let's put it that way. Because if you have that

kind of loan to deposit ratio, depending on where you're located, you can maximize your profits.

Q. What would happen to a bank in the situation where **[64]** it was lacking the deposits to make additional loans? What impact would that have on the bank's operations? A. And it was not affiliated with the C&S National Bank?

Q. Or not affiliated with anybody. A. Well, it just couldn't make the loan. They would just have to say, "I can't make it. I don't have the money," just like if you don't have money in your pocket and somebody wants to borrow money from you, you can't make the loan. That's what happens. You would have to go out and raise additional capital or raise your deposits or make some of your other loans pay off. Now, you have the alternative, if you have a real good prospect come in, you could say, "Look, I'll make you this loan," and you have some other loans over here that, if you wanted to, that were people that were not as credit worthy, you could require them to come in and pay off, if the loan were on a demand basis or something like that to pay it off. But that's very—I have never been a party to that, and I don't believe that I would be very inclined to do that.

Q. How would the bank go about raising the additional capital on deposits to meet that situation? A. Well, you can sell stock. You see, if you have a loan demand like that, it's obvious that you have a very profitable situation, so you can raise—I say you can; I would think you could raise additional capital to put in the **[65]** bank. Another way that you can increase your liquidity—which is what we're talking about—is not trying to sell loans so hard. You know if you don't try to sell them, if you don't try to sell, for instance, installment loans, then they will run off, and when they run off you have an increase in liquidity, and you can handle them. This is what management of a bank is all about. And, of course, you have investments that are supposed to help you in this area,

so you can sell investments, too, and that's a secondary market to increase your liquidity.

Q. In that same situation, how would you go about trying to increase your deposits to support the additional loan activity? A. In that same situation where I'm not affiliated with the C&S National Bank?

Q. Or, as I said, any other bank. A. Okay. How would I try to increase the deposits?

Q. Yes. A. Well, I would look over my stockholders and see who—there are any number of ways. I would put on a program to try to, from a new business point of view, to try to increase savings. I would do that by working through my employees, by having an employee contest or competitive situation. Then I would work through my stockholders, sending out letters or calling them and asking them to support us. And then I would **[66]** work through my present customers by cross letters, cross selling through letters, writing your loan customers and asking them for deposits or writing your deposit customers and asking them for more deposits and then go through my prospect list, and that fellow that has been promising me but hasn't been coming in, I would go see him. Okay?

Q. Okay. A. Do you think I would get them?

Q. I think you would. Would you in that situation be not trying to get all kinds of deposits—by that I mean both time and savings deposits as well as demand deposits? A. I would be, but if I have a loan situation I'm a little bit more interested in time deposit money than I am in demand deposit money, because demand deposit money is going to stay with you longer. So I would be more interested in that, although I certainly wouldn't turn down any demand money.

Q. Would one way to get the additional time money be to increase the interest you're paying on time deposits? A. You could do this, yes, but I'll tell you, I normally don't—and this

may be incorrect—but I don't normally put as much emphasis on price as I do on service. You could increase it, but I think if you go out and ask for the business, you could probably get it a little bit quicker, [67] maybe. I mean that could be debatable.

Q. Are you familiar with the term "primary service area" or "primary trade area"? A. I wouldn't say that I'm familiar with that term. In any business I think you have an area that you consider the most lucrative area for you to cultivate.

Q. At the time that you were at South DeKalb, could you estimate the area around the bank from which you would have obtained, say, 75 or 80 percent of your deposit accounts? A. When I was in the day-to-day operations of the bank, I had an area that I felt like would be convenient—when you get too far from your bank, then it becomes an inconvenient factor for the customer and it becomes a little bit more difficult, but this does not rule out that you would have customers in other areas. So I can't give you a boundary for a primary area, although I think it would be normal for me to—and it would be true for me to say that when I got out too far that I didn't have the same benefits and convenience to offer the customer as I did closer in.

Q. How far, roughly, would you have to go out before you lose that convenience factor? A. Well, it's difficult to define like that. I don't know; I mean if you've got—you might say, "Well, you've got another bank here, so I'm not going to call on the fellow that [68] is in business right next door to that bank because he certainly is not going to come two and a half miles down the road to me when he can step right next door." But if the other bank—or it could be another type of institution—if they are not taking care of that customer and not serving him properly, then I have been there and I have been able to get some business in that manner. And then, also, sometimes having customers outside of a particular area has to do with the type of service you provide. And I've had customers that do

business with me because of that. I've got some customers now —we're talking about areas—that do business with me in Milledgeville that live in Atlanta and borrow large amounts of money and also have deposit accounts with me and are very, very fine folks; not marginal, but I mean good customers, and it's strictly because I've taken care of them over a number of years.

Q. Is this convenience factor you mentioned, is that important only to deposit customers or is it also important to other types of customers, particularly credit customers? A. Well, here again, I think a customer or a prospect is interested in convenience. It certainly is an important factor. It is not the only factor to a deposit customer nor to a credit customer. There are other things that are important also.

Q. Would there be more things important to the credit customer than would be true for the deposit customer?

[69] Mr. Doyle: I object to "the credit customer" because you are talking about a construct that I don't know the dimensions of. You are obviously talking about some sort of a hypothetical, and I don't know which hypothetical item you're talking about.

Mr. Kinkaid: Well, the same one that Mr. Berry has been referring to in our previous discussion. I don't know if you heard it all, but——

The Witness: Well, I think your deposit customers and credit customers are one and the same in many instances, and it's hard to distinguish one from the other. One might be a credit customer and tomorrow he might become a deposit customer. One might be a deposit customer and tomorrow he may become a credit customer. So it's very difficult to really distinguish one from the other.

By Mr. Kinkaid

Q. Within the area, the convenience area that you mentioned a few minutes ago, thinking of that area in a geographic sense, could you estimate the percentage of your loan customers who were located within that area when you were at South DeKalb? A. I just simply could not—the only way that I can say anything about an area there that would be considered the most lucrative area would be to say that the majority of business would normally come from people that are convenient [70] to the bank. But to continue this bit of information, I would say that we had customers—I can think of a customer that we handled some development, building, construction loans and all, for down in Henry County. We had another fellow that did business with us, the treasurer of a local company, who is located down on Lake Spivey. So I know, as I mentioned to you in our casual conversation, we handled the financing of a Little League ballfield right over in Sandy Springs. So I really don't have a definite boundary line or area or this kind of thing that I referred to. To reiterate what I previously said, I think that in the managing of a bank, you think of a particular area as one where you would derive most of your business, but I can't define the geographical location or boundaries of that area.

Q. Are these two or three loan accounts that you just mentioned—the one at Lake Spivey and the one at Sandy Springs, et cetera—were those—did those accounts involve relatively large amounts of financing, to your recollection? A. Yes. The one at Sandy Springs I don't remember how much, but it was considerable. When you say "large," how much—what are you——

Q. Well, excuse me. I was just about to ask you whether you in the operation of your bank ever have occasion to refer to your customers as "large" customers or as "small" customers, or do you use terminology like that? [71] A. I might use it in discussions, but with no meaning at all, and it's a very difficult thing to define. I don't know, really, what you mean when you say "a large customer." I'm sure we could take it to the ex-

treme and say someone who borrows a million dollars is a large customer and so forth, but we might not be communicating in that area. To me, the loans that were made in all three of these areas would be large loans. They would be in the several thousands of dollars category and not in the hundreds of dollars.

Q. Would you consider someone who borrows under a hundred thousand a small customer or a large customer? A. I would say that would be—it depends—in other words, I could not use a hundred thousand dollars as a cutoff. I would say a hundred thousand dollars would be large to me; fifty thousand dollars would be large to me; twenty-five thousand dollars would be large to me; ten thousand dollars would be large to me. I think when you get on up into—and then it's relative again. On the other hand, relating to certain types—and I'm not trying to be evasive here—but relating to certain types of loans, a hundred thousand dollars might be small. For instance, if somebody wants to make an apartment development type loan or a residential development type loan, a hundred thousand dollars is small. Or if somebody wants to put up a medical building, a hundred dollars is small, we've got to talk about a half a million. It just [72] depends on what we're talking about. But if an individual comes in and wants to borrow $10,000, then that's a large loan, if it's just for a personal type loan.

Q. Well, at this point let's limit our discussion to commercial loans as distinguished from personal loans. Did you have any small commercial loans any distance from your bank, say Sandy Springs or Lake Spivey, to use the examples you gave us before? Can you recall having any small commercial loan accounts say in Sandy Springs or as far away as Lake Spivey? A. When you say "small," here again are you using my definition?

Q. Yes. A. You're saying below $10,000?

Q. Yes. A. No, but I'm sure we did—well, yes, I can remember one that a fellow finally got in financial trouble on. But I did handle a little finances for him. He worked out at

Lockheed, personal type loan; automobiles and this type thing. Finally went in business for himself and had a problem. But yes, this would be one. It ended up in a large loan, but when we were handling it previously, it was a small loan.

Q. Now, to your recollection would that have been the exception? A. Well, when you say "exception," I think—as I've [73] stated before, I think the majority of the customers would be in the area that the bank primarily serviced, which is a little difficult to define.

Q. In terms of within that area that—well, we're not trying to define it in specific terms, but within that area which you have been referring to, among other things, as the convenience area, would the closeness to your bank involve any factors so far as the commercial customer being able to do business with your bank is concerned? Would his closeness to your bank be a factor in any sense other than strictly convenience? A. I don't understand what you're asking.

Q. Maybe I can ask it a little more naively, perhaps, but so far as credit worthiness is concerned, your ability to decide whether this loan, this prospective loan customer is a good credit risk, would be a good loan for your bank to take on, does distance create any problem in terms of determining whether this prospective loan customer is a good account? A. Distance can be a factor as well as many other factors, but if you have distance, then obviously you don't see the customer as often as if he were next door, because it is not as convenient to him. But that would be one of many factors, and in any credit decision you have many, many, factors to consider, and nobody makes a hundred on all of them.

[74] Q. The farther away he is from the bank, does he become less familiar to you in your day-to-day operations? A. No, not necessarily. I mean I would say this, if he is near the bank, he has the opportunity to come in the bank, because it is more convenient to him, more often. But the further he is away would

not—in other words, you couldn't say that because someone is 10 miles away, he's got this kind of credit factor; because he's a hundred miles away he has a lesser credit factor I would not agree to that. I would say that if a man's nearby, it's more convenient for him to come in, and that certainly is one of several factors that you would consider, because at least you see him more often.

Q. Did South DeKalb have a loan committee or finance committee? A. Yes. I don't recall whether we called it a loan committee or an executive committee. And we still have this committee, (but I don't remember whether it's the loan committee) or the executive committee.

Q. What would be basically the function of this committee? A. Well, this committee would review loans in excess of 10 percent of the capital and surplus in the bank.

Q. Would that be it? Would there be anything else? A. No, that would be about the extent of it.

[75] Q. Did you have a committee at South DeKalb that was involved with deciding whether to approve a particular loan request? A. As I just said, this committee has to approve any loan that is over 10 percent of your capital and surplus——

Q. Excuse me; I thought you said "review." I thought that meant the loan has already been approved, and that's simply reviewing it. A. Well, I think we've got a question about terminology here. They have to—in effect it has to be approved at one time or another by this committee. Whether or not it is approved subsequent to or prior to is a different situation. This committee has to be communicated with because of law, and it does have to be approved at one time or another. It could be subsequently, but it does have to be approved by this committee.

Q. Are there any loans—or were there any loans made by South DeKalb that were reviewed by anybody at C&S National

or Holding or any other member of the C&S system? A. Well, when you say "reviewed," we have credit meetings on a weekly basis where we got the benefit of the thinking of various individuals, and we would have affiliate, 5 percent affiliate banks and affiliate banks and branch banks, managers and presidents, as the case would apply, get together and discuss various loans that had been made during the week—**[76]** and I don't mean every loan but large loans and this kind of thing—to try to seek the benefit and help of the other individuals involved. Some could offer more, depending on their experience.

Q. Did you have any meetings specifically with respect to South DeKalb loans? A. The only type meetings that we had that I can recall specifically relating to South DeKalb loans would be—I believe that we employed a credit auditor to come out and audit our loans for the benefit of management and the directors. And so we discussed his particular summary of his audit. I don't remember the details. We might have had a couple of these. But we do use this normally. I use it at the bank I'm at now. It's very helpful as a management tool.

Q. Was C&S or any personnel of C&S involved in the approval of loans made at South DeKalb? A. No. I've never had anyone that had to approve loans that we made, if this is what you mean. We've communicated and we've asked for assistance, but we made the loan with the assistance of our board of directors.

Q. Did anyone from C&S ever direct you not to make a particular loan at South DeKalb? A. No, not to my knowledge. I have never been directed that I can recall. Now, it has been—I've asked for help and assistance, and I have been—things have been pointed **[77]** out to me; points have been made related to a loan that would indicate that it would cause me a problem, and I, in effect, have made a decision whether or not to make it. But loans are not made by people at the National Bank for South DeKalb, fortunately or unfortunately.

Q. Were you ever directed by anyone at C&S to make any particular loan at a particular rate of interest? A. No. No, not to my knowledge. I might mention in relation to making loans, even when I was with the C&S branches when I was a branch manager. I made my own decision and made my loans. So, I didn't communicate at that time until after the fact.

Q. When you were at South DeKalb, did you receive any suggestions from anyone at C&S with respect to the interest rate on a particular loan? A. Any suggestions?

Q. Yes. A. No, I mean normally it would be the other way around. I would ask for help many times, not just from C&S National but from C&S National sometimes and from other parties to try to establish, as I mentioned earlier what kind of rates should be charged on a particular loan, to take into consideration the servicing factors and the interest rates. Many times, like on a receivables loan, you have a blanket type receivables loan or you can have a specific receivables loan or you can [78] have—you get into an inventory loan, how you are going to audit it or how you're going to check the aging on your receivables, who's going to do it, and many times I would use the C&S Bank to service these loans. And on some occasions we would have to communicate to see what kind of charges they were going to make me pay to have them check the receivables and this kind of thing.

Q. We were talking earlier about the earnings of the bank. Generally speaking, what is done with the earnings of the bank, or what was done with the earnings of the South DeKalb Bank? A. We put it back in the capital and undivided profits—not in the capital accounts but in the net worth section but under the undivided profits accounts so we would have a little bit of money to use and then try to help that bank.

Q. Did you, while you were there, pay any dividends to the stockholders at South DeKalb? A. No, unfortunately I didn't.

Q. While at South DeKalb, did you receive any services from C&S National for which South DeKalb did not pay C&S National? A. Did not pay C&S National? Well, as I mentioned, advertising; we got the benefit of it. It wasn't a direct thing, but being in metropolitan Atlanta we had the benefit **[79]** of it; primary services we would receive along those lines. Well, I would have to say yes, we did. And here again, when I say "I would have to," that's just a manner of expression; I would say yes. We had a big help from the C&S National Bank in constructing that branch. I'm not very talented in that area, and I asked for assistance, and the Property Division came out and helped me very much in being sure that that bank was constructed properly and in the right manner. That would be one area. Advertising would be another area. Many times we need assistance in relation to loans, how a loan should properly be documented or what kind of information might help us in trying to make a decision. And certainly I couldn't know all the answers and don't profess to and would ask for this kind of help. This is of tremendous help to us. I can't emphasize this too much. And the C&S Bank has just many different areas that I could communicate with and it would help me in a professional manner, arrive at a sound conclusion for my customers.

Q. Outside the area of advice that you just mentioned, did you receive any services from C&S for which you did not pay? A. Well, outside the ones I've mentioned—I don't have a listing of them right now. I can't think of any specifically, but I think that the advice and help that I got was just tremendous. I mentioned, I think, personnel. I don't believe **[80]** I paid for that. As a matter of example, I believe they helped me in that area of assistance in interviewing personnel, and also the C&S National Bank had what they called a "Traveling Team." This is just coming to mind with the question you asked. They had a "Traveling Team" whereby when banks got real short on personnel, experienced personnel, they offered us the assistance of having someone from this team come in who was experienced,

and our system, of course, was so similar to the National Bank's system that they could come in and help us. And we paid these people. But still, to have that kind of person available, if you were not affiliated with the National Bank you certainly couldn't. One day when you have too many people out for one reason or another, have assistance in that area. Those things come to mind right off the bat.

Q. Well, let me ask you this, did South DeKalb maintain a demand deposit account at the National? A. Yes.

Q. Was that in the nature of a correspondent balance, if that's the correct term to use? A. That's correct; it would be a correspondent bank account. Yes.

Q. What was the purpose of that correspondent account? A. Well, to clear our checks drawn on other banks. We would clear them through that account, and then the C&S National **[81]** Bank would collect them.

Q. Was any correspondent balance maintained at C&S National or any other C&S affiliate for the purpose of paying for services provided by National or an affiliate? A. No. We had one account at one time; I don't believe that we still have it. It was so small; I mean it was really a small account that I don't believe it would be of any significance, that we had at the C&S Emory Bank, and maybe it had, I think, $25,000 in it. But I don't even believe that that's—it might be, but certainly it wouldn't have anything to do with any connection with any services or anything like that.

Q. To your knowledge, is the maintenance of a so-called correspondent balance the usual way of paying for correspondent services? A. Well, I think this, that if you had a large balance in a bank account that the bank wouldn't necessarily tend to send you a bill for services rendered. I think it would depend on the type account you had, really, more than anything else, the type of account you had and how profitable it was to the bank.

Q. You mentioned that while you were there all the earnings

of South DeKalb went back into the bank, so to speak. Did any of your South DeKalb earnings in any way end up in C&S National? **[82]** A. No.

Q. Would there have been any way in which any of your earnings could have ended up in C&S National other than if you had paid a dividend and C&S would have received a dividend would have received a dividend on its 5 percent stock interest? A. Well, I don't know whether there would be another way or not.

Q. When you were at South DeKalb, were you aware of what, say, C&S National and C&S affiliate banks and other correspondent associates were paying on savings accounts or charging for checking account services? A. Yes, sir, generally.

Q. Generally speaking, how did you become familiar with service charges and interest rates applicable at other correspondent associates or at C&S National? A. Well, I also knew what the service charges, generally speaking, and the interest rates, generally speaking, were at not only at the C&S but also at the competitors. You just have to know what other people are doing if you're going to be competing with them. And so I knew that about competitors, and I think also that—of course, I was brought up through the C&S National Bank, and certainly I had to be familiar with its service charges through my experience and also with the affiliated banks, too. We would have customers, for instance, that would come in the bank at South DeKalb and want us to **[83]** straighten out their checking account which was carried at the C&S Belvedere Bank. So it was very simple that you just had to find out what the situation was and how they were handling it. And many times we would service a customer, even though it was with an affiliate or another bank.

Q. Can you recall whether or not your service charge on checking accounts and interest rates on personal savings accounts at South DeKalb were the same as they were, say, at

Belvedere? A. There could be some difference. I think generally they were the same because we were really in kind of the same market area. But, as I mentioned previously, at C&S Milledgeville we've got differences just in several different categories because we've got a different market area.

Q. Does it make any difference to you as president of South DeKalb whether or not your interest rates and service charges were the same or different from Belvedere, as an example? A. Well, I didn't—I mean Belvedere didn't make that—I didn't adjust my interest rates and service charges related to what Belvedere did, quite frankly. I didn't contact Belvedere and ask them what their rates were before I would make a decision on what I was going to do at all. I think that what the competition does, though, or what anybody does, I have to be apprised of that kind of information. If I don't, **[84]** I've got a problem.

Q. So far as competition for loans is concerned, has it been your experience, particularly since you were at South DeKalb, that the interest rate that you would charge on a loan would be the only competitive weapon that you would use, or would there be other weapons, if I may use that word, that would be available in competition for loans? A. Well, I'm not real happy with your word, "weapon," but we'll live with it; it sounds like we browbeat our customers. But I do think that there are many considerations when you are talking about a credit other than rate. Rate is a factor, but it is one of many factors, and I really feel like that a customer can sense when you are looking after his interests, and that doesn't mean rate; it might mean repayment schedule. It might mean loaning a guy enough money to handle his situation. I look at banking as a profession, and we are really in the banking business—we should be experts in our field, and to be an expert in your field, really, price and rate have to be or should be, if it's a complex field like banking is—and anyone who doesn't agree with that really doesn't understand very much about banking—in a complex field like this,

pricing and interest rates are secondary to handling the request or the business in a professional like manner and looking out for the customer's interest.

Q. Looking at the same sort of question with respect to **[85]** the personal savings account, insofar as personal savings accounts are concerned, would the interest rate be the sole factor that you would use in trying to attract those type of accounts? A. I think that interest rates on savings are an important factor. It's not the only factor, and it depends on the type of account you are referring to. If you are referring to a regular savings account which is one that you go in and out of and the interest is computed on a periodic basis, I think the interest rate would not be so important. That's a rate for a smaller type account, one that you really use to keep the money aside. I think when you talk about money that someone is really going to—or savings that someone is really going to put money into over a long period of time and this kind of thing, then rate becomes a more important type consideration. And that's the reason I wish you would encourage the authorities to allow us to pay more on regular small savings, personal accounts.

Q. I think you mentioned Monday meetings where everybody from all banks—associate banks, affiliate banks—everybody got together on Monday, I think you mentioned. When you first became president of South DeKalb, did you immediately start attending those Monday meetings, or did they start at some other time? A. Well, let me clarify that because I think I did say **[86]** "Monday meetings." That day might be incorrect. I don't remember what day it was, really, but once a week, generally speaking—and this is not always, but once a week, generally speaking, a group would get together and discuss the credits, larger credits, that went through that particular week, and I did this when I was a branch manager, and I did it for years with the C&S Bank.

Q. Do you recall the "Goal Post Review Program"? A. Yes.

Q. Can you recall when the "Goal Post Review Program" started? A. No, I can't. I'd say three or four years ago would be a guess.

Q. Was it in existence when you started out at South DeKalb? A. I simply don't remember.

Q. Was there any other regular contact or contacts you had with the C&S personnel other than the meetings you mentioned a little earlier and the "Goal Post Review Program"? A. When you say "regular," occasionally. I don't know of any regular meetings that would be applicable here. Normally a group of the C&S presidents and branch managers would get together at the bank employees' place up at Allatoona once a year. We would get together and meet and discuss mutual problems and have a social with the wives and **[87]** this kind of thing. But I don't recall any specific, routine meetings like that.

Q. The "Goal Post" meetings, were they on a regular basis? A. Yes. As I recall, we got together maybe quarterly.

Q. Was your specific attendance at either the "Goal Post" meetings or the other meetings that occurred on the day that you can't remember, was your attendance at any of those meetings mandatory? A. Well, I don't know that that would be the appropriate term. It was by mutual consent and agreement, and I was never told, that I can recall specifically, to be at a meeting. Our group met at a certain time, and I just was included in that group and was there. And in relation to the "Goal Post" situation, this was just a management tool to try to do the best job for the community and for the bank. And so this is just one means of management by objectives, which is the professional approach to getting the job done.

Q. Did you make any reports to the board of directors on your meetings either with respect to the "Goal Post Program" or with respect to the other weekly meetings? A. When you say "reports," I had no obligations to report to my board in relation to these two type meetings, but I normally made it a practice to

report to them. This was a management function, and I normally wanted them to know how we [88] were performing. I did let them know and communicate with them in relation to what I thought the goals ought to be and how well we were doing. So perhaps this would be the answer to your question. I did keep them informed as to what our goals would be and how we were meeting those goals. But I did not report to them technically on any meetings that I had with any particular parties.

Q. That's really what I meant. Did you—— A. Kept them informed; yes.

Q. Kept them informed of the results? A. Yes.

Q. Did you keep them informed or did you make them aware that you were meeting with C&S personnel? A. Well, I think the directors knew that C&S was helping the management of the bank in performing the service to the community. I don't think there was any question about that on any of the directors' parts, that we were using their assistance.

Q. To sort of go back and recap some areas that were discussed a while ago, when you were at South DeKalb, did you have the authority to decide what the interest rates on your savings accounts would be, what the service charges the bank would charge on checking accounts and the like would be; was that within your authority to decide? A. Yes.

[89] Q. From whom did you get that authority, or did somebody give that to you? A. Well, I didn't, like anything else related to that bank, I didn't ask anyone for it. Being president of the bank, it's my job to run that bank, and it's just self-explanatory. The directors elected me president of the bank, and certainly as such I assumed the authority and the responsibility to determine what kind of prices we ought to charge, what kind of interest rates we ought to charge, what kind of service charge we ought to charge and everything else. I many times would keep the directors informed when I felt like it was

to their interest but not always. I did not bother them with a lot of details.

Q. Well, what I meant actually was when you were selected by the board as president, did they make it clear to you that you had the authority to make these decisions, "Just keep us posted"; is that—— A. Well, I assumed that authority, and to me it was clear. You will have to ask them if it was clear to them. I can't answer for them, for the board. I think it was.

Q. You may also in bits and pieces covered this, but in general terms, in exercising this authority as to interest rates, service charges, et cetera, what were the factors that you took into consideration in actually exercising it? A. In determining what kind of interest rate—we're **[90]** talking about loans now?

Q. Well, on any of these; in other words, if I understand you correctly, you had or at least you felt you had the authority to make the decisions on interest rates and savings account service charges and checking accounts. In exercising that authority, what were the things that you took into consideration in making decisions? A. Well, on checking——

Mr. Doyle: Excuse me; off the record.

(Off the record discussion.)

By Mr. Kinkaid

Q. I will rephrase it another way. To put it a different way, in making these decisions did you take into consideration anything other than the competitive posture of your South DeKalb Bank? A. When you say "competitive posture," I don't understand what you mean.

Q. All right, did you take into consideration anything but the well-being of the South DeKalb Bank? Is that a better way to put it? There are many different ways that I can think of. A. Did I take into consideration anything other than the well-being of the South DeKalb Bank?

Q. Right. A. No. The community, but that relates to the well-being **[91]** of the South DeKalb Bank.

Q. In making these decisions, did C&S ever dictate to you what your decision should be with respect to any of these matters, service charges, interest rates on savings accounts? A. No.

Q. So far as you were concerned, did C&S have the power to dictate to you with respect to any of those decisions? A. No. As a matter of fact, I really feel like that if I had felt that it would be to the benefit of the South DeKalb Bank to change those that I would have done it.

Q. While you were the president of South DeKalb, did you feel in any way that your activities as the president were controlled in any way by C&S National? A. No, I would not—I did not feel like they were controlled. I felt like and do feel like that the C&S National Bank does influence me because I respect their knowledge and experience and background.

Q. We have received from C&S a whole stack of documents that would take about six hours to go through. Let me just show you—just take a quick look at two or three of these. A. Okay.

Q. What I want to ask you is this: Now, some of these I'm showing you may be dated after you left South DeKalb—— A. I think all of them are.

[92] Q. Those particular documents I showed you were addressed to branch managers, presidents of affiliates, presidents of correspondent associates; is that correct? A. Well, one of them, I think, is just for information purposes here, and the other one is addressed to presidents and so forth, branch managers, affiliate presidents, and this one is addressed to specific individuals.

Q. Now, do you recall when you were president of South DeKalb receiving documents similar to these that would have been addressed to branch managers, presidents of affiliates,

president of correspondent associates? A. From time to time we did receive information like this, yes.

Q. In some cases these documents appear to have been directed by Charles A. Pfaff, vice president? A. Right.

Q. Others—Who would have been some of the other people from whom this type of document would have come to you? A. Well, probably these would all have come from an area of the bank known as the Branch Supervision Area, and they supervised the branches in the Atlanta area and worked with the—and really supervised the affiliated banks, but the correspondent associates, they worked with those banks.

Q. Okay, so I think we have pretty well identified the **[93]** type of document that we're talking about, using these just as samples? A. Right.

Q. From your standpoint, what was the purpose of these documents being sent to you, specifically? A. Well, I think primarily it was a communications device to let me know what other banks were doing and to be a helpful management tool.

Q. To your recollection, did some of these memos of this type contain suggestions as to things like interest rates on loans? A. We had a document that came out from time to time that would have a variance in rates; it wouldn't put a specific rate down for a specific loan, but it would be a guide that you could use to have an idea of what would be an appropriate rate.

Q. Well, I don't think I understand when you say "not a specific rate." A. Well, let me clear it up this way. There's no way to indicate what a specific rate on a loan will be. As I have indicated previously, it's just more involved than—there is no way for one person to insinuate or much less to try to dictate any kind of rate, and this simply would not be the case. As a matter of fact, we have discussions within the bank, the C&S Milledgeville Bank now and the South DeKalb **[94]** when I was there, between bank officers as to what an appropriate rate would be, and we would have information like this about what would

be a guide as to a rate and still have considerable discussion, and many times our rates would differ from what any guide would be, because it involves the relationship of the customer to the bank in other areas, what kind of deposit account he has, what kind of credit background he has, what kind of collateral he's going to use, what kind of net worth statement he has. And you have to consider all of these things to try to come up with an appropriate interest rate.

Q. What I meant by—when you said they were intended as a guide, not specific rates, what I had in mind was that you couldn't have—or could you have a guide without having specific rates? A. Yes. You could have a guide without having specific rates. You could say, "Real estate loans, the interest on real estate loans in the market today is fluctuating between 6 and 8 percent." You could say, "The best rate is normally running 6½ to 7 percent," or something as a guide. So you wouldn't pinpoint a specific rate for a specific loan, but you would give an idea or an indication of what the market was doing.

Q. That's what I meant, but in giving that as a guide, you still mention specific numbers; in other words, I just **[95]** want to make sure I understood what you meant by "no specific rates." You still have to have some kind of numbers? A. You would have some kind of numbers; that's correct.

Q. And if I understand you correctly, so far as you were concerned, these memos were intended as a guide; is that correct? A. Well, to keep you informed, just like The American Banker comes out and on a day-to-day basis tells you what the discount rate is or what the bond market is or what the treasury bill rate is. And this is just another means to try to keep up with what various rates are.

Q. For example, this one dated May 11, 1972 from Mr. Pfaff informs that the best rate is 5 percent as of May 8, 1972, and this goes on to say, "Unless you are notified otherwise,

please continue to use the commercial loan rate chart dated April 17, 1972."

So far as you are concerned, would that have been a suggestion to use or to follow the loan rates that had been set down in a particular chart? A. Let me tell you this, Charles Pfaff would not tell me what kind of rate to charge on a loan. Does that answer your question?

Q. Well, would anybody else in C&S tell you what rates to charge on loans? A. No, they would not tell me what rate to charge on **[96]** loans.

Q. Now, he does say "please," so could that have been a suggestion?

Mr. Doyle: I object. You have asked him innumerable times this afternoon that question in different ways, every different way, and he has told you every time the same thing. And I object on the grounds of repetitiveness. It's not getting us anywhere. I think it's insulting that a question has to be asked again and again and again and again, and I take it as insulting and insultingly intended to this bank officer.

Mr. Kinkaid: Now, Mr. Doyle, I'm trying to go through a whole stack of documents which ordinarily would take a great deal of time, and I'm trying to accommodate Mr. Berry so he can get out of here at 3:00 o'clock, and if it sounds like I'm being repetitive, it may very well be, but I'm being repetitive in order to accommodate him.

Mr. Doyle: I don't understand repetition to be accommodating. The question of whether or not he has been told by C&S National Bank what to charge on rates has been asked and asked and asked and answered and answered and answered. And I don't see that we can get anywhere by continuing that kind of repetition.

Mr. Kinkaid: Many of these documents would appear to contain suggestions. Now, if I could go through 50 of them **[97]**

one by one, we could reach proper determination of the thing. I'm trying to telescope it so we can get it over with, and I'm trying to see if, from his standpoint, he would interpret these as being suggestions. This is simply all I'm asking the man.

Mr. Doyle: Well, let's telescope it. Let's get on with it.

By Mr. Kinkaid

Q. Can you recall getting documents of this type, which, so far as you were concerned, contained suggestions on things like interest rates or banking hours? For example, this one of November 17, 1969 from Mr. Mathis and Mr. Ingram relate to drive-in banking hours, and this indicates that, "We have been experimenting for some time at several offices with keeping our drive-in windows open until 4:00 o'clock. Let's plan to start keeping our drive-in windows open until 4:00 o'clock at every location just as quickly as this can be arranged."

Now, what I'm asking you is, first of all, does that document contain a suggestion as to drive-in banking hours? A. I would say that it does. I don't know whether the term "suggestion"—it would be a guide. I look at it as though it were a guide. If we are saying that that would be in the same framework, then I would agree. This does not and **[98]** would not dictate to me that I would have my drive-in window open until 4:00 o'clock. If I didn't agree with this, then I would handle it in the manner that I thought that would be best for South DeKalb Bank.

Q. Can you recall, as a matter of fact, in this particular situation whether or not you did keep your drive-in windows open until 4:00 o'clock? A. I believe that we already had them open until 4:00. I don't think that meant anything one way or another to the South DeKalb Bank, to be honest with you.

Q. With this particular guide—we'll use that work—with this particular guide as a sample, where you received similar guides on various matters, what is your recollection as to whether or not you generally followed them, or can you recall? A. I generally did, and the reason for that would be that—and, as I say again—

is that the C&S Bank is a real asset and a real asset to the South DeKalb Bank and a real asset to the Citizens and Southern Bank of Milledgeville, and when they came forth with a guide or a suggestion, I generally gave it and do now give it importance because I feel like they know what they're talking about. If it's going to benefit my bank, no matter where it comes from, I want to give it significance, and I think the C&S Bank gives me the kind of information that I want to pay attention to.

[99] Q. Can you recall when you were at South DeKalb how salary increases for your officers out there were determined? A. Well, they were, of course determined by—the president's salary, fortunately or unfortunately, was determined by the board of directors of that bank. I think it was a little low, but we will go with that. But the salaries of the other officers were determined by me, and the other employees'. Now, I did have some guides to go with that I got from C&S National Bank which were very helpful in making the determination of what salary should be paid. But certainly who put the plan into execution would be myself.

Mr. Kinkaid: That's all.

(Whereupon, the above-entitled deposition was concluded.)

. . . . . .

WARREN L. BERRY

Sworn to before me and subscribed this . . . . . day of . . . . . , 1972.

. . . . . .

Notary Public

The Citizens and Southern Bank of Milledgeville

August 15, 1972

Mr. Michael A. Doyle
Alston, Miller & Gaines
Citizens & Southern National Bank Building
Atlanta, Georgia 30303

Re: Errors in Disposition for Civil Action File Number 15823 United States of America, Plaintiff vs. The Citizens and Southern National Bank, et al., Defendants

Dear Mike:

The typist surely made a lot of errors on this. Here are those I could catch.

P. 4, L 11 "684" should be "864."

P. 35, L. 6 "You would have to them" should be "You would have to ask them."

P. 39, L. 16 "though" should be "thought."

P. 40, L. 3 "though" should be "thought."

P. 40, L. 8 "though" should be "thought."

P. 44, L. 17 "get" should be "got."

P. 45, L. 16 "than I could from The C&S Bank"—leave out.

P. 46, L. 4 "trust account" should be "trust department."

P. 48, L. 9 "privide" should be "provide."

P. 55, L. 15 "acticities" should be "activities."

P. 59, L. 6 "ver" should be "very."

P. 64, L 21 "on" should be "or."

P. 66, L. 15 "because demand deposit money" should be "because time deposit money."

P. 66, L. 22 "normayly" should be "normally."

P. 70, L. 4 "for" should be "far."

P. 70, L. 21 "onsiderable" should be "considerable."

P. 99, L. 5 "but we will go with that" should be "but we will not go into that."

Sincerely

WARREN L. BERRY
President

WLB/pgs

P.S. Please send me a copy for my files. W.L.B.

GX 199

(Title omitted in printing)

The deposition of **Dr. William M. Cason,** taken at the instance of the Plaintiff. Reading and signing of the deposition not waived; signing before any notary stipulated. Taken before William L. Meigs, Deposition Officer, commencing at 9:30 o'clock a.m., July 27, 1972, 12th floor, Citizens and Southern National Bank Building, Atlanta, Fulton County, Georgia.

* * * * * * *

[4] Whereupon,

DR. WILLIAM M. CASON

was called as a witness and, having first been duly sworn, was examined and testified as follows:

Cross-Examination

By Mr. Kinkaid

Q. Would you please state your full name and residence address? A. Before I start, do you want my middle name or just initial?

Q. The initial will be all right. A. William M. Cason, 6566 Glenridge Drive, N.E., Atlanta 30328.

Q. Are you a director of the C&S Bank of North Fulton? A. I am.

Q. Excuse me—— A. I am a retired director, Sandy Springs.

Q. Excuse me; Sandy Springs. How long have you been a director of that bank? A. I was one of the original group, and I retired in the spring of '71, last year.

Q. Were you one of the organizers of the bank as distinguished from an original director? [5] Yes, sir. Now, I don't know what difference there is, there; I say "Yes, sir." I may be—I don't know just exactly what you are referring to.

Q. Well, what I meant was were you one of the group that originally sought a charter for the bank in Sandy Springs? A. For a state bank, you mean?

Q. Well, first we'll take the state bank; yes. A. Yes, I was with one group that sought a state bank.

Q. And what happened to that effort? A. Well, as I understand it, we were advised that it would be advisable for us to withdraw our application.

Q. Who gave you that advice? A. One of the other members of my group. I don't recall which one. We didn't all participate completely in everything, especially just getting organized. But actually I understood that there were three group applications, and they were all advised to—I hope I'm not letting anything out of the bag, because you didn't ask for this—to withdraw that. The authorities didn't feel that the situation warranted a bank in Sandy Springs.

Q. After the effort to form the state bank failed, what happened next with your group? A. Tom Cook, the man who became president of the bank, original bank, is a friend of mine. I've been knowing him all of his life. He's from down here at Cochran, Georgia and **[6]** his father had a bank down there, and he knew me, and we lived in Sandy Springs, so one day he told me that a group was trying to organize a national bank, and Mr. Mills Lane had suggested that they might see if I would be interested in organizing a national bank. And I told Tom, "Well, I'll think about it a little bit." But I didn't feel like I would want to be with the group for a national bank unless Jim Aldredge was also included, because he and I were with a group that tried to get the state bank, and it was withdrawn, and I didn't want to put myself in the position of appearing to squeeze him out, you see, and I felt like I ought to be loyal that much to him in this situation. So they invited Jim Aldredge also.

* * * * * * *

[1] GX 200

(Title Omitted in Printing)

The deposition of **Gus Lockett Connelly,** taken at the instance of the plaintiff. Reading and signing of the deposition not waived; signing before any Notary stipulated. Taken before

William L. Meigs, Deposition Officer, commencing at 1:30 o'clock, p.m., August 1, 1972, C&S National Bank Building, Atlanta, Fulton County, Georgia.

* * * * * * *

[4] Whereupon,

GUS LOCKETT CONNELLY

was called as a witness and, having first been duly sworn, was examined and testified as follows:

Cross-Examination

By Mr. Kinkaid

Q. Would you state your full name and address, please? A. My name is Gus Lockett Connelly, I live at 171 Pine Lake Drive, Northwest, Atlanta, 30327.

Q. When did you become president of C&S Bank of Tucker? A. President in February of 1965.

Q. During the time you have been president, have you also been a director of the bank? A. That's correct.

Q. What was your occupation before becoming president of Tucker? A. I was an assistant vice president with the C&S National Bank.

Q. How long have you been with C&S? A. I started with C&S National Bank in February of 1955.

Q. Were you working with any other bank before then? A. No, I came with them out of the service.

Q. How did you first find out about the opportunity of [5] being president of the Tucker bank? A. Herb Dickson, who was, I think, the executive vice president of C&S National Bank at the time and my immediate superior—well, not my immediate

superior but over all of the officers, the main office, called me into his office one morning and told me that the opportunity existed for me to become president of the then Bank of Tucker, in which C&S was buying a 5 percent interest, and he felt like it would be a good opportunity for me and, if I was interested, I could talk further with Bennett Brown, who was in the correspondent bank department and was the one, really, working with Mr. Cofer and Mr. Lane in that position in the bank. And from that point I went forward.

Q. Do you recall at that time any discussions with C&S National officers with respect to the relationship that would exist between the Bank of Tucker and C&S National? A. Well, it was to be similar to some other banks where they had a 5 percent interest, that somewhere down the road they hoped that the laws would be changed that would allow them to merge these banks into the C&S organization, and there would be nobody new until then, and you could just go out there and bank the C&S way of banking.

Q. Did they tell you that you would be free to run the bank the way you saw best? A. Well, we really didn't talk about it. It was just **[6]** understood that you would have a board of directors that you would account to, and you would make any recommendations that you personally felt needed based on your background with C&S as far as any changes that you thought the bank ought to make; pretty much a free hand in that respect.

Q. Do you happen to know of your own knowledge whether or not the board of directors of Tucker could have asked for somebody else if they had not wanted you as president? A. Well, the only indication in that regard was probably from Mr. Cofer, who ended up with roughly 20 percent of the bank after they sold it—of course, they owned it a hundred percent before that—and that was that if he wasn't satisfied with the way I was running the bank that he had the option to go back to Mr. Lane and say, "We would like somebody else." That came out in the

conversation one time. But that was after I had been on the job maybe a couple of months, and apparently he was satisfied because nothing ever came of it.

Q. Were you actually, then, elected formally by the board of directors to be president of the bank? A. Right.

Q. Who selected the other officers and employees, or did you use the same people who had already been with the bank previously? A. Actually I was the only one that went out from C&S [7] initially, and we really didn't bring anybody else in probably until we opened a branch, and, of course, Jim Hardin, the branch manager, came from C&S. And somewhere, I'm sure, in the first year or so we maybe picked up a teller or something that lived out that way and wanted to work closer to home that was C&S connected.

Q. Whose job was it to select additional personnel or the branch manager that you mentioned? A. Well, of course, it would have been my responsibility, working with the cashier of the bank, who really did the interviewing and that type stuff for the bank.

Q. At the time you were told that this opportunity was available, was there any discussion as to the types of services that might be available to you from C&S? A. No, nothing specific. I, of course, you might say just assumed that all of the normal correspondent bank services would be available, and our basic relationship would be that of a correspondent bank with a major correspondent.

Q. Could you tell us from your own standpoint what you would consider normal correspondent services? A. Well, of course, the major one is always the clearing of your checks. That's primary for any bank to have somebody to clear those. Then, aside from that, a bank our size needs to have a strong backup as far as being able to sell off loans that exceed its legal limit, or, if its overall loan [8] ratio gets too high, it needs to sell off to its correspondent this excess. And then, of course,

you've got a multitude of other things, of installment loan billing service and things that—and then, of course, you've had your computer services developed whereby they will do your bookkeeping and so forth. That was not available at the time I went out there but became available later on.

Q. How are the salaries of your bank's officers determined or by whom are they determined? A. Well, the officers' salaries, with the exception of mine, are handled by me. My salary is handled through the board, usually with the recommendation of the advisory board member who keeps the board informed as to what they feel is a salary comparable for the type job that I have or that the individual in my position has. And they make the recommendations to the board or the salary committee, and I assume they concur and come that way to me.

Q. Do you have to get approval on the salaries for other officers that you yourself determine? A. Yes—well, yes and no. I'll tell them—I will find out what the salary range is in the C&S system for that particular job, and then I will report to them that I am recommending putting through a salary increase of X number of dollars for a particular officer, and they normally have concurred in whatever we sent through. If they disagreed, then **[9]** we would talk about it and——

Q. Excuse me; when you say "they" and "them" in that answer, to whom are you referring? A. Well, it would be the advisory board member on our board from C&S, Don Ingram, in this as far as we're concerned.

Q. Why do you run these things through Don Ingram? A. Well, of course, we have had a cross-flow of people from us to them and vice versa. They send a lot of people out for us to train, and if we have a job opening up in our bank, we look to them for the manpower. Therefore, we need to keep the salaries we are paying pretty much in line with what the job calls for throughout the C&S system, so that we not get a job too

high or a man too high through the C&S system downtown. That's primarily the reason we are consulted on these things.

Q. When you first went out to Tucker as president, did you continue with the service charges on checking accounts and interest that was being paid on savings accounts and banking hours, or did you make any changes in those? A. We made a change in the service charges not too long after I got out there. They were under an old system where they rendered statements on the special checking accounts every 90 days, quarterly, and this actually was causing the bank a lot of physical problems because if you had 90 days to keep somebody's records, you had to increase your **[10]** chance of messing it up and that much longer for them to know about it. So we changed that service and went to a monthly statement and then went to a service charge schedule that was pretty—well, it was common in the Atlanta area at that time for special checking accounts. The regular checking accounts we left as they were as far as service charges were concerned, but we did change the special.

Q. When you say that the charges that you instituted on special checking accounts were pretty common, what did you specifically have in mind as a reference point there? A. Well, this is the 10 cents per check with a base charge of 25 cents for the statement itself. If you wrote three checks you paid 55 cents; if you wrote 10 you paid $1.25.

Q. Was that common to the majority of the banks in Atlanta? And when I say "majority of the banks," I mean not just C&S Banks but non-C&S Banks as well? A. Yes. Everybody pretty much did the same thing.

Q. When you first went out, did you institute any changes in the banking hours as such? A. Yes, initially they were open six days a week, a half a day on Wednesday. We started closing all day on Wednesday rather than opening up part of the day, and then—well, probably a year or so later—we dropped Saturday banking and went back to five days a week banking and made

our [11] staying open hours on Friday later to take care of a lot of people who couldn't get to the bank by 4:00 o'clock.

Q. Whose idea was it, first of all, to eliminate the half day on Wednesday? A. That was mine.

Q. And what was the—Well, let me put it this way; did you consult with anyone from C&S National or C&S affiliate with respect to closing that full day Wednesday? A. I probably told them that I was going to do it because we kept running into a big overtime problem, because you can't really, when you open up a bank—when you close at 12:00 you are still there until 2:30 or 3:00, so we were really working 45 to 50 hours a week, and there was no way to do it when you opened up that half day on Wednesday. So that was one of the big reasons behind it.

Q. What was your reason for informing C&S that you were going to close the bank on Wednesday? A. Well, just of course —I looked to C&S for advice and counsel on a lot of things, you know, that I would analyze the thing and reach my decision and then, just to get somebody else's thoughts on whether there was something I was overlooking, I would talk with the advisor— well, of course, at that time the C&S people actually directors of the bank rather than advisory board members, but I would talk to them just for their advice and counsel on the subject.

[12] Q. Had you been instructed by anyone at C&S National to keep either National directly or the National personnel on the board at Tucker, were you instructed to keep anybody advised as to what you were doing? A. No, no direct instruction to that effect. They just kind of understood that I would. It was just common sense to do it.

Q. Do you have the authority, for example, to change the interest rates that your bank charges on loans? A. Interest rates on loans, yes.

Q. Would that also be true for the interest that your bank pays on various—or any type of savings account? A. Savings

we work through the board. We would recommend to them what the rate should be, and they usually would concur. Right now it would be a legal maximum in all cases on interest rates.

Q. What is the maximum right now on passbook savings accounts? A. It's 4 percent.

Q. That's what you're paying now? A. We pay 4; right. Downtown I think they pay 3½.

Q. By "downtown," who do you mean? A. C&S National Bank.

Q. When did you go to 4 percent? Can you recall? A. Well, they were paying 4 when we went out there, **[13]** or when I went out there.

Q. In other words, has there ever been a change in the passbook savings rate? A. No.

Q. Now, would you have the authority or would you have to check with the board on changing service charges on checking accounts? A. We would take that to the board.

Q. Would the same be true if you wanted to change the hours of the bank? A. Yes.

Q. So if I understand you correctly, then, the only thing on which you would have authority yourself would be on the—maybe I misunderstood you—— A. Interest rate on loans.

Q. The interest rate on loans is the only thing that you have the authority on? A. Right.

Q. Other than what you have already mentioned—and I guess we can include those, too—have you since you have been president at Tucker changed the—changed any of your interest rates paid on savings accounts? A. Well, the passbook savings remained the same, then you had the 90-day and the one-year certificates that have come along, that have been instituted, but the changes there **[14]** have been as the law

permitted the changes from 5 percent to 5½ for one year, 5¾ for the two-year certificate.

Q. Have you changed any of the service charges on checking accounts since you've been out there? A. Yes, probably about two to three years ago they were changed. The—what we call the "maintenance charge" was changed on—I think it was from maybe 50 cents a month to a dollar a month, if my memory serves me correctly.

Q. Can you recall how you decided or on what basis you decided to change the maintenance charge to a dollar? A. This took place, I believe, when one of your major Atlanta banks lowered their minimum charge balance requirement to $250. We had to lower ours at the same time, or we did lower it, to stay competitive, and at that time we adjusted our service charge schedule to be more in line with what the Atlanta banks were paying—charging, rather.

Q. Do you recall the bank which initiated the lowering of the minimum balance? A. I believe it was the Trust Company. Don't hold me to it, but I think that's it.

Q. If you can recall at that time, what was the closest Trust Company office to your bank? A. Well, it probably would have been their affiliate bank in Executive Park, which was four or five miles away.

Q. Now, when you say that you also lowered your minimum **[15]** balance to stay competitive, were you thinking there primarily in terms of the Trust Company office in Executive Park or were you thinking of the Trust Company generally? A. Well, we get a fair number of our customers, of course—in most cases the husband is working downtown or in some area contiguous to another bank, and the wife, of course, in our—you know, they live in our neighborhood, and as long as we are competitive we will get the business. If we get out of line, then he will start doing the banking downtown. And so we

are really competing with where he works, so whatever bank happens to be close to where the man works—it might be C&S National or First National or whoever it might be; to that extent we felt ourselves part of the Atlanta market.

Q. When you also mentioned that you changed the maintenance charge at the same time to the level that was being maintained at the downtown banks, did you have in mind the downtown offices of the downtown banks? A. Well, their downtown offices and branches. Of course, at that time they were limited to the city limits of Atlanta. Of course they had offices in Decatur at that time, First National and Fulton did. So, as I say, it spreads on out through the area that way.

Q. In making these various changes that we have been discussing, either in hours or service charges on checking accounts or any changes in savings account rates, did you take **[16]** into consideration anything other than the profitability and growth of your own bank? A. No, that would be your primary consideration, what is best for your bank.

Q. Would there be anything else that would be a consideration, from your standpoint? A. Well, of course, you want to serve your customers as best you can, and sometimes you institute a charge in order to do this, but that indirectly benefits the bank, too, so any way you play it, it's going to get back to the same point.

Q. Have you ever been directed by C&S National or C&S affiliates, for that matter, to change the interest rates that you would charge on loans? A. No.

Q. How about the same question on interest rates on savings accounts of any kind? A. No.

Q. Service charges on checking accounts would it be the same? A. Yes. The reason I'm hesitating, they don't direct us, but, of course, on utilizing their computers, we did adopt their schedule on commercial accounts, of analysis, because the com-

puters were set up for the way they handled it. So they would have had to write a completely different [17] program for us if we elected to go another route. So there was no direction done; we just said well, we wouldn't—you know, instead of the program we were using, which involved a lot of hand work, we elected to use the program that they had available for us on commercial accounts.

Q. Well, as a matter of fact, does C&S National in any way have the ability to direct what your bank charges with respect to loans or checking accounts or the interest it pays on savings accounts? A. Legally, no.

Q. Any other way besides legally? A. Not really; you might say a kind of father-son relationship. They tell you what they think, and as a son you may or may not agree with them.

Q. Since you've been president at Tucker, have you felt in any way that your actions as president were in any way controlled by C&S National or any C&S affiliate? A. No, I've had a pretty free rein to do what I thought was—to run the bank as I saw that it should be run.

Q. Do you attend any meetings with C&S National officers? A. Yes. On Wednesday morning there may be two meetings. In one Dick Kattel has a general type information meeting on occasion, when he calls it, that we sit in on. And then, after that meeting I will preside in a credit group meeting of some other 5 percent bankers and some of the branches of C&S [18] National Bank where we are reviewing credits that have been or are in effect at that time.

Q. Could you give us some idea of the kind of topics that would be discussed at the Wednesday credit meetings? A. Well, these are primarily just reviews of credits, financial statements, and it's a real training tool for the younger officers to have; the officers that are handling the credit talk to the group about, "This is what I see," and "Why I did this" and "Why I didn't do this" as far as the credit is concerned. And then, of course, the other

officers in the group may have some suggestions or comments or something that he has overlooked or that needs to be discussed with the customer, and these will be pointed out during the session. And aside from reviewing the credits, occasionally the representative from branch supervision will maybe comment on some program, savings campaign or something that is in effect at the time. Primarily they are credit meetings.

Q. Does someone from branch supervision generally appear at these meetings? A. Yes.

Q. Could you give us the names of some of the people from branch supervision that sat in on these meetings? A. Well, of course, presently Don Ingram is the representative that covers the group that is represented at the meeting that I'm in, and in his absence Paul Ard is **[19]** another one that is present sometimes if Don's out of town.

Q. Can you recall when you first started attending these regular credit meetings? A. It's probably been going on three or four years. Just when in the last eight, it's hard to remember when they picked up, but——

Q. In other words, it's been since you went out to Tucker? A. Right—well, they've had these credit meetings since I've been with the bank, really, but they changed the format as time went on. There used to be just one credit meeting for the whole bank, and as the bank has gotten larger, they broke them down into groups. And, as I say, initially when I went to Tucker I don't think they had any groups that we belonged to as such.

Q. Well, when you first went to Tucker, did any of the correspondent associates attend these meetings, to your recollection? A. We attended the general meetings. At that time Mr. Lane was having the meeting on Wednesday morning. We attended those the whole time I was out there. But, as I say, they didn't have a credit group structured for correspondent associates at that time.

Q. What I meant, though, was even before they broke this down into groups, did the correspondent associates, to **[20]** your knowledge, attend credit meetings? A. I don't know. I don't recall whether they—at that time it would have been Chamblee and Sandy Springs.

Q. Well, let me ask it in a different way. When you first went to Tucker, did you immediately start attending credit meetings? A. No.

Q. When you were first—I gather you were invited to attend these credit meetings? A. Yes.

Q. What were you told as to the purpose of these meetings and your reason to be there? A. The main purpose was, as these were a training tool, for the men in the credit department to have an opportunity to have the loan officers discuss credits and help them be trained, because, as I say, all of these loans are on the books; it's not a case of any type approval of the loan. It's already made, and the money's gone, so to speak. So that is, to my knowledge, a training meeting more than anything else.

Q. As a result of going over loans that have already been made, have you changed your attitude with respect to making loans in the future after these meetings? A. No, as far as any of my loans I haven't changed the attitude. I can't speak for any of the other people that **[21]** presented credits, but it hasn't affected any of our credits.

Q. Is this credit meeting, is this the only time in which you discuss specific loans with anyone from C&S? A. No, we will have—when we get our F.D.I.C. examination and state bank examination, we will have a meeting of the audit committee of our board of directors, at which time the advisory board member from C&S will be present when we have these discussions.

Q. Are any loans made by your bank over a certain amount reviewed in any way by anyone from C&S National, to your knowledge? A. No. Of course, our loan committee at the

board reviews or okays loans within our bank over the 10 percent limitation.

Q. To your knowledge, is that something that is required by either statute or regulation? A. Yes, a state statute requires a loan committee on those.

Q. Mr. Connelly, there are six documents here which have been marked as Presidents' Deposition Exhibits 1 through 6. You now have a set of these. Would you please take a moment to just look through these things to familiarize yourself with them.

Do you recall receiving these particular documents? A. Yes, I've seen them all before.

[22] Q. Mr. Connelly, could you look first at the documents that are marked Exhibits 5 and 6, and would you notice that at the bottom—both of these are specifically addressed to "Bank Managers, National Bank," and "Presidents, Affiliates." At the bottom there is an indication that copies were sent to "Presidents, Correspondent Associates, For Information Only." Now, would you look at the other four that you have there? A. Okay.

Q. You will notice that the other four are addressed to "Branch Managers, National Bank," and "Presidents and Managers, Affiliates, and Correspondent Associates." Do you have any ideas as to why numbers 5 and 6 have the notation "For Information Only" on them while the other four do not? A. No, we just receive them all for information only, as far as we are concerned. There is no—Why they dropped it, I don't know.

Q. For example, could you look at number 5. Now, this one deals with drive-in banking hours. Can you recall if at that time whether—well, first of all, do you have drive-in facilities at your bank? A. Yes, we do.

Q. In November 1969, can you recall whether your drive-in windows were being kept open until 4:00 o'clock? **[23]** A. Yes,

I'm pretty sure we were already doing it. We might have been the ones that started them thinking that way. I'm not sure.

Q. Would you look at Exhibit No. 2. A. Okay.

Q. This exhibit, as do some of the others, refers to something called the "commercial loan rate chart." First of all, could you tell us what this particular chart is all about? A. Well, this would refer—I think we've got one in here; yes, Exhibit 4 is the rate chart we're talking about where they break down the different rates as to loan amounts and so forth, which is a chart that gives you more or less a guideline of what the rates are for each loan classification.

Q. Are the rates that appear here on the commercial loan rate chart, are they geared to the prime rate at the time, so far as you know? A. Yes—well, it used to have a lot to do with it. It probably doesn't as much now since your savings rate has put a floor on a lot of your rates, more so than the prime rate.

Q. To your knowledge, would the rates that actually appear in the commercial loan rate charts, would these be the actual rates that C&S National would be charging on commercial loans? A. Probably in most cases. Of course, there would be **[24]** differentials from all of these rates within, I'm sure, C&S National because we don't adhere to this one completely. We've got most of ours higher, probably, than theirs.

Q. By "we," you mean the Tucker bank? A. Tucker; right.

Q. But your information would be that these rates are actually the rates of C&S National itself? A. Subject to other factors influencing what the final rate is in a given situation.

Q. Incidentally, in that regard what is the main tool that you as a bank president would use in competing for loans of any kind? Would it be interest rate or would it be something else? A. Your primary tool is your ability to serve the customer and to be acquainted with his needs and his developing the confidence that you can look after his requirements better than some-

body else. I think this is the primary consideration so far as the customer and the bank are concerned. The rate—Except when you're talking about fully secured type loans that can be shopped to anybody, rate is not a factor.

Q. Can you tell us what percentage of your bank's commercial loans are secured versus unsecured, roughly? A. We are probably 80 percent secured. We are heavy in real estate construction lendings, which would be the reason for it.

[25] Q. Has that generally been true all the time that you have been in Tucker? A. We've always—It's been more real estate with a lot of banks in a lot of other areas in Atlanta.

Q. Looking at Exhibit No. 2 again, this memorandum from Mr. Ingram indicates that—well, he states as follows: "Let's also remember that this rate chart reflects minimum rates, and there really should not be a reason for handling any loan below this minimum."

To your recollection, at this time were any of your commercial loans below the rates on this chart? A. We possibly had some accounts receivable loans that were maybe at 11 percent, where they're talking about 13 percent. But our construction loans generally are higher than theirs.

Q. How did you interpret the phrase there that "there really should not be a reason for handling any loan below this minimum"? A. Well, interpreted it as meaning that there should be a good reason if you do. But, as I say, we set our rates, so I don't get too concerned with those things.

Q. So far as you are concerned, did you consider that as being any kind of direction to make sure that none of your loans were below the minimums in the loan chart? A. No, no direction as such because our rates were **[26]** still lower than those.

Q. That example was the accounts receivable that you mentioned? A. Yes.

Q. Similarly, would you look at No. 4. A. Okay.

Q. In the last paragraph where it says, "In some cases, the value of the relationship and the relatively nominal risk will warrant a rate lower than those listed."

What was your understanding as to the phrase, "the value of the relationship"? In other words, what was being referred to at that point? A. That would be referring to balances maintained by the customer in a situation like that.

Q. Well, it goes on to say that, "On the other hand, where the full service relationship does not exist and the risk is greater, you will want to charge a rate somewhat higher than those listed."

Did you interpret that as a direction to you to charge higher rates under those circumstances? A. No. This is just really a more or less kind of a basic pricing formula in banking, not just C&S but in any banking organization, that these factors are weighed in setting the rate and more a reminder that this is so.

Q. In other words, if you had a situation of your own [27] where you wanted to disregard this general wisdom—if you want to call it that—would you have simply gone right ahead and disregarded it? A. Yes, if I had had a situation like that. But, as I say, it's kind of a principal of banking, almost, that you weigh these factors.

Q. To your recollection over the years that you have been at Tucker, can you recall receiving memoranda similar to these on similar topics before 1969? The reason I ask that is the earliest ones we have here are dated in 1969. I was wondering whether you can recall receiving memoranda similar in nature to these before 1969. A. I would think I did. I don't recall, but I know no reason for these years to be significant.

Q. Now, you have indicated, I believe, before that your reaction to these memoranda was that they were—whether they

said so or not, they were for informational purposes? A. Yes.

Q. Could you take a guess as to what percentage of these memoranda you have in your own business at Tucker actually followed? Or, to put it another way, how many you have acted upon in the way in which the information was relayed? A. Off the top of my head, I would say 75 percent to 95 percent; just a guess.

Q. Well, perhaps I ought to ask it a different way. **[28]** Have you considered this type of memorandum to contain recommendations or advice as to how to conduct your banking business? A. Yes, I would consider it recommendations and advice, would be the term, and if it appeared to me that it were best for my bank to follow it, I would follow it.

Q. As a result of following the majority of these recommendations, has your bank ended up being operated in a way that would make it appear to be very similar in operations to other C&S Banks? A. Yes, we would appear to be a similarly operated bank.

Q. But that result, if I understand you correctly, would flow from the fact that you were following most of these recommendations because you thought they were in the best interest of your own bank? A. Right. And also my C&S background influences much more than the memoranda the style of my personal banking or how I run a bank and feelings as far as customer service and how you approach a loan and just the basic things to make banking easier for the customer, and that's a philosophy, and we take off from there.

Q. As a matter of fact, at this moment would you really know how to run a bank other than the way you have already been trained at C&S? **[29]** A. No—I mean that's my training, and it would be hard to deviate from it unless I were shown something that I thought was a better way to do it.

* * * * * * *

[53] **Redirect Examination**

By Mr. Doyle

Q. Gus, do you sell your bank as a C&S Bank? A. Yes, we do.

Q. In doing that, does the C&S name—is that of help to you in the doing of it? A. Yes, as I said before.

Q. During the months of February, I believe, until about June or July when you went out to Tucker and did not have the C&S name, during those months was your style of doing business any different than it was after you put the name up? A. Well, the style would not have been any different. Of course, the old Bank of Tucker did not have a good image in the community for providing service. The quickest way to get the message across to the people that we were under new [54] leadership and new management and to emphasize our affiliation relationship with C&S would be to change the name. And, of course, as you know, it was instigated by the Bank of Tucker at that time to request the name change. We were the first ones to do so, and it was through my efforts in convincing Mr. Reid Cofer that it would be best for the bank if we could more closely identify our relationship, and he agreed with this, and he was, of course, instrumental in convincing Mr. Lane that this should be done. After several tries, Mr. Lane finally agreed to do it.

Q. What has been the result of that name change, in your eyes? A. Well, I feel like it has certainly been instrumental in helping us to achieve the growth rate that we have achieved over the last eight years.

Q. To your knowledge, is your bank regarded as a C&S Bank by your competition? A. By my competition, yes.

Q. Do you yourself regard your bank as a member of the C&S system? A. Yes.

* * * * * * *

[1] (GX 201)

(Title Omitted in Printing)

The deposition of **Thomas E. Cook,** Deponent, taken at the instance of the Plaintiff, reading and signing of the deposition not waived, before Roberta Newberry, Deposition Officer, commencing at 9:30 a.m., August 9, 1972, at 1776 Peachtree Street, Atlanta, Georgia.

* * * * * * *

[4] (Whereupon, the documents were marked PD Exhibits 6 through 16 for identification.)

Whereupon,

THOMAS E. COOK

was called as a witness and, having first been duly sworn, was examined and deposed as follows:

Direct Examination

By Mr. Kinkaid

Q. Would you state your full name and residence address, please? A. Thomas E. Cook, 375 Holly Berry Drive, Roswell, Georgia.

Q. What is your present occupation? A. Certified Public Accountant.

Q. Where do you operate as an accountant? A. In the Sandy Springs area. My office is in 418 C&S Bank Building, Sandy Springs.

Q. How long have you been in this occupation? A. Since leaving the bank, which was—oh, I guess August will be eight years ago now. I believe it is.

Q. Can you recall the month and year you actually left? Now, when you say "bank," I take it you mean Sandy Springs Bank? **[5]** A. Right.

Q. Can you recall the month and year you left Sandy Springs Bank? A. Well, it was in August. I may have worked a few days into September. In other words, I resigned in August. And the bank kept me on salary until the end of December, end of that year. And I stayed in an advisory capacity to Lou Fortuna. May have been the end of September. I'm not sure. And I believe that will be eight years ago this year.

Q. Would that be 1964? A. Right. Here, again, time is a little bit vague.

Q. What was your position when you left the Sandy Springs Bank? A. President and director.

Q. When did you become president and director of the Sandy Springs Bank? A. At the organization of the bank, which was in 1959.

Q. What was your occupation before becoming president of the Sandy Springs Bank? A. I was an assistant vice-president of the Citizens and Southern National Bank.

Q. How long had you been with C&S National? **[6]** A. Approximately twelve years at the time—you mean at the time that I organized it?

Q. Yes. A. Yes, twelve years.

Q. Was C&S National the first bank that you ever worked for? A. Yes.

Q. Can you recall how you first found out about the possibility of being president of the Sandy Springs Bank? A. Well, here again, it's hazy. But as I recall I was asked by Mr. Mills Lane, president of the C&S National Bank, if I would organize a bank in Sandy Springs. I was serving in the capacity of a lending officer. He just called me in one day and asked

me would I organize a bank in Sandy Springs called a correspondent associate. And you don't say no to something like that.

Q. Why not? A. Well, I mean, if you're offered a promotion and you turn it down, you might as well say good-bye to any other opportunities for promotion. In fact, I welcomed the opportunity. I had lived in Sandy Springs for approximately six years prior to that time. I had moved to Roswell about a year prior to that time. Mr. Lane knew I had a lot of friends in Sandy Springs. I had been active **[7]** in community endeavors in the Sandy Springs area. While I lived there, I was active in the church there. He knew that I had many friends in the Sandy Springs area. He figured that I would be the logical one to organize the bank.

Q. Do you recall whether or not any persons in the Sandy Springs area had come to Mr. Lane seeking C&S National assistance in forming the bank? A. That would be hearsay evidence. I had no direct knowledge of such.

Q. In other words, when you say Mr. Lane asked you if you were interested in organizing a bank at Sandy Springs, your recollection now is that you don't know whether or not some people had in the Sandy Springs area the idea of forming a bank and sought C&S National assistance? A. Let me put my answer another way. It's not a direct answer to your question. But there had been an attempt on the parts of some other parties to organize a state bank in the Sandy Springs area. And they had been denied by the state banking authorities a charter to organize one in Sandy Springs. I had knowledge of this: that there had been an effort by some people that, as far as I knew, were completely independent of the C&S banking system. But they had been denied an opportunity—I mean, denied a **[8]** charter. And I'm sure Mr. Lane was aware of that fact. I cannot recall specifically how long a time intervened in between the denial of that charter and the application for the national bank charter that we eventually made.

Q. Were the same people involved in seeking the state charter —were they the same people who also—— A. No. Now, some of them eventually became directors. But they were not the original board of directors. They were not, you might say, among the original organizers of the bank that eventually was chartered as the Citizens National Bank of Sandy Springs. That's my recollection.

Q. Were you in any way involved with the group that was interested in seeking a state charter? A. No, except maybe indirectly. I mean, I wasn't offered a position with that bank, if that's what you're implying.

Q. Can you recall what Mr. Lane told you the relationship between C&S Nationl and the new bank in Sandy Springs would be? A. I can't recall the specifics of the conversation. This is just a hazy impression. I don't know the specifics. I expect that he figured that I had intelligence enough to know what the relationship would be. It would be a correspondent associate. As I remember, Sandy Springs was not the first one that the C&S Holding Company owned [9] five percent in. And I knew. Whether he told me or I had it from knowledge, I knew that it would be a five percenter bank, as we call it. And I don't remember whether Sandy Springs was the first one. It was one of the first ones. But I'm not sure that Sandy Springs was the first one.

(Discussion off the record.)

By Mr. Kinkaid

Q. While we're waiting for that document, which we will mark as President's Deposition Exhibit 17, this particular document is entitled "Additional Information Requested in Connection with Application for a Proposed National Bank in the Sandy Springs Area." In this document there is the following statement, quote, "Because of reasons outlined in the interview

with Mr. Lane, stock subscriptions have not yet been solicited and will not be solicited until the charter has been approved."

Why don't you look at my copy of that for the time being. Right in that paragraph. A. May I look at——

Q. Sure, read the whole thing, if you like. A. (Reading)

(Whereupon, said document was marked as PD Exhibit 17 for identification.)

[10] The Deponent: Do you have the document that these were answers to?

Mr. Kinkaid: No, we do not.

The Deponent: I don't even know what interview he's talking about.

By Mr. Kinkaid

Q. Do you have any recollection of an arrangement whereby stock solicitations for the Sandy Springs Bank would not be made until the charter had actually been approved? A. Yes. I recall that that was the policy.

Q. Do you have any recollection as to the reasons for that policy? A. This is a recollection. It had a lot to do with the fact that this other bank had been denied a charter—this state bank that we had talked about earlier. They had already had stock subscriptions from many of the people in the area. And we had available the names of those subscribers. And many of them had spoken to me, informing that they would be interested in subscribing to stock in our bank if it were approved. So we had reasonable assurance that we could get all of our stock subscribed. When we used the word "solicited," we had not actually gone out and asked for any or had not actually taken any subscriptions, I don't believe. But we felt that since the other charter **[11]** had been denied, that there was a chance that ours would be, too. And there wasn't any point in going through the work and disillusionment to stockholders of subscribing to

another bank that got turned down. So we felt that it was best just to wait until we had our charter and then proceed, starting with the previous list to actually get it subscribed.

Now, I don't recall anything about this interview with Mr. Lane, if you had specific reference to that.

Q. Can you recall at the time the Sandy Springs Bank was being formed, a charter was being sought, can you recall at that time under the state law in existence at that time how much stock C&S Holding could have purchased? A. The five percent.

Q. Do you recall if there was a period of time when the state rule allowed a greater amount of stock to be purchased? A. Yes.

Q. To your recollection, had that law already been changed at the time the charter was being sought for the bank in Sandy Springs, that is, the national bank? A. You mean the charter we sought for the national bank?

Q. Yes. **[12]** A. Oh, sure.

Q. Who selected the other officers who went to work at the Sandy Springs Bank after it was approved? A. When you use the word "officers," do you include directors?

Q. No. A. There wasn't but one other officer, and that was James Farr, who was cashier. Now, I'm not sure whether he was selected until after the charter was granted, meaning he did not, as I recall, do any work with me in the organization of the bank. And I honestly don't remember what specific steps we went through in selecting him. But he worked for Citizens and Southern National Bank also.

Q. Were you formally elected by the board of directors to be president of the Sandy Springs Bank? A. I would have to be I would assume.

Q. Do you know whether or not the board could have asked for somebody else if they had not wanted to have you as president of the bank at that time?

Mr. Doyle: I object to the form of the question as calling for speculation—what could have been. It could have been anything under the sun, I assume. I don't think it leads to discovery of relevant evidence. I object to it on the grounds of the form.

[13] By Mr. Kinkaid

Q. Can you recall what Mr. Lane told you so far as your going out as president? Did he tell you that "We're sending you out as president" and that's the end of it? Or did he say that the board of directors would have to approve you as president? A. Well, I don't know that he specifically said to me, "You will be president of the bank." That was implied, I guess. He more or less selected me to organize the bank, to apply for the charter. And he already had five men that he had approached and asked to serve as directors of the bank before he contacted me.

Q. How do you know that? A. Because he told me who they would be at the time that he called me in, as I recall.

Q. Did he tell you that he had approached these five men to be directors, or did he just tell you that these are the five men who will be directors? A. I don't recall the specifics of the conversation. He imparted to me that these men had been—would be directors. Now, I can't be responsible of how he went about it or what he said to them. I'm not sure.

Q. In other words, if I understand you correctly, you don't know whether Mr. Lane asked the five men to be directors or whether the five men came to Mr. Lane asking **[14]** for assistance in forming a new bank? A. No, I don't know the answer to that because I had no firsthand knowledge of the first selection. As I recall, they had been selected before I was approached.

Q. What was your understanding as to the assistance that C&S National would provide in actually forming the bank? A. I'd rather you be a little more specific about that, if you've got some specific things in question.

Q. Before the bank actually opened for business, what role did C&S National play in obtaining a charter and getting the bank ready to the point that it actually opened for business? A. Well, I was continued on the payroll of the C&S National Bank. I was gradually relieved of the other duties. For a while, I was performing both duties, carrying on the job that I had and sort of on-the-side doing the paperwork it took to get together the charter application. And then, still later, after the charter was granted, setting out and soliciting the stock. I was getting the stock subscriptions. At what point in this phasing out I completely gave up my duties and, more or less, became, you might say, full-time with the new bank, I can't specifically point it down. They provided me with an automobile to use to do this. They continued my salary until the bank actually **[15]** opened at which time, as I recall, I went directly on the payroll of the new bank. I knew, as I said earlier, Sandy Springs was not the first correspondent associate, as they called them or the five percenters. It was not the first. And I was aware of the things that the C&S National provided for those like assistance in selecting personnel and availability of employee benefits to the people that go to work for the correspondent associate through the facilities of the C&S National Bank. I was aware that there were other insurance programs and various things that could be—let me back up. I was not necessarily aware at the moment that he asked me to do the job. I was not aware that we had other insurance programs and other facilities. This gradually became within my knowledge as I became more and more involved with the operation.

Q. Are the employee benefit programs and the insurance programs that you mentioned, in what way—I think you used the term these were C&S National facilities. Now, I may have misunderstood you. A. The Citizens and Southern system facilities. It wasn't necessarily the Citizens and Southern National Bank.

Q. How were those programs Citizens and Southern system facilities? A. I don't understand your question.

[16] Q. Well, I didn't understand your answer. That's why I asked that. For example, on the insurance programs, how were the insurance programs funded? A. The insurance programs I had in mind, for example, after reading this (referring to Exhibit PD 17) I remembered that for bank bonds and other types of casualty insurance that the correspondent associates could benefit from, you might say, group benefits, through the C&S system. They could get it through the C&S system—more coverage than they could buy directly by themselves. That's the type of thing I had in mind when I spoke of insurance.

Q. How about insofar as the employee benefit programs you had in mind? A. Well, the Citizens and Southern system had certain group hospitalization programs. It had a profit sharing plan. It had a pension and retirement plan. It had C-S-ta at that time, a recreation facility at Allatoona. And those are the big things that I recall at this moment that they were available to the employees of the correspondent associates just as they were for employees of any other C&S banks in the C&S system.

Q. How was the money necessary to fund these various programs: the pension, profit sharing, the insurance programs—where did the money come from to fund those pro- [17] grams? A. You mean after the bank was chartered and in operation?

Q. Yes. A. Each bank had to pay its share. In other words, it was not provided prorata by the C&S system. In other words, in the profit sharing plan, what was the Citizens National Bank of Sandy Springs had to contribute. As I recall, each bank had a formula of how much of their profits had to be put into the plan. And we paid our—When I say "we," the Citizens National Bank of Sandy Springs paid its part under the formula into the profit sharing plan. I'm sure it paid for its share under the pension and other plans, too. I don't recall specifically how those things were funded. And the group hospitalization and so forth, as I recall, we paid our way. It wasn't provided prorata.

Q. These various programs that you mentioned, the various benefit programs that were available to the Sandy Springs Bank, was the availability of any of those programs from C&S National or from the C&S system to your bank conditioned in any way on anything that you had to do? Let me see if I can put it a little differently. Did you have to make any commitments of any kind in order to obtain these various programs that you've just mentioned? **[18]** A. When you use the word "commitment," I'd rather you be more specific as to whether you mean a signed document or stand up and swear sort of thing. I need to know what you have in your mind by "commitment." It was implied, certainly.

Q. What I meant was formal or informal, whether or not you signed a document. Was there any understanding as to things you would have to do in order to obtain those benefits? A. Not specifically. I think it was certainly implied that it was. Let me back up. It was certainly to the bank's—our bank's benefit to have available these programs for the employees and otherwise. And I don't recall that there was any specific commitment that you've got to do so-and-so and so-and-so in order to have these except the things that were necessarily required by the programs like, you know, paying for them and so forth —filing reports, and so forth, that would have to be done. There was no commitment on our part that you've got to run your bank like we say, for example, or else you don't get them.

There was certainly a moral obligation on the part of the correspondent associates that since they were doing this for us on a grace basis, you might say, that we would cooperate as much as we could with the C&S banking **[19]** system. And, certainly, they had the right at any time they chose to withdraw these benefits.

Now, the question was "on which side of the bread is your butter on" and you don't deliberately do things that would have your programs taken away from you. And it's more or less I'll pat

your back and you pat mine sort of thing. And this was not only true of the correspondent—five percent correspondent associates. C&S banking system made facilities available to other independent correspondent banks, not necessarily the employee benefit programs, but there were certain things that the C&S banking system made available to other correspondent banks in which they had no ownership in.

Q. Can you recall any of these things that C&S made available to correspondents in which there was no stock ownership? A. It would be hard for me to pin down something specifically and delineate in such a way. But I have an impression of many small things that they did. Of course, clearing checks and so forth like that is a natural line of business. But I know that there were plenty of favors that the C&S banking system did for its correspondents which necessarily were not general things that they made available. They did things on request, you might say. They would, for example, the C&S banking system has their **[20]** own internal auditors. Under certain circumstances, independent banks could ask that C&S make their internal auditors available for a specific task for a correspondent bank. If the C&S bank authorities thought it was of enough importance and the crew was available, they would make the C&S internal auditors available for a fee, obviously. I had in mind things like that.

My father was the president of a small bank in Cochran, Georgia, known as the Cook Banking Company in Cochran, Georgia. And we were a correspondent of—that bank was a correspondent of the C&S banking system. And I grew up in that bank—firsthand knowledge. I know of plenty things they had helped him do through the years. And this program was expanded upon through the years. So some of the things they did for us as five percenters, correspondent associates were available to other correspondents. Now, not the employee benefit programs.

Q. Perhaps it would be easier for you to recall if it were asked the reverse way. Can you recall what things were available to you as a correspondent associate that were not available to a correspondent? A. I wouldn't want to try to delineate that. I know the employee benefits were not. Now, when you get over into the other things, it's too hazy for me to even be——

[21] Q. As a condition for receiving these benefits and programs from the C&S system, were you expected to institute what has been referred to as "the C&S way of banking" in your bank? A. I think that statement is also a little bit too general to answer yes or no. "The C&S way of banking" is too much of a general statement.

Q. Were you expected to run the bank in Sandy Springs as though it were an affiliate or branch of C&S National? A. That's somebody else's expectation that I can't testify to.

Q. Well, did you feel expected to do that? A. Let me put it this way: my directors and myself—specifically the directors—oftentimes specifically the directors—not necessarily me—they went a large degree on recommendations I made. But sometimes they'd do things that I didn't necessarily recommend. They felt, as a general policy, that what was best for our bank had to come first. And on several occasions—really, there were many occasions. But on several significant occasions, it involved serious delineations in policy from what the C&S was doing that we chose or my board of directors chose it was not best for our bank to follow that policy. And we did that.

[22] Now, this eventually got me in hot water with the boys at the C&S Bank and eventually contributed to my mutual departure from the Sandy Springs Bank for I felt an obligation to my stockholders. Also, I felt an appreciation for the benefits that the C&S provided me as an employee and as an officer. And to the extent that it did not contravene with what I felt was first interest of my stockholders, I cooperated with the C&S banking

system. It would be foolish not to with the benefits that they provided us. But when it came down to specific occasions where I felt that it was not smart for our bank, as far as service charges are concerned, as far as savings interest rates were concerned, as far as banking hours were concerned, we had our own competition to meet in the Sandy Springs area. And I would consult with my directors. And they would say, "Well, we don't care what the C&S people say. We think it's best for our bank to do so-and-so." And they would proceed along that policy.

And I will pull out some specific cases in point. You will remember back when savings interest rates started going up. For many years they were two and a half, three percent—something like that—open savings account— up to about three and a half percent. Well, I believe it was at the time that they broke up to the four percent rate—up to the five has been in more recent years—our **[23]** competition was mainly the First Federal Savings and Loan Association who had a branch right there in Sandy Springs and the Roswell Bank from whom we had to get a lot of our potential customers because most of the people in Sandy Springs went to Roswell to bank until our bank opened. And we were trying to win some of them away from the Roswell Bank. And in order to do so, we had to have banking hours—for example, we were open on Saturdays and closed Wednesday, which was not C&S policy, in order to compete with the Roswell Bank.

So when they went to four percent—and, obviously, the First Federal Savings and Loan Association already had a higher rate—when they went to four percent and some of the other banks in Atlanta chose to go to four percent—the C&S chose not to go to four percent. They stayed at three or three and a half—it was a significant jump.

Our directors discussed this and decided that we had to go to four percent. Now, that did not make C&S people happy. But my directors said, "We've got to worry about our problem."

I recall another specific circumstance whereby in later years the Federal Home Loan Association or whatever it is—It's the equivalent of the Federal Reserve Board to the federal savings and loan associations—permitted **[24]** the federal savings and loan associations to buy five percent savings certificates. That's when five percent savings certificates became available. The regulatory authority for savings and loan associations said "Well, you all can buy five percent savings certificates from the banks if they'll sell them to you."

Well, our main customer (depository customer) was the First Federal Savings and Loan Association in Sandy Springs. I had made a personal acquaintance with George West, who was president of the First Federal Savings and Loan Association. And through this acquaintance and through other means, they kept a $100,000 checking account with us. They were our biggest depositor. And when one of their people called me up and said, "Tom, will you sell us $10,000 in five percent savings certificates" and I felt that could be a departure in policy from what the C&S might choose to do.

I had to hedge at the moment. And I made the mistake of, quote, "mistake," unquote, of asking the people at C&S as to what C&S policy was going to be in regard to selling savings certificates to savings and loan associations. And they said that they were not going to do it.

Well, I put this before my board of directors. And they said that "We have no choice but to sell five percent savings certificates to the First Federal Savings and Loan Association." And I was told specifically by Howard **[25]** Starks, who was the then—This was in the year that I left the bank. I was told by Howard Starks—The bank had gotten into some other trouble at that time, which we won't go into at this moment. Howard started being—I don't know. I guess he was officially on our board of directors eventually. But he was supposed to be the C&S liaison man on our board of directors. And they had, in effect, put so much pressure on me during that year involved

with these other things, that I had just about taken all I was going to. And, so, Howard came in and I said, "Howard, I've just about had it." I said, "I'm going to have to tender my resignation." He said, "Well, I'm glad you see it that way because we were going to ask for your resignation." And he told me later that that was the very thing that was the straw that broke the camel's back, so to speak, was when we chose to go ahead and give five percent savings certificates to the First Federal Savings and Loan Association.

So you might say that the C&S wanted to try to run these correspondent associates like branches. But, as a practical matter, it ran into trouble. And I don't know what happened in later years, but I could no longer operate in a dual capacity; doing what my directors tell me on one side and try to do over here what the C&S expected me to do. So I found there was a better way to make **[26]** a living. But I was going to be asked to resign, so I was told, because I wasn't willing to run the bank just the way they wanted it run.

Does that answer your question?

* * * * * * * *

GX 202

(Title omitted in printing)

The deposition of **Edward E. Elson,** Deponent, taken at the instance of the Plaintiff commencing at 4:30 p.m., July 20, 1972, at the Citizens and Southern National Bank Building, Atlanta, Fulton County, Georgia.

* * * * * * * *

[10] Q. All right. Thank you. Was there any discussion in those early meetings as to what name would be used for the bank?
[11] A. Citizens and Southern Park National Bank.

Q. Do you know whose idea this was to use this name? A. No.

Q. Were any other names considered? A. Not to my knowledge.

Q. Concerning the initial advertising, was there any discussion as to who would do the initial advertising for the bank? A. Who? As an individual who would do the initial advertising?

Q. Well, let me phrase it this way. Would the Park National Bank do their own advertising? A. No. It was supposed to be coordinated through the C&S National Bank. In fact, there was discussion as to the sign, how large Park National's name would be on the total sign.

Q. Was there discussion as to who would pay for this advertising? A. None whatsoever, to my knowledge.

Q. Was there any discussion as to who would perform the duties and handle the charter application, to the best of your knowledge? A. No.

Q. Was there any discussion relative to the **[12]** correspondent services to be provided by the C&S Bank in these early meetings? A. All discussion centered around the fact that this was a C&S bank, and there was no specific discussion of who would do what. It was just the C&S Bank would be doing it. And when I say C&S Bank, I refer to the C&S National Bank.

* * * * * * *

[1] GX 204

(Title Omitted in Printing)

The deposition of **Louis J. Fortuna,** Deponent, taken at the instance of the plaintiff, the reading and signing of the deposition not waived, taken before Alice Ethridge, Deposition Offi-

cer, commencing at 9:30 a.m., August 7, 1972, C&S National Bank Building, Atlanta, Fulton County, Georgia.

* * * * * * * *

[19] Q. All right. Mr. Fortuna, I will show you what have been marked Deposition Exhibits 5 through 10 and ask you if you would please take a look at these. (Indicating.)

Mr. Doyle: Let the record show that 5 through 10 are equivalent to—are copies of documents marked in the other depositions as Presidents' Depositions Exhibits 1 through——

Mr. Lehman: Six.

Mr. Doyle: ——6.

By Mr. Lehman

Q. Have you now had an opportunity to peruse them? A. Do you want to go one by one or all of them?

Q. If you'll take a look at them, please. A. Oh. (Reading.)

Q. Do you recall receiving these documents? A. Oh, yes.

Q. Let me direct your attention, then, to Exhibit No. 6. Could you tell us what this document meant to you when you received it? **[20]** A. Oh, 6.

Q. That would be dated July 28th. A. Now, what's the question?

Q. Could you tell me what this document meant to you? A. Yes. In our operating of a bank, as I indicated earlier, I made a lot of studies and researches, and one of the best places of getting information is from the C&S National Bank wherein they send out information of this kind to let me know that certain changes have taken place in the rate structure of the banking community because this is the Federal Reserve Bank discount rate that we're discussing here and not the C&S National Bank rate. That is how they are telling me of this particular deal.

Now, I used this as a guide only, but it's up to me to decide what rates I'm going to charge. Secondly, this particular rate relationship has to do with prime customers. At the bank out in Sandy Springs we have possibly two or three only accounts that are of this particular category, and we don't have loans outstanding to these companies all the time. So if we do it's up to me to be aware of what the prime rate is because that's what I would have to charge them if and when I made a loan.

Q. I see. Would you then just consider this a **[21]** suggestion, in other words? A. Not a suggestion. It's just information.

Q. Let me direct your attention, then, to Exhibit No. 10. In Exhibit 6, the one we just talked about, it had in the heading: to branch managers, national bank presidents and managers, affiliates and correspondent associates (sic). And Exhibit No. 10 has at the bottom: copies to presidents, correspondent associates—for information only. Was there a difference between the document we saw as Exhibit No. 6 and this document? A. Most of the documents I get have this notation on them. I don't believe there is any difference. It's just for information only.

Q. Then I would direct your attention to Exhibit No. 9. Do you recall if your bank followed this suggestion about keeping drive-in windows open until 4:00? A. Our drive-in windows were open till 4:00. I got there in '64, and I changed the drive-in windows to the 4:00 o'clock hour shortly after I got there. And when this memo came out for our information, our drive-in windows were already open at 4:00 o'clock.

Q. In other words, Mr. Fortuna, you did not consider these memos as directives? A. No. It says for information only. It's up to me with my years of experience to make decisions.

[22] Q. The same is true for those not saying for information only? A. I'd categorize them the same way.

* * * * * * *

[1] GX 206

(Title Omitted in Printing)

The deposition of Hubert L. Harris, Deponent, taken at the instance of the Plaintiff, the reading and the signing of the deposition not being waived, commencing at 9:30 a.m., August 3, 1972, at the Citizens and Southern National Bank Building, Atlanta, Fulton County, Georgia.

* * * * * * * *

[4] Mr. Kinkaid: Will you swear in Mr. Harris?

Whereupon,

HUBERT L. HARRIS

was called as a witness and, having been first duly sworn, was examined and testified as follows:

Cross-Examination

By Mr. Kinkaid

Q. Would you please state your full name and home address? A. Hubert L. Harris. I live at 765 Douglas Road, Northeast, Atlanta, Georgia, Fulton County.

Q. What is your present occupation, Mr. Harris? A. Retired from the Citizens and Southern Bank in Chamblee.

Q. And what position did you have at that bank when you retired? A. President and director.

Q. When did you retire? A. September 30th of last year.

Q. Were you the original president of the Chamblee bank? A. Yes, sir.

Q. And were you a director for the entire time that you were there as president? [5] A. Yes, sir. And I still am a director.

Q. What was your occupation before going to the Chamblee bank? A. I was vice president of the Citizens and Southern Bank of Atlanta at 140 Peachtree.

Q. Excuse me. I didn't understand what you meant by "one point" (sic) Peachtree? A. 140.

Q. Excuse me. I thought you said one point. Right. And how long were you with C&S? A. 46 years at the time I retired.

Q. How did you first find out about the opportunity to go out and be president of the Chamblee bank? A. I had a call from George McKinnon, and we met together and just talked over the group that was forming the bank, and he asked me if I would go out there and work with them, and I told him I would.

Q. Do you recall the group that was actually forming the bank at that time? A. I had not known them prior to this, but it was a group of—The most active ones were Frank Berry, Harry Finn, Dr. Bill Mosher, Roy Goree, Dr. Harris Minter—well, practically all of those that are directors now. Nearly all the directors now are the original directors.

Q. What did Mr. McKinnon tell you as to the **[6]** relationship that would exist between the Chamblee bank and C&S National? A. He said any assistance that I needed C&S would be able to give to me.

Q. At that time did you get into any details as to the kind of assistance that C&S would provide for you? A. No.

Q. When, as a matter of fact, did you get into more detail on the types of assistance that you could get from C&S? A. Well, there was more a feeling that the assistance was there if I needed it. That was really the deep feeling that I had, that I had the whole resources of C&S available to me if I needed it but that in the meantime we had a bank there that needed developing. And we went about developing it, and if we needed

help from C&S, we asked for it. But in the way of running the bank, there is just not much that you have to ask of anyone else because we had to sell the stock first, then find a location, employees. I mean, there's a right good deal of work to be done so that most of it had to be in the field itself where the bank was to be located.

Q. Did you handle much of the work that you just mentioned? A. Yes, sir.

[7] Q. Formally speaking, how did you actually become president of the bank; in other words, how were you actually selected to be president? A. I met with the directors, the group, and we discussed and talked, and they felt that we could work together. At the final formal meetings I was elected.

Q. Did you select the other officers yourself? A. Yes, sir.

Q. How did you go about selecting the employees in the bank when the bank first opened? A. Well, a key employee, who was the operation person, was at C&S but wanted to move away from downtown. Her name is Martha Day. She can run a proof machine. She can run a bookkeeping machine, and we started out with one. So Martha wanted to move out there, and we gave her the opportunity to move. One of the tellers came from Buckhead. And one we hired, as I recall, had been a former banker that lived in the community out there. I mean, it was sort of informal. We used those from C&S that we felt we needed and others we got in from outside sources.

Q. So far as the assistance that you felt would be available from C&S when you needed it, did you have to make any commitments on your own part in order to be assured of getting assistance from C&S? **[8]** A. No.

Q. Did anyone at C&S—And by C&S generally we'll mean C&S National and C&S Holding. Did anyone at C&S indicate to you that there would be any kind of conditions of any kind attached to the bank's receiving assistance either in forming,

in getting started, or in continuing in operation? A. None. Normally, naturally, it would be understood that we would open a correspondent account here, but that would be just a natural thing. The only instruction or agreement I ever had in going out there was just one sentence from Mills Lane when I talked with him. And I've never talked with him but one time. And that was: "Make it easy for the customers to do business with you." That's the only instruction I've ever had from the time I went out there until today.

Q. In effect, are you saying that from your standpoint you felt free to run this bank with, of course, the approval of the board of directors as you yourself saw fit? A. Yes, sir. But when you go out into a new community—and I never even visited the place; everybody was brand new; I didn't know a customer; I really didn't know the directors—you feel in a big world real lonesome, and having the knowledge that the C&S was backing me gave **[9]** me a great deal of cause to thus enable me to go ahead and make decisions out there based on the fact that I could deliver, that if we didn't have the available lines of credit we could sell them downtown. The services that were needed we could offer them there because the attitude that we took was that we were going to open a temporary building, going to build a permanent building, and we were going to fill that permanent building with customers just as fast as could do it to pay that rent.

And we used every source we knew how to let it be known that we had the resources of the C&S backing us, but we were going to see to it that we were going to give better service out there than C&S gave even, and we did.

Q. How are the salaries of the officers of the Chamblee bank determined? Who sets the salaries? A. When?

Q. Well, if there has been a difference, why don't you start right from the beginning? At the beginning how were the salaries of the Chamblee officers determined? A. I went out

at a certain salary level. For a while we had no means really of setting salaries very well, so we finally arrived at a salary committee of the directors, and the salary committee of the directors sets the salaries, has done so for the past eight years, I guess. **[10]** The cashier and I set the salaries of the employees.

Q. If I understand you then, for something like the past eight years a committee of the directors—— A. I did it before that time.

Q. I see. But for the past eight years there has been a committee of directors who determines salaries of officers and at the same time the cashier determines the salaries of employees? A. I with the cashier; the two of us together.

Q. Right. Do the salaries of employees have to be approved by the board of directors at all? A. Employees?

Q. Yes. A. No.

Q. To your knowledge or recollection, has your salary level at any time been suggested by anyone from C&S? A. We use reference from them as to salary levels of comparable size banks and all. We use it as a reference. And I believe you'll find in the FDIC publications that this is almost nationwide. The size of the bank to a large extent will determine the salary of the president.

Q. And to your recollection, was your salary pretty much in conformance with the findings of the FDIC as to sort of the nationwide average? **[11]** A. Just a little bit higher for the size of the bank, but our earnings were greater.

Q. How did you decide on the initial service charges on checking accounts when the bank opened? A. We took those that were used by every bank in Atlanta. Everyone had identically the same charge at that time. It would be foolish in getting business to try to raise the charge higher than the other banks. We are very much influenced at Chamblee by what the

downtown banks do—all of them. not only C&S but all the banks.

Q. When you say you were very much influenced by all the downtown banks, do you mean all the time that you were at Chamblee or just in the beginning? A. To some extent all the way through. You must be competitive. What I'm trying to say is Chamblee is not Gainesville. It's part of metropolitan Atlanta, so you must be aware at all times of what is going on in the greater Atlanta area.

Q. Did you consult with anyone from C&S at the time you were deciding the initial service charges on checking accounts? A. Possibly I discussed it with George McKinnon. See, I'd just worked with George at 140 Peachtree Street, and possibly we discussed it. I don't know. To me there **[12]** was not anything to discuss. There was one charge and one charge only. Everybody had the same charge.

Q. Were the initial rates that you paid on the various types of savings accounts determined the same way, to your recollection? A. I think we adopted practically the same thing that was in force in Atlanta banks. As I recall, they were all at the same level at that time. Remember, we've gone a long way in the economic world since 1960. Some of these things I just don't remember positively.

Q. I fully understand that. A. I doubt if you'd remember in May of 1960 what you did, so I'll just have to do the best I can on these things.

Q. Certainly. Can you recall, when you first started, what types of savings accounts and time deposit accounts the bank was offering? A. When we first started, there were only two types of savings in Atlanta: passbook savings and formal certificates of deposits. And that's all we had.

Q. By any chance can you recall when you first started offering—I believe what I refer to as—open savings accounts? I

don't know if there is a formal term for it. These are the ones that are on a 90-day basis. **[13]** A. Savings certificates. When money got tight in '65 and '66 or somewhere thereabouts—I've forgotten just when. But as money became tighter the banks, all the banks, had to work harder to get deposits. And each time that an Atlanta bank, whether it was C&S or the Trust Company of Georgia, came out with a new type of savings instrument, we were forced by competition to take it. In the tight money period I saw a million dollars run off in six months out there because of the real high deposits—I mean, investments that were being offered in the 1968 credit crunch.

For example, we did not go into those $100,000 units out there because it was a small bank. We didn't feel like we could establish the countrywide market that was required. So we always had to remain competitive with the other banks, and when they came out with a new instrument, then we came out with a new instrument.

Q. You've just been talking about certificates of deposits; is that right? A. Yes, sir. But that was another type of savings, the 5 percent savings, where you can increase or decrease and still remain on the 5 percent level. The Trust Company of Georgia originated that under their Golden Savings Plan, and Peachtree Bank used it out there on us. So in order to meet the competition with Peachtree Bank and **[14]** Trust we had to go it very shortly thereafter, and C&S was offering it, so we adopted their usage of it complete because we could get their forms, their study of the best method of operating, and we adopted their plan to meet Peachtree Bank's competition. But that is the basis for the change that we made.

Q. Can you recall the year in which Peachtree came out with this Golden Savings Account? A. No, sir.

Q. How did you arrive at the initial banking hours for Chamblee? A. There were two reasons for it. I had worked

in the industrial area in northwest Atlanta, and late Friday I had seen these poor people that would come by with checks as we were going home. They had no place to get their checks cashed, and I felt sorry for them. So when we went to Chamblee we first considered Saturday hours, and the women said that they just didn't see how they could work Saturday, you know. "You're going to have to get a new bookkeeper," and so forth, "if you're going to open Saturday." So what we did was combine something new that had never been done in Atlanta before. We opened the bank from 4:00 to 7:00, which gave us three hours, which would be the same thing as if we opened on Saturday morning.

[15] And we advertised this very heavily—the after-hours banking—so we could give services to those people. In an industrial area like Chamblee you have 30 minutes for lunch; 45 is the maximum. And you cannot get from your place of business to the bank—all of those people cannot and get their checks cashed in that short a period of time. Here was a way to get more deposits.

So it was just interpreting the needs of the area that determined the hours. And for a long time we were the only bank in the Atlanta area that had banking till 6:00 o'clock on Friday.

Q. Was this strictly your idea, or had anyone from C&S made any suggestion that you stay open? A. My idea completely.

Q. In the Chamblee bank who has the authority to change, for example, the interest rates paid on various accounts? A. I don't think it would be done without a good deal of discussion, pros and cons, the cost of the change, how it would affect your customers. I don't think any one individual would make such a change without a good deal of consultation with all the parties that he could talk with to try to arrive at the best basis for it. I think it would be, like Mr. Johnson used to call it, a consensus decision.

[16] Q. Are you saying, then, that the board of directors of Chamblee did not say to you, "It's up to you to change interest paid on savings accounts"? A. I would not do anything of that nature without discussing it with the board.

Q. And would a change of that nature require approval by the board of directors? A. No, sir. I don't think that we would have formal approval, but they would be fully aware. Remember, the directors out there sell. We've got a selling team, new business team, and they have got to be aware of the services the bank offers, of every bit of it every time a change is made so that they can sell the services. We have a competition out there between those directors with two teams. So naturally any changes made in operating procedures they must be given information about so that they can sell these new changes to the public.

Q. Would that be the same situation so far as changing service charges on checking accounts would be concerned? A. I think so. We would not change without their knowledge. We would try to discuss the pros and cons of any changes. And usually with a change of that nature where the public is affected you wait a long time and [17] you study it very thoroughly because a customer knows what his basic charge would be and then when you go to change it he gets sort of confused and unhappy. So we would give a lot of thought to any change.

Q. Were you given authority to change banking hours? A. Well, we changed them. I don't know whether I was given authority, but I think it was done after we were open on Friday till 7:00 and we found that we had no customers from 6:00 to 7:00 to amount to anything—only a very few scattered ones. And that meant an extra hour's pay or usually overtime. And therefore it became economically more profitable to close at 6:00 rather than 7:00. So after giving the public several months' notice we started changing it to 6:00 instead of 7:00.

Again it was a long discussion as to the practical side of it. Most all of the things we did were from a practical nature.

Q. When you made the decision to close at 6:00 rather than 7:00 on Friday, did you consult with anyone from C&S in regard to that particular matter? A. We reviewed it with them, yes, I feel sure because I would not want to do something that they were not aware of. If we had any printed material, for example, we'd certainly want the printed material to carry the **[18]** correct hours.

Q. What you just said may be an answer to this question, but I'd better ask it anyway. When you say you wouldn't do something like that without reviewing it with them, what was the reason for reviewing your change in hours from 7:00 to 6:00 on Friday? A. On that particular change I don't think there was much at stake. I don't think there was a great deal of review—more of an information review so they would know what we were doing or a matter of information, but there was very little pro and con regarding the change there.

Q. Before making a change in service charges on checking accounts, would you also review that with C&S? A. Yes. We would, but we have to review more with the area generally than with just C&S because I can't have a charge out there that's too widely—that varies too widely from the other banks because people will move their account from one bank. After all, all the banks have offices around there, and I've got to stay pretty close to what the downtown banks charge.

Now, the downtown banks made one change that we did not make out there, but on the second change which is major we had to go to it, and we went to it.

Q. Could you tell me what each of those two changes was? **[19]** A. The middle change I don't recall at all. We didn't follow it. The downtown banks followed it. I don't know what it was. But the last change where there was a $250 minimum with no charge, that was citywide and was advertised

over every TV program. There was no choice we had except to go to a $250 minimum. I mean, there is no way that you can buck the tide on a thing like that.

Q. Did you review with C&S any changes that you made in the interests rates paid on any of your savings accounts? A. Yes, we did. We wanted to use their forms and their know-how. After all, we had at the maximum 10,000 accounts, and they've got 200,000 accounts. They ought to have more know-how in much of these things than we would have. So we gained all the information we could.

Q. Let me see if I understand what you're saying there. Are you saying that you in deciding whether to make a change in the interest on savings accounts would be seeking information from C&S on whether or not to make the particular change, or do you have something else in mind?

Mr. Doyle: Mr. Kinkaid, I want to object to the form of questions which proceed along the basis of "are you saying" or "are you not saying" because what **[20]** Mr. Harris has said is what he has said. If you want to find out what he means or if you want to find out what the facts are, that's perfectly proper, but it can read as an unfair characterization of the record in terms of "are you saying" or "are you not saying". On the basis of the form there I object to that question and to those kinds of questions.

Mr. Kinkaid: I'm trying really with those kinds of questions to see if I understand what Mr. Harris is saying. I can see where there is a problem. I'm not trying to put words in his mouth. I think that's your objection really.

Mr. Doyle: And an unfair characterization of the record, yes.

By Mr. Kinkaid

Q. Well, can you explain just what you had in mind as the reasons for reviewing with C&S the changes which you speaking of in interest rates on savings accounts? A. Such things as

trends in the money market, also the future availability of money and whether it would be wise to do it. I used C&S every way possible to help in making decisions. I conferred with them on many points there. Then we'd discuss it with the directors and we'd try to get all the information from whatever source we could. We took every banking magazine, periodical, trying **[21]** to stay abreast of what was going on. So that with many of these things it was just part of the movement in the money market. You had to follow it.

Q. Were you reviewing any of these matters, either interest rates on savings accounts, service charges on checking accounts, with C&S in terms of seeking their approval for what you had in mind? A. Not approval; perhaps concurrence, agreement. It was the wisest thing to do.

Q. It was the wisest thing for whom to do? A. Chamblee.

Q. In making your decisions with respect to changing service charges on checking accounts or interest rates paid on savings accounts or banking hours or interest paid on loans at your bank office, have you ever taken into consideration anything other than the profitability and growth of your own bank; by that, I mean the Chamblee bank? A. We have to stay within the framework of the group that we were working with there, and our profit would have to be considered as an overall relationship that we had. So along the way we found through talking with the public that they wanted the drive-in windows open earlier than 9:00 o'clock, for example, so the change was made there. It was done, and it was found that it **[22]** was best to give the public a little earlier hours on the outside if they were in their cars so they could get gone. So primarily it was for the profit of the bank but at the same time to stay with the working relationship that helped to make profit.

Q. What do you mean by working relationship? A. Satisfaction of customers.

Q. In your answer when you say working relationship—and I think you also used the word group—tell me who were you including in those terms, group or relationship, C&S National or C&S Holding? A. Well, I know very little about the holding company so far as ever having any day-to-day operation with it. The holding officers are the same as the other officers. I'd deal with the office which would give me the best help. I'd use the devil himself if it would make profit.

Q. Let me ask it a different way, then, and see if I understand you. In making any changes for your bank on service charges, interest rates on loans, interest paid on saving accounts or banking hours—— A. You keep going back to banking hours. We have not made any changes in banking hours except for that one.

Q. Well, then, the other three that I mentioned before banking hours? In making decisions in changing **[23]** any of those three did you in any way consider your relationship with C&S National? A. Oh, yes, indeed.

Q. In what respect? A. If I'm going to get the benefit of the wide market of people moving in from Savannah, Macon, places like that, I must have something comparable to offer. So I got information as to any changes that were made so that we could be in a position to offer comparable services to the customers because people—Hell's bells, in Chamblee two out of every five move every year of their lives. So we had to be prepared for these newcomers that came in every year so we could offer the services they were familiar with. And that to a large extent dictated many of the actions that we had there. I wanted to get the business; I wanted to satisfy them; I wanted to give them that with which they were familiar. So those are the really basic factors that went into the making of many decisions there. It was a market factor, if you want to call it that.

Q. When you say comparable, you wanted to offer something comparable to these people or these newcomers, comparable to what? A. You have the day-to-day savings where a man could

take it and withdraw it tomorrow, like a checking [24] account, and yet we paid a moderate rate of interest. We had other savings certificates that were self-renewing every 90 days without any action on your part. We had those that paid 5 percent or 5½ or 5¾ based on the years that they run, set by the federal government. Then we had the 5 percent savings where you could take in and take out but you could not take it out in less than a 90-day period of time. These were pretty well known throughout the state. We adopted them because they served our needs.

Q. Mr. Harris, I'm still not sure—It may be you are not completely understanding my question, or it may be I'm not understanding your answer. I'm still not sure I understand what you mean when you said that in making decisions, making your decisions, on things like interest rates and service charges one of the things you would consider would be the relationship with the C&S National. Could you try that again and see—— A. Yes. I'd call Bill Thornton. "Look, you're offering a new savings certificate. How is it going?"

"Oh, the public likes it" for so and so reason.

And then I'd call somebody at another office and say, "How is this new program going?" And I'd get either positive or negative answers. And then according to what the competition was doing, if they were offering [25] something we had to meet—But most of these things were done in an easy manner without a great deal of formality. You followed the trade, so to speak, and you put those things in operation.

Q. In other words, were you considering C&S National as a source of market information? A. Yes, sir. They had a larger number of transactions, and I wanted them wherever possible to try anything out to see if it worked rather than me taking it on and spending a lot of money trying it out and have it fail.

Q. Has C&S ever or anyone from C&S ever directed you to charge a particular service charge on any of your checking accounts? A. No, sir.

Q. Has anyone from C&S ever directed you to offer a particular interest rate on any of your savings accounts? A. No, sir.

Q. How about with respect to interest rates on any of your loans? A. No, sir.

Q. Did C&S have the ability in any way to direct you to charge particular service charges on checking accounts or particular interest rates on loans or pay particular interest rates on savings accounts of any kinds? **[26]** A. We'd discuss with them, and they'd give us the benefits that they found in them, and usually it was a concurrent decision. I didn't say this, but I've been in banking longer than most of them down at C&S, and I got information from them. We worked together real close all through the years there. They were more valuable to me than I was to them. I can assure you that C&S National Bank was far more valuable to me than I was to them, and I used them every way I could.

Q. Could you explain what you mean by these things—if I recall your words correctly—resulted in concurrence or agreement? Could you spell out what you meant by that? A. "We found that the new savings instrument will actually bring in the money, and we think if you used it out there it would bring in money for you."

Q. This is someone from C&S talking to you? A. Yes, sir. I'd call and get information. They'd give us their experience.

Q. Did you always reach concurrence with C&S on interest rates on loans? A. No, sir. I always followed different rates than they did on some particular type of loan. On others like prime rate we followed identically because it's countrywide.

[27] Q. In the instances where you had—Well, for example, if you can recall at this time, could you give us any examples of a loan of your bank on which the interest rate would have been different from that of C&S National? A. On construction

loans they used the 1 percent service charge and Chamblee used a 1½ percent service charge.

Q. Did C&S or anyone from C&S suggest to you that you use 1½ rather than 1? A. No, sir. They were aware that I was using it.

Q. When you were active as president of Chamblee, did you feel that your actions as president were in any way controlled by C&S or anyone from C&S? A. My actions were to a large extent controlled by information received from C&S. I made my actions based on reference to material and some of the things that they had tried out in advance.

Q. Well, did you feel that any of your actions were controlled by C&S in the sense that you would not take a particular action unless you had the approval of C&S? A. No, sir. I don't think it went that far. Nobody ever tried to force me at all.

Q. Excuse me. I thought you were going to say **[28]** something. A. No.

Q. Okay. From your standpoint could anybody have forced you to do anything at Chamblee? A. You just don't know how damn stubborn I am.

Q. I take it, then, your answer is no? A. (Nods head affirmatively.)

* * * * * * *

GX 207

(Title omitted in printing)

The deposition of **T. Robert Hazelrig,** taken at the instance of the plaintiff. Reading and signing of the deposition not waived; signing before any Notary stipulated. Taken before William L.

Meigs, Deposition Officer, commencing at 9:30 o'clock, a.m., August 1, 1972, C&S National Bank Building, Atlanta, Fulton County, Georgia.

* * * * * * * *

[4] Whereupon,

T. ROBERT HAZELRIG

was called as a witness and, having first been duly sworn, was examined and testified as follows

Cross-Examination

By Mr. Lehman

Q. Mr. Hazelrig, how long have you been president of C&S Executive Park National? A. Since July 14, 1967.

Q. Were you the original president of the bank? A. Yes, I was.

Q. Could you tell me, please, what your prior banking experience was? A. Yes, I'll be glad to. I came to work at the C&S during the summer of 1951 in what was then known as the executive training program, junior executive training program. My first job was checking tapes in the proof department and getting acquainted with bookkeeping operations. After about three months in that area I was transferred to the installment loan area where I learned to handle installment loans, and I advanced during the next two and a half years to manager of direct installment loans. Shortly thereafter I went to the credit department where I stayed almost a year. I then went to the Tenth Street Branch of the C&S National, where I [5] served in various capacities. I set up the credit files for that bank, organized them in accordance with the way the downtown files were set up and made loans and was a customer service person, just sort of a jack of all trades at that branch.

From that point I was chosen to be one of the first members of the Buddy System that C&S was starting where two or three officers, a junior officer, worked with a senior officer in various areas.

And I came down and after a short term became assistant real estate officer at the C&S National Bank. During that time I also handled all the bank's placement of insurance. I also established a C&S-wide, Atlanta area sort of moral and efficiency organization known as the "CS Stars." The main purpose of this was to help the morale and the efficiency of all the employees in the Atlanta area as well as to help us in our competition for the Mills B. Lane trophy for the best bank in the C&S system. Well, the first year, we placed very high; the second year, we won the award. Various other odd jobs which included calling on business developments in the insurance and real estate area principally, and, after about a year and a half in that area —well, about two years, I sort of doubled in brass and went into the national accounts area. I served as a commercial loan officer, real estate officer and did a lot of other things, **[6]** but I also began to travel up in the area of northern Virginia and eastern Ohio, including Canada, making calls on national companies, both there and locally, for their Atlanta counterparts.

I stayed in that position until June of 1962, when I was transferred to the New York service office of the C&S where I concentrated principally on calling for the bank in the New York area but also pretty strongly in the same area I mentioned before, northern Virginia and eastern Ohio, including Canada.

In 1964 I returned to Atlanta, at which time I continued to call in that same northeastern area and locally and took on a few additional minor jobs.

I had expressed an interest while I was in New York—since I was in national accounts for such a long time and I felt that I might utilize my talents in other areas better—an interest in

setting up a bank of my own as I knew that C&S was sponsoring a number of banks around in areas where they could not locate branches, and in November of 1965, on Thanksgiving Eve, I was approached by the chairman of the board, Mr. Glenn, and Herb Dixon, who then, I think, had the title of vice president, about the fact that Mr. Handley and Mr. Starks wanted to talk with me about starting a bank for C&S. They also told me they would like for me to stay in a more important position in national accounts but that they [7] would let me make up my own mind about that.

I talked with Mr. Starks and Mr. Handley, and, after much thought, I decided that I would like to start a bank of the sort, the 5 percenter type, and I began in about February of 1966 to do so. And from 1966 to 1967, in early July, I continued to sort of work in national accounts; I did a lot of trust work and organized the bank all at the same time.

And that brings us up to the point of my becoming president of the C&S Executive Park National Bank.

Q. In these early discussions with Mr. Handley and Mr. Starks, what was discussed concerning your relationship between the two banks, what the relationship would be? A. That, I don't believe, was discussed. I knew that this was a C&S sponsored bank, but I don't think that we discussed it at all. The C&S could not go into the Executive Park area with a branch by the existing laws at that time, and a lot of our customers, a lot of the C&S National Bank customers, had moved out there, a number of which I had solicited when I was in the national accounts division. The Sinclair account, which I happened to solicit, the American Oil, all these people wanted to have banking close to them. And I understood that that was one of the things that C&S National was trying to do. But we really didn't go into a lot of detail about that. I don't remember anything other [8] that reference that we needed banking in that area and that the customers wanted C&S banking out that way.

Q. Now, you had been with C&S National for approximately 15 years when you made the break to Executive Park National? A. Yes.

Q. What prompted you to leave C&S National to go into Executive Park National? A. I didn't really feel that I was leaving. In fact, I made the remark that, although technically I was resigning to take on a new position, I made it quite clear that if my talents could be ultilized downtown in a more important job for C&S than as president of that bank that I would not be forgotten. I made it clear because I didn't want to be forgotten if there was something better for me to do downtown.

Q. Did they make it clear that you would not be forgotten? A. That is true.

Q. Would you consider, then, your becoming president of the Park National Bank a stepping stone in your career with C&S National? A. Yes, I felt that it was a very good career for Bob Hazelrig, who had a liberal arts background, an A.B. in English and a Masters in English Literature, to become a banker and to see, really, what he had learned in 15 years [9] and also an opportunity to do something that maybe I and C&S would be real proud of.

Q. Who selected you as the president of this bank? A. Legally, the board of directors. However, I'm not really sure; Mr. Starks and Mr. Handley were the ones who told me that I would go out to this bank as head of the bank, but actually the board in June of 1967 elected me president just prior to the opening of the bank.

Q. Who selected the other management employees of the Park National Bank? A. I did myself.

Q. How did you select these people? A. I first figured out the positions I would need, and then I started going for the best people I could find. I was told that people would be available

from C&S. I wanted C&S trained people if possible. Actually, my cashier I went outside the bank to get, a young man who had been, maybe—at least he felt he had been overlooked at C&S and had left the bank a year before, but C&S was very sorry he left and they were delighted to see that I was interested in getting him. I got him back for the bank. He was C&S trained; I think at that time he was with a finance company, I don't know the—or Westinghouse Electric Credit Corporation, I believe. But he was a C&S trained person, and I got him because he had been highly recommended to me. Various other people I just [10] got in my talking with various people around the bank. Sometimes I went around circuitously and found good people, and if they wanted to volunteer for the job, the bank looked with favor upon their working with me.

Q. Were some of these people selected not C&S trained people? A. No. Since the bank has opened we have hired other people outside the bank, but we have hired them through the C&S National Bank. We pay them a fee to do that for us.

Q. Are you presently a director of the bank? A. Yes, I am; chairman.

Q. Have you been since—— A. Yes, always since the beginning.

Q. When the bank was forming, did you make any type of commitments to C&S as far as obtaining their assistance in helping form the bank? A. No, I did not.

Q. By the same token—— A. I assumed that I would get quite a bit of cooperation from them, and I got it. But we never discussed it. There were never any written or verbal agreements of any sort.

Q. I would also ask that question as to the continuing assistance as opposed to the organizational assistance? A. The same answer would apply.

Q. Did C&S attach any conditions to the formative [11] assistance given to your bank? A. No. If I understood the earlier question, we did enter into a number of agreements after we opened for such things as bookkeeping service, computer service and so on, data processing.

Q. The normal correspondence service? A. Yes, the normal correspondence service.

Q. Did you utilize any other bank as a correspondent bank? A. Yes, we did; the C&S Emory—first of all the C&S DeKalb Bank and then later the C&S Emory Bank.

Q. Any bank outside the C&S family? A. No. We had a lot of them who called on us, but we didn't feel that they offered good services.

Q. Now I'll get back to my second question as far as were there any conditions to the C&S continuing assistance? A. No, there were not.

Q. Does the board of directors in your bank fix your salary? A. Yes, they do.

Q. Do they fix the salaries of the other officers in the bank? A. No, they do not.

Q. Who does that? A. I do.

[12] Q. Are you also the approving authority for the salary as to the other officers? A. Yes, and also the employees.

Q. Does the board of directors play any part as far as the approval is concerned of the salary of the other—— A. No, only in the election of officers and the promotions of officers, titularly.

Q. Is it proper to say that you are the final approving authority for the salaries of the officers other than yourself? A. I'm the originator and the final approving authority in that situation.

Q. Is this approval given by you subject to C&S approval at all? A. No, it is not. Sometimes—I would like to add this—sometimes I discuss with them what I'm planning to do. I don't always do this. I remember one situation where I was going to do it, but—I think it was something like a very healthy raise, and, realizing that this person had come to the bank with the understanding that he would stay and accomplish a good job at C&S Park National, he also had been given an understanding—not any type of legal, written agreement, but he had hoped to do big things in the C&S National Bank, and before giving this rather sizable raise to this young man I wanted to consult with them so that they [13] would be happy with my choice. I felt that it was well for them—we had two advisors on our board, and I really think I consulted with the advisors rather than the C&S National Bank, but they were people who knew a little more about the salary situation in banking than I did.

Q. Who recommended your salary, if you know? A. The board of directors.

Q. Is this subject to any C&S approval, C&S National approval? A. No, it is not. However, the board usually defers to one of our two advisors for an appropriate amount. In such situations I have been asked to leave the room, and I am told—well, let me put it another way; I understand that they do defer to either Mr. Handley or to Mr. Don Ingram as to what would be an appropriate raise for me. Those advisors, incidentally, are advisors to the board.

Q. Do they have a vote? A. No, they do not.

Q. Who decided on the initial rates as far as interest paid on savings accounts and services charges at your bank? A. In our meeting in June, in the last meeting of the organizing directors, I was given authority to make various management decisions, which included rate setting. I made these decisions based on competitive situations in the area. I made these rate decisions

on loans, savings and all other [14] types of things—within the limits of the law, of course.

Q. Did you also make the decision as to your initial banking hours? A. Yes. I did. These were approved at the last meeting of the organizing directors in July 1967, just prior to our opening. They were approved by the board of directors.

Q. Is it safe to say that the board of directors, then, in these instances ratified your decisions? A. There was always discussion. They have always approved my recommendations. Perhaps once or twice there were some changes based on what they thought or what they wanted.

Q. They've given you pretty much free rein as far as the bank is concerned? A. Yes. Yes, they have.

Q. Did you have the authority—Are you the one vested with the authority to change the interest rates now on savings accounts, paid on savings accounts? A. Would you repeat that question?

Q. Okay. Are you now still the one that changes the interest rates paid on savings accounts if there is to be a change? A. Yes, I am. We've made very few changes in the five years.

Q. Can you think of some changes that you have made as far as interest rates? [15] A. Yes, but I don't remember the dates. We did add a package of loans, so-called 5 percenter loans, and there were some changes in the certificates, or they varied by length of time. But these, once again, were done because they were being done by C&S and also by C&S competitors and by C&S Park National competitors, too.

Q. Are you also the one who has authority to change interest rates charged on loans? A. Yes.

Q. And the same as far as service charges on checking accounts? A. Yes.

Q. Perhaps we covered this area before, but from where did you derive this authority? A. From the board at our meeting in June 1967 before the bank opened.

Q. Have you had an occasion to change the interest rates paid on loans since the bank's inception? A. Yes.

Mr. Doyle: I assume that means charged on loans?

By Mr. Lehman

Q. Yes, excuse me; interest rates charged on loans. A. Charged on loans, yes. In fact this is done sometimes daily. We are in a rather highly competitive area. The Trust Company of Georgia came out last year with—oh, 5¾ percent [16] add-on rate on automobile loans or some of the finance companies were lowering their rates. We needed loans very badly. We've been strictly a—we have not been strictly, but we have been a pretty good depository bank, but loans have been very hard to get for us, and so in an attempt to increase our loan volume we have many times altered rates according to the individual and according to the competitive situation in our area. And we do this regularly now.

Q. In making these changes that you have made over the years at your bank that we've been talking about, have you ever taken anything into consideration other than the best interest of your bank at Park National? A. Yes, the best interest of our customers and prospects.

Q. Anyone else? A. No.

Q. Has C&S National ever directed you to change interest rates charged on loans? A. No, sir.

Q. I'll ask the same question as to service charges on checking accounts? A. No, sir.

Q. And interest rates paid on savings accounts? A. No, sir.

Q. Do you feel that C&S National has the ability to dictate any policy or program in your bank? [17] A. No, sir. How-

ever, I was a C&S trained person; I liked the way C&S did business. I was very largely influenced by them while I worked here, and I have been largely influenced by them since I have been president of the C&S Park National Bank. It's a desirable influence. I feel that C&S does more to try to help the people in Georgia than any other bank. If I left the bank today I couldn't go to work for another bank in Georgia, because I feel that strongly. And I've sold it. It's my job. As you probably can tell from my resume, I have been selling most of the time. I'm a pretty honest fellow, and I don't think I could—one time C&S, when I was at C&S National Bank, came out with a savings package which was not competitive, but that's the only time in my 20 years of being associated with the C&S Bank that I couldn't sell because I didn't believe in it. I believe in C&S, and I sell C&S. I sold C&S while I was at C&S National, and I sell C&S and C&S Park National where I am now.

Q. Do you feel their programs are competitive now, the various programs? A. C&S National?

Q. Yes. A. Yes, I do.

Q. Are your bank's programs competitive? A. Yes, sir. I hope so, and I think so.

Q. Do you attend these Wednesday morning meetings, I [18] it is, at the bank? A. What do you mean by "these Wednesday morning meetings"?

Q. The Wednesday morning meetings. A. I do happen to attend a Wednesday morning meeting, but I used to attend a Monday morning meeting, and I think it has been on various days. I'm not really sure which meeting you're talking about.

Q. Well, these are the meetings of the presidents of the various correspondent associate banks and affiliate banks. A. Well, I come to two meetings on Wednesday. Since I left the C&S National Bank I have been invited to attend the presidents' so-

called Wednesday morning meeting, which starts at—it's a 7:30 or 8:00 o'clock meeting which starts at 7:00 o'clock. I have tried not to miss any of these meetings because I think Mills Lane is an amazing man, and even if the meeting lasted only three or four minutes, they were always worthwhile to skip breakfast and come down and hear him.

I might clarify further that not only was I as president of an associate bank there, but all the officers of the C&S National Bank came at various times; they had various people. They even had a few regulatory authorities and may even have had some Justice Department people there on occasion. It was a meeting to which the general public was—well, the general public was not invited except upon a formal invitation. **[19]** This usually was over—and I have continued since Mr. Kattel became president and I don't like to miss those meetings because I always learn something of economic value about what's going on in banking, and they are a worldwide banking organization, and I find out a lot of things I am very much interested in. At 8:00 o'clock, if the Lane or Kattel meeting were over, I then, as of the past six months—these meetings would vary from time to time—attended a credit meeting which was attended by the presidents of some of the other 5 percenter bank. Sometimes one of the C&S National Bank officers would be there. Usually that person would be a person who was in an advisory position to the banks, and we would swap ideas and review some credits and compare notes and, after the fact, get a reading of the minds of the other presidents and sometimes cashiers and various management associates, and it's a swapping of ideas.

A lot of the young men—I think I had a pretty strong credit background, but there were a lot of the young men who were presidents of the banks who—it was all sort of a relative situation as to the degree of experience these men had, and some of the guys with more experience imparted ideas and helped to educate the younger guys with less experience, and then some of the younger guys would give us some real bright

ideas, also, and I was not invited to attend this—I didn't know about this meeting until the first year or so that **[20]** my bank was open. But since I found out about it I've tried to attend that every time it comes up, which usually is weekly.

Q. Is your attendance at the earlier meetings, is that a mandatory attendance? A. No, sir.

Q. As to the second meeting on Wednesdays, in the credit meeting, just what is the purpose of this meeting? A. Well, I thought I answered that. The purpose of the meeting—the major purpose would be to impart ideas for presidents—well, for the officers of the 5 percenter banks, to impart ideas to each other regarding lending policies of the banks, of the respective banks, and to benefit from actual reviewing of loan situations.

Q. You actually review loans that were already made? A. Yes, sir, we do, I think our guideline is loans over $25,000. We review these. I feel reasonably sure that certainly all of us have benefited from the—oh, analyzing financial statements; various of us analyze financial statements and put emphases on certain things in different ways, and I think that all of us have learned from this. And, of course, this has been very educational to all of us. I think the main value of it is to help each other to edify ourselves in the area of lending and also to keep—one of the benefits I find is that occasionally one of our associate banks or **[21]** sister banks would be banking a mutual customer, and we are always interested in this because we generally don't like to—we like to keep up with our customers, and occasionally we can find that somebody we thought banked exclusively with us banked at one of the other C&S associate banks, and this gives us an opportunity to put some curbs, if necessary, on that situation.

Q. In this discussion of credit, do you establish guidelines to be followed at these meetings as far as—— A. Do I establish them?

Q. I mean the people at attendance at the meeting, various people.

Mr. Doyle: I'm sorry; I didn't hear the question. Do you establish guidelines for what?

By Mr. Lehman

Q. For your credit programs in the banks.

By Mr. Doyle: Establish guidelines for your credit programs?

Mr. Lehman: Yes.

The Deponent: Shall I proceed?

Mr. Doyle: Yes.

The Deponent: Yes, we do, but these are changing guidelines which we ourselves change. There usually members of the C&S National Bank Credit Department there; we utilize them to spread statements. I can't, with the various things [22] I do, spread all the statements, financial statements, and get various information ready for these meetings or for reviewing their own credit prior to making loans. They are there. Most of these men are relatively new with the bank and are sometimes head of the credit department. Through them sometimes the advisory C&S banking officers, occasionally the head of the C&S National Bank Credit Department attend these meetings to bring us up to date on new angles in lending, and we change our guidelines. They are pretty well cut and dried, though; it's not all that complicated. We vary them according to what's most beneficial to us, we think.

Q. I have some documents here that were produced in response to our interrogatories, and if you would I would like for you to take a moment and just look through these (presenting). A. All of these? Do you want me to take them one at a time?

Q. No. I just want to ask you some questions about them afterwards. A. All right.

Q. First of all, have you received documents such as these? A. Yes, I have.

Mr. Doyle: Wait a minute; I object to that question. **[23]** What is a document "such as this"?

Mr. Lehman: As the ones I've shown him.

Mr. Doyle: Well, I object to the question as being vague and ambiguous. I don't know what a document "such as this" is. If you mean "Have you received copies of the same piece of paper," I think that's an appropriate question and we could reflect it accurately in the record. I don't know if that's your question. I'm not trying to suggest your question, but I don't know what a "document such as this" is.

Mr. Lehman: Well, I'll change it, then.

By Mr. Lehman

Q. Have you received copies of these documents, to the best of your knowledge, at Park National? A. I have received memoranda similar to these, and these may well be copies of the ones I have received.

Q. For what purpose do you receive such memoranda? A. I noticed on these that there were—out of these eight or nine, there was only one that had "For information only, correspondent associates." The C&S, as an aid to us, since we opened our bank, I didn't like the thought that I would be leaving the C&S National Bank and just getting completely out of touch with what they were thinking about and doing. We get copies of the "Southern Citizen," the house organ; we get copies of their memoranda, certain **[24]** memoranda which they feel may be helpful or of interest to us. I think probably—I see now that there are two that say "For information only" as pertains to correspondent associates. I assume these are being sent to me as guides which I myself would use for that purpose in thinking about interest rates and banking hours and so on. It's of interest to me to know what's going on in the C&S National

Bank. I like the way they do business. It's also of interest to me to know what the people across the street are doing. They have several competitors, and I like to know these things.

C&S is nice enough to keep me apprised of what's going on, and I use this information that they send me. Mr. Pfaff, I think, has written most of these. Before, other people have sent other memoranda that they felt would be helpful to me, and I have used them to good advantage. But I use them as information only.

Q. We discussed the one——

Mr. Lehman: Excuse me, Mike.

Mr. Doyle: I object to the testimony proceeding in this way because we are talking about documents which are not presently identified in the record. Unless these documents are made a part of the record and for that purpose, I object to this entire line of questioning as to a matter of form on the ground that it is ambiguous and misleading unless the documents which are basically the subject matter of the **[25]** testimony are also made a part of the record. And if that is the case, then I ask that they be so marked and identified at this time in order that Bob's answers will be keyed in on the record for the sake of clarity, and we will all know a month from now what it was we were talking about.

Mr. Lehman: Off the record a minute.

(Off the record discussion.)

(Documents were marked as Presidents' Deposition Exhibits PD-EX 1 through PD-EX 6 for identification.)

Mr. Lehman: The documents that we have been previously referring to have been marked Presidents' Deposition Exhibits 1 through 6. The two exhibits we were discussing containing "For information only" to presidents, correspondent associates were Exhibit 5 and Exhibit 6.

By Mr. Lehman

Q. Mr. Hazelrig, I will now show you what has been marked Presidents' Deposition Exhibit No. 2 for identification. This one has no "For information only" on it, and I notice in the heading it's to the branch managers, presidents of affiliates and presidents of correspondent associate banks. For what purpose would you receive this document? A. Am I on record with my previous answer, the last answer pertaining to some of these documents?

[26] Q. Right. A. For information only. That is the reason for receiving this, I assume for sending it, and I certainly considered it as a helpful aid.

Q. If you know, why would one memorandum be termed "For information only" as far as the presidents of correspondent associates? A. Well, I assume for about the same reason my secretary frequently forgets to put a copy to somebody. I think this may be very likely just an error of omission. But the C&S National does not dictate rates to us. This is for information, as an aid to us. I'm sure that's the reason they send it.

Q. If I may summarize as to the correspondence that has been marked Deposition Exhibits 1 through 6, the purpose of your reception of these is merely for information only purposes to keep you apprised of what—— A. C&S is thinking and doing; yes.

Q. These are not directives, then? A. Absolutely not.

Q. Is there any time that you have followed the advice contained in these memoranda that you have received, to the best of your knowledge, as to rate changes, perhaps? A. I don't know. I read the Wall Street Journal and I read the American Banker; I read these memoranda and I try [27] to keep up to date on what's going on in banking, and I could well have followed the advice, if you call it advice. I call it information.

I have heeded the information to the extent that I felt it would be beneficial to our bank and to our customers.

Q. As president of Park National, do you feel that you were controlled by C&S National in your workings as president of Park National? A. I'm not controlled by anybody, personally; as an officer of the bank I am controlled to the extent that I want to do things by the board of directors. Because I like the influence of C&S, if they ever asked me to do something that would be helpful to them, I would do it. Once again, I say I like the C&S style of doing business, which I think started with Mills B. Lane, Jr., and I am not a controlled person. I have a little creativity of my own, and I don't really like to think of myself as controlled by anything but maybe God.

Q. In this last answer of yours, you have stated in the first portion of it that if C&S asked you to do something, you would do it——

Mr. Doyle: I object to that characterization of the testimony because that is not the way it was put, and I object to the characterizations of testimony when they are not accurately reflecting the testimony on the record. The **[28]** record shows what it does show, and I have no objection to your referring to prior testimony, but I do object to your attempting to summarize it when you do summarize it incorrectly as you did in that last question. The record speaks for itself.

Mr. Lehman: Could you read back his last answer?

(Reporter read back last answer.)

By Mr. Lehman

Q. Based on your last answer, Mr. Hazelrig, if C&S were to ask you to do something that would be helpful to C&S, yet would not be in the best interest of your bank, would you do what C&S requested? A. No, sir.

* * * * * * *

[1] GX 208

(Title Omitted in Printing)

The deposition of **Dr. W. Andrew Irvin,** Deponent, taken at the instance of the Plaintiff, reading and signing of the deposition not waived, before Roberta Newberry, Deposition Officer, commencing at 3:30 p.m., July 27, 1972, at the Citizens and Southern National Bank, Atlanta, Fulton County, Georgia.

* * * * * * * *

[12] Q. Did you also discuss in these earlier meetings as to what name the bank would take? A. As far as I was concerned, it was always the C&S Bank. That's all we've ever had up there. We've had a big sign, "C&S".

Q. Who came up with the original idea for the name? Was this the thought of the three directors? A. Well, as I said, when Archie Lindsey called me, he said, "Would you like to help form a C&S Bank of Roswell?" And I said, "Sure." So that was it.

Q. Do you know who handled your charter application? A. No, I don't. As I say, as far as I was concerned, this was the C&S Bank of Roswell.

Q. Was there also discussion at this time as to which bank or banks you would seek to act as your correspondent banks? A. As I said, we were a C&S bank.

* * * * * * * *

[18] Q. From the time the board of directors met after the opening of the bank, has there ever been a C&S National person sitting on the board? A. We've had an advisor at all times.

Q. From the beginning? A. From the very beginning.

Q. What is his function? A. Advisor. He has no vote.

Q. He has no vote? A. He's an advisor.

Q. Do you request advice or does he offer advice? A. We expect advice when we need it.

Q. In other words, he would offer you advice? A. Oh, yes. That's what he's there for—to help us in anything we need. We don't profess to be bankers.

* * * * * * *

[1] GX 209

(Title Omitted in Printing)

The deposition of **Hugh F. Lane,** Deponent, taken at the instance of the plaintiff, reading and signing of the deposition not waived; signing before any Notary stipulated, before Volney Barker, Deposition Officer, commencing at 3:00 p.m., Wednesday, August 8, 1972, at the offices of Alston, Miller and Gaines, 12th Floor, C&S National Bank Building, Atlanta, Georgia.

[2] Appearances of Counsel:

For the Plaintiff:
Neal Lehman, Esquire
1776 Peachtree Street
Atlanta, Georgia

For the Defendants:
Alston, Miller & Gaines
By: Walter M. Grant, Esquire
C&S National Bank Building
Atlanta, Georgia

[3] CONTENTS

Witness	Direct	Cross	Redirect	Recross
Hugh F. Lane	5	55	57	..

[4] PROCEEDINGS

Mr. Lehman: In our discussion today I will probably be referring to C&S National, and when I do, I will probably also be referring to their affiliate banks and C&S Holding Company. I will probably be using them interchangeably as opposed to the correspondent associates, the five percenters, which I shall call the five percenter correspondents.

Mr. Grant: Excuse me. So I can understand this, when you say C&S National, that means C&S National?

Mr. Lehman: Branches and affiliates.

Mr. Grant: Branches and affiliates?

Mr. Lehman: Yes.

The Deponent: In East Point and DeKalb?

Mr. Lehman: Right.

Mr. Grant: Does that include C&S Holding?

Mr. Lehman: I may use them interchangeably, but I'll spell it out when I use the correspondent associates. I'll try and be as specific as I can.

The Deponent: Fine.

Whereupon,

HUGH F. LANE

was called as a witness and, having been first duly sworn, was examined and testified as follows:

[5] **Direct Examination**

By Mr. Lehman

Q. Would you please state your name. A. Hugh F. Lane.

Q. What is your present home address? A. 5555 Wright Road, Northeast, Atlanta, Georgia.

Q. What is your occupation? A. I'm president of the C&S Bank of North Fulton.

Q. How long have you been president of this bank? A. Since the bank was originated. We opened for business in June of 1967.

Q. Prior to your becoming president of North Fulton, what was your occupation? A. I was an assistant vice president with the Citizens and Southern Bank of Sandy Springs.

Q. How long had you been with the C&S organization? A. Since May of 1960.

Q. How did you happen to find out about the position of president of C&S North Fulton, if you recall? A. Yes, I recall. I was called in by Mr. Louis Fortuna, who was the president then of the Citizens and Southern Bank of North Fulton—I mean—excuse me—Sandy Springs—and he informed me that we had a group interested in organizing a bank in Roswell, and that I [6] had been selected to run the bank, if I so desired.

Q. By whom had you been selected? A. By the Board of Directors.

Q. Had you met the Board of Directors prior to that time? A. I had known them, most of the Board of Directors. The originators, I might call them, were customers of C&S Bank that lived in Roswell. For instance, Dr. Andrew Irving, Archie Lindsey, Harold Benson. All of these fellows banked with the C&S Bank, and I had known them personally before.

Q. Did you also discuss this fact of your going to North Fulton with anyone from C&S National? A. No, I didn't. I was delighted to have the opportunity to serve in this capacity. It was a real challenge.

Q. Why did you consider it a challenge? A. Well, any new business in an area like Roswell, which was rapidly—Well, at that point in time it was not growing as rapidly, probably, as

Sandy Springs, but it was inevitable that it would be a future growth area, primarily because it's a bedroom life community, as is Sandy Springs, bedroom industry, but a lot of influx of newcomers.

Q. Would you consider the opportunities for North [7] Fulton as good as they would have been in Sandy Springs? A. Yes.

Q. Speaking in a business sense, promotions, things like that? A. Yes.

Q. Were you also one of the organizers of C&S North Fulton? A. Yes. Well, the decision to attempt to charter a bank in Roswell had been made when I was brought in, and from that point on I was given the ball to carry, to get together the charter application, submit the charter application to the state and FDIC, and start the bank from scratch, build the building, locate the property, name the bank.

Q. Were you told of what the relationship between C&S National and C&S North Fulton would be by Mr. Fortuna? A. Of the relationship between C&S National and C&S North Fulton by Fortuna?

Q. Yes. A. I don't think it was necessary. I had been with C&S long enough that if it was going to be a C&S bank, I felt that I knew what the relationship should be.

Q. Were you also one of the original directors? A. Yes, I was.

Q. Are you chairman of the Board of Directors? [8] A. No. I was acting chairman until recently, and we elected Dr. Andrew Irving as chairman of the board.

Q. When was Dr. Irving selected? A. This was the early part of last year, '71, and re-elected at the annual stockholders meeting, at the first directors meeting after the annual stockholders meeting in '72.

Q. Now, you have mentioned you were selected by the Board of Directors as president? A. As I understood it, they were given a choice of people. They knew me. They knew that I had lived in the area, and that I had worked in Sandy Springs for four or five years, and they felt that of the choices, I assume, they were given, that I was the man.

Q. Do you know who the others were, the other selectees? A. I have no idea.

Q. Did they also—did the Board of Directors also select the other management of the bank? A. No, they did not. I did.

Q. From where did you select these people? A. There was only one other officer of the bank to be selected, and this young man came from C&S National.

Q. What was his name? [9] A. Ted Mackey, who at the time was not an officer of the bank. He was in the auditing department, and operation oriented.

Q. Had you also selected the other employees of the bank? A. Yes, I did. I had each one of them—I interviewed them and had them screened through the Personnel Department of the C&S National Bank, because they were better equipped to do this, naturally, than I was. Then we put them to work in the various branches after an orientation period and screening period until our bank was ready to open.

Q. Excuse me. Did C&S train these people also? Is that my understanding? C&S National? A. Yes, they did.

Q. Did you pay for the service, as far as this training was concerned? A. Yes, for each person that they screened or interviewed or orient or train, we pay them for the service.

Q. I see. How would you make—What was the procedure, that you would make it known to C&S National Bank that you needed, say, an officer or employee? Was there a set pro-

cedure that you would go through? A. No set procedure. I just simply let it be [10] known through the Personnel Department that there was a need.

Q. What banks are your correspondent banks? A. C&S National Bank and the affiliates of C&S National, all affiliates, although we have one that we had an account with other than the National Bank, and this was at my discretion.

Q. Did C&S National offer you or give you formative assistance in starting the bank in North Fulton—excuse me—at Roswell? A. Yes, they did.

Q. Whom did you request this assistance of, or did they offer it, if you recall? A. Well, I requested the assistance. I had never chartered a bank. I was familiar with the feasibility studies and things of that nature that were required by the State Banking Department to justify a competitive bank in a town that had only one bank, but I needed all the assistance from the Marketing Department and Personnel Department at C&S National that I could get, and I didn't hesitate to call on them.

Q. Were there any commitments made by you in order to receive this assistance from C&S National? A. None whatsoever.

Q. I might ask the same question as to the continuing assistance, rendered you by C&S National. [11] A. Yes. I have never hesitated to call on the C&S National Bank for any reason whatsoever, relating to personnel, to loans, to procedures, security procedures, policies that I was not clear on.

Q. I think my question was as to the continuing assistance, and not as opposed to the formative assistance. There were no conditions attached to the C&S providing you this assistance? A. Would you define your conditions.

Q. Okay. For example, would you have to keep a cash balance with C&S National, or you would have to use them solely as your participants in loan participations? A. No. I would, of course, prefer to use it.

Q. There has been some mention by other presidents as to the C&S style of banking. Are you aware of the C&S style of banking? A. Yes, I am. I would like to think we are the most aggressive, most qualified. We try to find ways to make things happen.

Q. Do you know of any other style, any other trained in any other style? A. No, I haven't. I had no desire to be.

Q. When you left Sandy Springs to head North Fulton, C&S North Fulton, were you expecting to run that **[12]** as a branch of C&S National? A. No. It was the C&S Bank of North Fulton, a separate entity. However, I did allow it to follow as closely as I could the C&S procedures for running a bank.

Q. Right. But you were free to run it as you saw fit to run it? A. That is correct, with the directors behind me, of course.

Q. Who fixes the salaries of the officers in the bank? A. Our directors.

Q. Who fixes for all officers—— A. No. Excuse me. I am the president, and I fix the salaries of the other employees, including the officers.

Q. When you fix the salaries of the other officers, do you have to seek approval from the Board of Directors before any increase? A. No, I do not. Routinely I do for the officers, but they only have one officer, and as far as other employees are concerned, it is left to my discretion.

Q. So in recapping as to the final approval to the officer's salary, that would lie with the Board of Directors? **[13]** A. Not necessarily, but as a courtesy I recommend to them, and if they have some qualms about my recommendation, then of course they are very vocal, and they can express their own opinion.

Q. How was your salary determined? Do you know? I would imagine that it would be determined by the Board of

Directors based on the job that was being done. A. You mean originally or presently?

Q. Presently. A. Presently I think it would be based on what we had accomplished.

Q. Now, let's go to originally. Do you know how it was determined? A. Well, they knew what I was making. I assume it had been discussed, and I would say it was a nominal increase for taking this additional responsibility.

Q. When you left Sandy Springs, did you have to forsake, for instance, your pension plan or your profit sharing plan? A. I did not.

Q. Were these carried over when you went to North Fulton? A. Yes, they were.

Q. Were these plans—— A. They were adopted originally by our bank.

[14] Q. Okay. A. We elected to go with the C&S National Bank's profit sharing and pension fund, so that those that are leaving C&S banks and going to other opportunities like C&S North Fulton do not have to give up these.

Q. Do you know if your salary or the salary of any other employees of the bank is subject to any kind of approval from C&S National? A. I know for a fact that it is not. My board might from time to time ask for recommendations, but whether or not they abide by these recommendations, I couldn't tell you.

Q. From whom would they ask these recommendations? A. I would imagine it would be the advisory board member from C&S National.

Q. Who is it presently? A. Presently it's Charlie Hoskins.

Q. I take it he has not been with you from the beginning? A. No, he has not. Would you like them in——

Q. No, it won't be necessary. Somewhere along the line we've referred to most of the advisory directors. Who decided the initial rates on interest to be paid on savings accounts? A. Well, generally the rates—there are guidelines for savings accounts that are set up by the state **[15]** regulatory authorities. However, having been familiar with the C&S systems rates and whathaveyou, I elected to go along with the rates that they were charging at the time.

Q. Now, as to the rates set by the regulatory agencies, the payment on maximum—— A. Maximum.

Q. Maximum? A. Yes. And I think you'll find that most of the banks in town to be competitive have more or less stayed very much in keeping with the maximum allowed.

Q. Did you just look to the C&S savings interest rate that they were paying, or did you look to what your competition in the area was paying? A. Well, the competition in the area certainly had a lot to do with it. I might explain a little about the competition in the area. North Fulton, as the name implies, encompasses Roswell and the City of Alpharetta. There was one bank in each town, one finance company in each town, and one savings and loan association in Roswell. At one point in time, at the point of origin of our bank, all of these banks were owned by the same person. All of these institutions were owned by the same man, with only enough stockholders outstanding to have a board of directors.

[16] Q. Was this man Mac Robins? A. No, it wasn't. It wasn't at the time. Later it became Mac Robins and the same situation exists now. Not having had a competitive situation, I then used more or less as a guideline what the competition was doing, and this did not necessitate possibly my paying the maximum, charging the minimum, or whathaveyou.

Q. But your rates were competitive, as far as interest? A. Correct.

Q. Who decided your initial banking hours? A. I did.

Q. How were these determined? A. These were determined again. You were going into a new situation in a town, I felt that we should have at least as much to offer the public as they had, plus possibly a little more. Our hours are different from any other C&S bank, although they are similar in a sense. We open at 9:00 o'clock. That day's work ends at 2:00. We then open from 2:00 until 5:00. Both drive-ins and inside windows from 2:00 until 5:00. The competition was open until 2:00 and closed. They then started opening until 4:00. Still we were open till 5:00 on Mondays, Tuesdays, Thursdays, and on Friday we were open till 6:00, from 9:00 until 6:00, straight through. **[17]** On Saturdays we're open from 9:00 until noon. And that's the difference there. It started that way, and it has stayed that way.

Q. So, again, you looked at what your competitors—what their hours were? This was one of the deciding factors? A. We start with the country banks, and that is the correct terminology, I believe, for banks in the outlying area. They stayed open on Saturday, so they were open on Saturday, and I certainly wanted to offer as much if not more.

Q. Did you ever consult with C&S National as to the determination of these initial banking hours or initial rates to be paid on savings accounts? A. Savings accounts?

Q. Yeah. Well, let's take savings accounts, if you recall. A. I don't think it was necessary. I was competitive.

Q. Did you consult with C&S National as to your initial banking hours? A. No, I did not. I think that you'll find in the beginning, when Sandy Springs opened up, they were open on Saturday, closed Wednesday, had similar hours, and with the possible exception that they were not open **[18]** the additional hour each day, I felt that this was in keeping with a town that was on the move, that was still considered at this point a country bank.

Q. How did you go about determining your initial charges on checking accounts? A. Well, having been C&S oriented, I felt that the competition in Roswell that I was competing with and the competition downtown was very similar, the charges were very competitive, as I had been familiar with.

Q. Did you consult with C&S National before establishing a service charge on checking accounts? A. No, I didn't.

(Discussion off the record)

By Mr. Lehman

Q. Do you have the authority to change the interest rate paid on your savings accounts? A. Within the legal limitations, yes, I run the bank.

Q. As opposed to your board of directors? A. Well, certainly I would have their advice and direction on any recommendations that I might make.

Q. You also have the authority to change the interest rates charged on loans, or to set them, is that correct? A. Yes.

[19] Q. And also as to service charges on your checking accounts? A. Yes.

Q. And as to banking hours? A. Right.

Q. Again, this would be in the context of with the approval of your board of directors? A. It would be discussed, certainly, before I made any drastic changes.

Q. Have you made any changes as to your banking hours since the inception of the C&S North Fulton Bank? A. No, we have not. We've had the same hours since we opened June the 10th, 1967.

Q. Have you made any changes with regards to interest rates charged on loans? A. Yes, we have.

Q. Do you recall when your last change was made and what the change was? A. Well, our situation is such that it's been—

although we have generated funds, time deposits, demand deposits, we have a ratio of time deposits that's almost twice as large as demand deposits, so our cost of money is higher than the average bank. This would dictate to me—it would necessitate in order to make a profit **[20]** our charging a higher rate, possibly, but still trying to be competitive, so this is really the rate that we had charged, and we've never charged, of course, more than the legal limit, but I would say that it hasn't fluctuated a great deal, except on special accounts or loans, primarily real estate loans, real estate acquisition type loans, development loans, construction loans.

Q. Do you recall what the change was on these real estate loans? A. Yes. The state law changed, and I believe that they allowed you to charge an individual up to nine percent simple interest on a construction loan. If you were incorporated, you negotiated the rate with the corporate resolution agreeing to pay whatever rate was charged, plus a fee, if necessary, if required. We did go up at that point, and we have since tried to go back down, but we're still higher than I would imagine some of the other C&S banks, for instance. We are charging 8½ percent on construction loans, and we also charge a fee of 1½ percent. There are only two officers in the bank.

Q. Is this a higher interest than that charged by the Sandy Springs C&S on construction loans? A. I don't really know what Sandy Springs is charging on its construction loans. I haven't consulted **[21]** with them, with Mr. Fortuna.

Q. Is this a higher rate than what C&S National is charging on construction loans? A. I would think that it would be a half a point to one point higher.

Q. Prior to making this change, did you consult with anyone at C&S National? A. No. I don't think that was necessary as long as we're a profit oriented bank and we're doing our job. I did not consult with them, no. I have my board.

Q. So you would feel no need, then, to check with C&S National? A. No.

Q. Have you had an occasion to change the service charges on your checking accounts since the inception of the bank? A. Yes. We elected to do this in 1970, early 1970, I believe. If I recall, we had a major bank in town change their service charge. As it happened, my competition—whom I consider my competition in Roswell and Alpharetta were correspondents of this particular——

Q. By "town," you mean Atlanta? A. Atlanta, right. They were correspondents of this major bank, and as a result, I believe they might have changed theirs or lowered theirs, and so I lowered **[22]** mine, in a sense, that we reduced the minimum balance required on a checking account, and at the same time we made a nominal change in the regular checking accounts.

Q. Prior to making this change, did you confer with C&S National? A. No. I have other things that I do that I'm not sure what C&S National does. For instance, we have student accounts that are free accounts. Any college student has a free checking account. Any aged citizen, Social Security—that are eligible for Social Security or retirement has a free checking account.

Q. This is one of your own programs? A. Yes, it is.

Q. Are you aware if your compeitors in the Roswell area have the same type of free checking accounts? A. No. I have no idea. I believe our charges might be a little higher.

Q. Has C&S ever directed you to change interest rates on loans? A. They never have advised me of any changes, possibly in prime rates and whathaveyou, but I have never been directed——

Q. Are such advisements there for quote information only purposes? **[23]** A. That's correct. That's the way I consider them.

Q. Has C&S ever directed you to change your interest rate paid on savings? A. No, they have not.

Q. And has C&S ever directed you to change your service charges on your checking accounts? A. No, they have not.

Q. Does C&S National have the ability to dictate any policy or program of your bank? A. No, they do not. I would think they have the right to recommend, because we have an adviser on our board and would like to have his recommendations. That's why he's there. We listen to his recommendations, but we don't always go by them.

Q. Is that his primary purpose for sitting on your board, to make recommendations? A. Yes. And also they have been of great assistance to us in loan participations, and they like to be familiar with our loan portfolio, what type of loans are we making, and what will they be expected to participate in, if they are called on to do so.

Q. At whose request does he sit on your board? A. From the beginning it was my request. I don't believe we would have the C&S Bank in Roswell if we had **[24]** not been very closely allied with the C&S Bank. Other groups had started and had approached my originators to start another bank, because of the city's need, they were interested in starting another bank, but when they were approached by C&S, they were very interested, so it behooves me to stay as much in keeping with C&S as possible.

Q. Do you feel in your situation out there at C&S North Fulton that any of your actions as president of the bank would be controlled by C&S National? A. No.

Q. Do you presently attend—I believe it's a weekly credit meeting of C&S National people and correspondent associate people, maybe affiliates, too? A. This meeting happens to be on my day off, and I attend when I have something that I feel might be important enough to forego my day off.

Q. What day is that? A. That's Wednesday morning, and I did not attend this morning.

Q. Your attendance is not mandatory? A. If it is mandatory, I have not been so advised by my board or by my friends at C&S.

Q. Do you send someone in lieu of your presence? A. No.

[25] Q. Each week? A. No.

Q. Those times that you have been to these meetings, what is the purpose of these meetings? A. Well, I like very much to review my credits with other officers, five percenters, of the C&S National who are astute lending officers, people that have had possibly more experience than I have had in certain areas. If I have a credit that I feel needs reviewing, a sizeable credit, and I would like to have it reviewed and aired by the expertise of the officers downtown.

Q. By reviewing, I take it, say, for instance, this loan would have already been made? A. No, not necessarily.

Q. Are they sometimes prior to approval? A. Yes, sir.

Q. Are considered also? A. Right. Most of the loans that we discuss are after the fact, not necessarily a trouble situation, but different loans, $25,000, say, and over.

Q. How long have you been in attendance at these meetings? A. Regularly.

Q. Well, let me rephrase the question. Have you been in attendance at such a meeting since from the time [26] you became president at C&S North Fulton? A. In the beginning we did not have these type reviews, to my knowledge. Later we did decide that we would have a group-type meeting, and I elected to attend.

Q. Excuse me. Go ahead. A. I was not required to attend, though.

Q. The Goalpost Review Program, could you tell me a little bit about what that is? A. Well, I'd like to think that everybody sets goals for themselves. That's the way we achieve our end, is at the beginning of the year, or prior to the end of the previous year, we set goals and projections and I'd like to think all companies do the same thing, and we have the Goalpost, which is simply nothing more than to see how you have—what you have actually achieved as opposed to what you projected you would do, and we review this with our employees and with our board of directors, and if they would like to know what we're doing downtown, it's a matter of record.

Q. Are these goals—I'll rephrase it. As to this Goalpost Review Program, are these goals also discussed at these weekly meetings? A. I haven't discussed my goalpost in weekly meetings. To my knowledge, I haven't, and I haven't heard anyone else either. I would think this would [27] probably be a more individualized type thing. I mean, we all want to know what the other is doing, but it is not necessary that I sit down and review someone's—someone else's goalpost. It wouldn't be as meaningful to me as it might be if I did it individually, based on what I had projected.

Q. As to the times at these weekly credit meetings when you have been in attendance and also discussed a loan that had not been approved, what would you discuss about this loan? A. Well, you say it had not been approved. I would normally approve the loan myself.

Q. Right. A. I have the right to do that.

Q. Right. It was my understanding, though, that you said there were certain—— A. I don't want to get involved in a situation without first exploring all the possibilities with as many people as I can, and we have a credit department, that would be invaluable as far as feeding into a computer, and these type of things are reviewed with the group, and if you determine the man is credit worthy, first of all, and that the figures justify

his source of repayment, then you can make the loan and sleep nights.

Q. So, basically, you were looking just at the **[28]** creditworthiness of the individual and you wanted the advice of the people there that had had more experience. A. Yes.

Q. Do any criteria—Are any of these things established at meetings, criteria policies? For example, does a criteria come forth as to what steps you will follow in making the loan, like you look to the man, you look to his credit rating, background, and you look to X, Y, and Z, before you make the loan, anything like that? A. These are things that you learn as you come up through the banking business, and I would think at this point in time if you don't know yourself what the criteria is for making the loan, you have no business making them. I don't think we look to the committee for the very basics, rather for possible problem situations that they have been exposed to and I have not. There may be a particular type of loan, it may be financing an airplane, it may be financing a yacht, or something that requires a special documentation. It could be a type of construction loan with a permanent takeout, permanent takeout meaning does it correspond with the same commitment that you are planning to make for eighteen months or six months, or does it expire tomorrow, these sort of things are things that you might **[29]** not have thought about, but you should before you committed the loan.

Q. Do you receive correspondence from C&S National in the form of sales memoranda? A. By the pound.

Q. Mr. Lane, you mentioned that you started going to these credit meetings sometime after the bank's beginning, but not—it wasn't from the very beginning of the bank, is that correct? A. That's correct.

Q. Do you recall or do you know whether or not these meetings were in existence prior to your bank's beginning? A. Well, the C&S National Bank has a large supervision-type department

with the key people in the C&S Bank that are very familiar with the lending situation, and I think they become more spohisticated each year. In 1967 it was not geared up to handle this type of committee review; '69, possibly; '70 it became more and more sophisticated, so that we could do this type of thing.

Q. By "we," do you mean your bank, or do you mean C&S National? A. I mean C&S National and my bank if I elected to be there.

[30] Q. So, then, is it my understanding you do not know whether these meetings were in existence? A. Fortunately, or unfortunately, as the case may be, my tenure with the bank since 1960 has been shortlived with the National Bank. I have been in the Credit Department with the National Bank, and I went to orientation and had a brief training program with the National Bank. Since that time I moved to an affiliate, and worked in a unit bank, and then went to Sandy Springs, which is a correspondent associate. The correspondent associate is itself a unit bank, a separate entity, and that more or less explains why——

Q. I already asked if you if you do receive correspondence from C&S National, and I will show you now what has been marked President's Deposition, Exhibits 1 through 6, I believe, and will ask you if you will please take a look at these exhibits.

(Discussion off the record.)

By Mr. Lehman

Q. Now, do you recall receiving these documents? A. Yes.

Q. You keep this copy. We will refer to ours. Let's go to the President's Deposition, Exhibit 2, that would be letter dated July 20th, 1971. For what purpose would you receive a document such as this? For **[31]** what purpose would you have received this document? A. For information only, and I be-

lieve you will find on the other exhibits it has information on it, in fact, the last two or three——

Q. That would probably be my next question. I was wondering—I noticed in the document dated July 28, it has a heading "To Branch Managers, Presidents and Affiliates and Presidents, Correspondents, Associates," and I was wondering why in Exhibit 2 they would have that on the heading, and on Exhibit 6, at the very last line, for information only, at the bottom, correspondents and presidents. A. Any of these memorandums are guidelines that you may or may not elect to use. It is for information only. That's the way I interpret it.

Q. Do you recall at any time when you followed these guidelines that they set forth in the memorandum? A. By the numbers Exhibit 1, has to do with prime rates, or the best rate—we have very few instances where the prime rate becomes involved in our loans. We have a few national concerns in our neighborhood, that would be the only one I could think of that —might be Georgia Power Company, or somebody like that, Southern Bell. The only one that I am doing any business with would be Georgia Power Company.

[32] Q. In the exhibit marked Number 5 regarding drivein banking hours, I count—Well, first of all, do you have drivein windows at your bank? A. Yes. We have two. One originally, and we've added one since.

Q. Do you recall whether or not your windows—drivein windows, when they were opened? A. Let's see. I believe—my drivein windows were open the same hours that we discussed earlier, from 9:00 until 5:00, Mondays, Tuesdays, Thursdays, 9:00 until 6:00 on Friday, 9:00 until noon on Saturday.

Q. So, actually—— A. This was to give them a little more flexibility.

Q. Are you aware of any coordination as to banking hours among the C&S named banks whereby, say, for instance, a bank would not have to stay open both late on Friday night and on

Saturday mornings? In other words, another bank would stay open on Saturday, in order for the other bank to remain open on Friday night? A. No. We don't have any branches as such, and so I'm not familiar with any coordination between banks to service another bank's accounts or what have you.

Q. What types of personal loans does your bank offer? **[33]** A. We're very flexible. We have just about any type of personal loan you would need.

Q. How about—Do you have various types of commercial loans that you would offer? A. We do have this.

Q. Would you list some of them, please. A. Well, we have in our area, because of the very nature of it being a bedroom community, the largest and the most demand we have is for acquisition, development and construction type loans to builders. We have also had requests from time to time for working capital loans or term credit loans, equipment type loans.

Q. For these loans that you have mentioned do you know if a commercial loan is the primary, say, source for these types of loans as opposed to, say, savings and loans and many other type of financial institutions? A. Well, in connection, of course, with the construction loans, a commercial bank would not be the only source. We have a savings and loan who is a major source of competition.

Q. How about as to working capital? A. I think—I would think commercial banks would be the most feasible place. It's not the only place.

[34] Q. Did you also mention plant modernization loans? Would those be the same as construction loans? A. This could be property improvement type or plant improvement type loans in the case of a term credit.

Q. Would a commercial bank be more likely to be the institution making this type of loan? A. It would. I think that they are very competitive in this field.

Q. To what extent does your bank utilize the services of a correspondent in providing the service of checking accounts to customers? A. Would you repeat your question? I'm not sure I follow you.

Q. Perhaps I will rephrase it. Does your bank utilize the services of a correspondent in providing a checking account service for your customers? A. Only in the sense that in the beginning when we originally opened our bank, we had our own bookkeeping service. Of course, we have since become more sophisticated and needed the space that was available for something else, so that we have gone to the computer accounting system, and to that extent——

Q. Do you utilize a correspondent service for providing savings accounts to savings customers? **[35]** A. For providing savings accounts, no; for accounting purposes, we do, relating to savings programs.

Q. How about—Do you also utilize a correspondent service in the bookkeeping of your loans made to your customers? A. Yes, we do.

Q. Has this always been the case since the inception of your bank? A. Yes. Not to the extent that it is now. Again, it was more of a manual posting procedure in the beginning, and it still is on certain types of loans in our bank.

Q. At the beginning in your bank you did utilize the correspondent service? A. Yes, we did; on installment loans only. On the short term, 30, 60, 90 days term loans we still post in our bank and do not use a correspondent service.

Q. Earlier in this questioning we were discussing savings accounts. Have you always utilized a correspondent service with regard to your savings accounts in the bookkeeping? A. Well, there are still certain types of savings certificates or CD's that we do not utilize a correspondent for, such as a large CD of $100,000, we do our own computation and whathaveyou in

accounting. On **[36]** all other types of bonds, CD's, savings accounts, we do utilize the services of the correspondent.

Q. To compute interest and to render statements, you cannot do it as cheaply yourself inhouse as you can to buy the service from the C&S correspondent service associate—C&S Bank source—excuse me. So it's actually an economic factor rather than not being able to do it inhouse? A. Yes, it is.

Q. Does your bank offer any services to your customers which it can only provide by the use of a correspondent service? A. Yes. We have—we do not have a Trust Department. We encourage wills, profit sharing, appropriate profit sharing, estate planning, we would recommend that they use this service. We have, of course, charge account service. We are charge accounts merchants, and we use that service, of course. We've mentioned that the accounting system, the computer accounting system, International Department—we don't have an International Department, but we can issue a traveler's letter of credit, or commercial letter of credit through the Trust Department.

Q. Do you pay for these correspondent services that you've mentioned? **[37]** A. Yes, we do.

Q. Are there any received free? A. Yes. The trust interviews and things of that nature. A representative will come out and will talk to your customer, and whether he goes along with the service or whether he doesn't, it doesn't cost me anything.

Q. Are there any others that you think of? A. Most of the others that I have mentioned there is a charge. I could think of a dozen.

Q. To your knowledge of the services that you have mentioned, can these services or are these services offered by any of the other large banks in Atlanta? A. Some of them are not, I'm sure, and if they were, I would elect not to use it. I like to offer the best I can to my public, to my community, and I feel that that, C&S, would be the place I would direct them.

Q. Would you consider your correspondent relationship with C&S National mutually beneficial to both banks? A. Yes.

Q. Do you maintain funds, do you keep funds with C&S National, an account? **[38]** A. I believe that we had established that earlier that yes, we do.

Q. All right. I covered that. I apologize. What is the purpose of keeping these deposits with C&S National? A. We have to have one somewhere, and I would prefer that it be handled by C&S, because they are efficient, and no problems.

Q. Do you utilize this account to pay for your correspondent services provided by C&S National? A. No.

Q. How are these paid for? A. They are fees, service charges, what have you, for various services.

Q. But I mean you do not draw a check on this account or on this balance that's maintained with the C&S National to pay for the correspondent services pro—— A. To pay for the correspondent services provided to my bank?

Q. Right. A. We have, yes.

Q. Have you participated with the C&S National on loans that would be above your legal lending limit? A. Yes, we have.

Q. Do you recall how many times you have done so **[39]** in the last year? A. Approximately from the very day we opened we had more loan demand than we had funds to lend, and as a result we had participated loans, and we have been as high as a million-five, and it's been a continuing situation. Otherwise, I would spend all my time out looking for the money instead of making loans.

Q. Have you also had an occasion to purchase participations received? A. No, I have not. I don't believe I have ever purchased any participations from C&S Bank within the five-year period—there could have been a short account deal of some sort, but as a rule, I have not.

Q. From your knowledge of—in these participations would you receive or perhaps retain a higher rate of interest rate on the sale of a participation than from a non-C&S named bank? A. Run that by me again. I'm sorry.

Q. In these instances where you participated with a C&S National, do you know if your bank would receive a better rate as far as—I believe it's interest retained than would a non-C&S named bank, say another correspondent bank of C&S National? A. Yes. You're asking if the correspondent associate——

[40] Q. Yes. A. ——receives preferential rates on participations as opposed to a regular correspondent?

Q. Yes. A. I don't know.

Q. Are you aware of any other financial institutions in the Atlanta area other than a commercial bank that can offer demand deposits? A. No.

Q. Are you aware of any other financial institutions in Atlanta other than a commercial bank that can offer the variety of loans that a commercial bank does? A. No.

Q. Are you aware of any financial institutions in Atlanta other than a commercial bank that can offer the full range of services that a commercial bank can? A. No.

Q. Do you feel this ability of your bank to offer a full range of services has been of any assistance to you in attracting customers? A. Very definitely.

Q. Do you feel that this ability to offer a full range of services has given you a competitive edge over other financial institutions, meaning other than commercial banking institutions? **[41]** A. Yes, it has.

Q. Do you encourage your customers to utilize more than one service within your bank? A. Yes, we do. We would like for them to be—have a total relationship with our bank.

Q. Do you find that this normally would occur, that they would use multiple services in your banks? A. Very often.

Q. I think we discussed your competitors earlier, but who would you consider—which banks do you consider to be your principal competitors in your area? A. The Roswell Bank and the—what was formerly called the Citizens Bank of Alpharetta, which is now the Fulton Exchange Bank, and in connection with the real estate, we have the Fulton Federal Savings and Loan.

Q. These are non-commercial banks? A. That's right. This is a savings and loan, all of which at one time were owned by the same person.

Q. Is that located in Roswell—— A. Yes, it is. Fulton Federal Savings and Loan, the former owner retains a position on the big board of that institution.

Q. How close are these competitors that you have named to your bank? **[42]** A. In mileage? Well, the savings and loan association is 300 feet, one branch of the Roswell Bank is 600 feet. The others are half a mile. The Fulton Exchange Bank in Alpharetta is 6.8 miles. The branch of the Fulton Exchange Bank in Roswell is 1 mile.

Q. Do you consider a bank to be in competition to be in C&S National and its branches, affiliate banks? A. No.

Q. Why not? A. Well, I would think that we work together, but there's nothing that says I can't solicit a customer and in many instances you will find that their company or their livelihood is downtown, and they may bank with a bank, C&S bank next door to their place of business or whathaveyou, although they live in Roswell, and it would not behoove me to waste my time trying to solicit this account away from the C&S Bank, because basically we offer the same service. I don't feel I have a competitive edge over any other C&S Bank. I do my competition in Roswell, or what I consider my competition.

Q. What is the closest correspondent associate to your bank? A. The Citizens and Southern Bank of Sandy Springs.

Q. Do you consider them to be in competition with **[43]** yourself? A. No.

Q. Do you have any customers in the Sandy Springs area? A. Yes. I've lived in Sandy Springs for fourteen years, and I have a lot of friends from the Sandy Springs area that bank with me, not because my services are that much better than the C&S Bank of Springs. As a matter of fact, their resources are much greater than mine, and the cost of money might be less because of this. Their ability to generate deposits has been much better than mine, but a lot of people elect to bank with a friend.

Q. Even though you're both drawing customers from the same area, you don't consider yourself in competition? A. No.

Q. Do you consider a bank to be in competition to any extent with the downtown offices—with the downtown banks? A. I'd like to think I was, yes. Every opportunity I get to solicit another account, I certainly don't pass it up.

Q. Even though—— A. If they live in Roswell, I would do my utmost, **[44]** for the general area of North Fulton, I would do my utmost to solicit the account.

Q. In my reference to downtown banks, I am including C&S National, would this apply to C&S National? A. No, not necessarily. I think I explained that earlier.

Q. I just wanted to make the deposition clear. Do you know if there are any arrangements in the Atlanta area between C&S National and its affiliate banks and the correspondent associate banks not to solicit customers of another C&S named bank? A. No.

Q. Would you feel free to do so if you felt you had a potential customer? A. I have in the past, yes.

Q. Is there any geographic area in which you confine your solicitations for business? A. No, there's not. However, the community that we serve has such a demand that it would not behoove me to go out of this general area to solicit business, because I couldn't handle it.

Q. I think perhaps we've covered indirectly this area, but I'll ask you this question. Is it my understanding you would have a reluctance to service a known customer of the C&S Bank? **[45]** A. Can you qualify the question a little more, maybe?

Q. Take for instance—— A. What service specifically are you talking about?

Q. Say, for instance, if he comes into your bank and wishes to, say, open an account or make a loan, however, he's already an established customer of another C&S Bank, would you have a reluctance to deal with such an individual? A. In the very beginning I may have some reluctance, but after I had had sufficient opportunity to check the situation out, it really would depend if you had a large private customer at one of the national banks, branches of the National Bank main office, it could be that I couldn't handle the situation, so I wouldn't actively solicit his account, knowing in the beginning that I couldn't service it as he expects it to be serviced. I would be reluctant in that instance.

Q. But if you could handle it? A. And he has come to me?

Q. Yes. A. I would have little reservations about it, about taking care of his need, if I could.

Q. Do you have any out-of-state loan accounts? **[46]** A. To my knowledge, I have never made a loan out of state originally. However, I have made loans to people who has been transferred, and they ask my permission to keep the loan in effect or the account open, and it was perfectly all right with me.

Q. How about as to commercial loans, rather than personal loans? A. Offhand, I don't know of any commercial loans out of state.

Q. Do you have any out-of-state checking account customers? A. Yes.

Q. Both personal and commercial? A. With personal, I'm sure we do. Commercial, again, I don't believe so. I assume you're referring, when you say out-of-state customer, are you referring to national accounts where the home office might be in Chicago, and they have a local operation in Roswell?

Q. Yes. A. In that instance we might have an out-of-state account, but the local office is the——

Q. Right. A. ——operation with which we bank.

Q. How about—do you have any out-of-state savings customers? **[47]** A. Yes.

Q. Both commercial and personal—primarily personal? A. I don't have any commercial savings, CD's, from out of state; personal, yes. I think again you'll find that that was a situation where they lived in the community and your maturity dates on bonds are such that it did not behoove them to cash the bond in and move it with them, so they kept the account open.

Q. You mentioned earlier that you had within your board of directors a loan committee. What is the function of this committee? A. I don't recall mentioning that, but we do have——

Q. I think you mentioned—you were talking about the credit meetings and everything—— A. We do have within our board five men and myself that correspond with the finance committee, and we review all loans prior to each directors meeting. Thirty minutes prior to each directors meeting, this group gets together and discusses all loans which have gone on that did not exceed $25,000 and all loans that are being committed that might exceed that amount that would involve a future commitment are reviewed.

Q. I may be a bit confused. Are we talking about **[48]** reviewing an already made loan or—— A. We're talking about

prior approval. Anything under the legal limit, of course, is to be reviewed.

Q. I see. A. I have the prerogative within the legal limits of the bank without the permission of the finance committee or anyone else.

Q. Other than the possibility of these loans being discussed at the credit meetings and—— A. When you refer to credit meetings, what are you referring to?

Q. Wednesday morning credit meetings, the weekly credit meetings. A. Okay.

Q. Okay. Other than these instances or perhaps where C&S National might be participating in a loan with your bank, does C&S National review any loans of yours? A. Do they review any loans of mine? Well, of course, we have—we employ the local auditing department of the C&S Bank, which is another correspondent service, to review the entire bank's operation, and they review it, of course, the loans.

Q. Including an audit function? A. Would you rephrase your question?

[49] Q. All right. Are there other than those instances whereby you might discuss a loan at a weekly credit meeting or those instances whereby you might be participating in a loan with C&S National? Does C&S National review any of your bank's loans, and this would be excluding the audit function? A. Yes. There are occasions when I have a loan that might be—I might feel is in jeopardy or maybe approaching some problem situation, and I would ask them to review with me the complete file on the loan and all of the information that I have available to determine the best course of action.

Q. All right. A. If they are not participating in the loan, I would see no need for them to question this information.

Q. Along this line, has your bank ever received, or you ever received suggestions or advice from C&S National as to not

making a loan, a specific loan? A. From time to time we may have a memorandum that would come out that would relate to some experience that they had had with a customer which—so that you don't—you avoid the situation and don't get involved with a similar possible loss. Other than that, I can't think of any.

[50] Q. Would you consider a memorandum such as this again, for information only, or would this have the consideration of, say, a directive? A. No. That's information only.

Q. What is the closest C&S National office to your bank? A. A branch? Roswell Wieuca branch.

Q. Are you aware of what interest rate it is charging on its loans? A. I have not had occasion to ask.

Q. Are you aware of what interest rates it pays on its savings accounts? A. I am sure they are competitive and similar to other banks in the area and possibly my bank.

Q. Are you aware of what they are charging on the checking accounts as to service charges? A. Well, yes, I am aware of the exact service charge of the C&S National Bank, by having worked with the C&S National Bank and being apprized of any changes through memorandum type form or for information only.

Q. Would it be any concern to your bank if any of these charges were different than your bank? A. No. I would always do my best to compete in the community in which I serve, and what they do downtown is not my business.

[51] Q. Do you consider that the interest rate charged on a loan is probably the thing that attracts the customer as far as—— A. No. The availability of money, the interest rate, the conditions.

Q. How about the type of service available? A. The related services that a bank can offer.

Q. Would the same be true for interest rates paid on savings account, that it would not be the sole tool to attract a customer? A. I wouldn't think so. I'd like to think that we are a full service bank, that we purport to be, and we can handle your savings, your checking, your loan, your safety deposit box, all of the services that are available through one bank, without having to go from one to the other to provide the service.

Q. At the beginning of our conversation, you mentioned that your bank adopted the pension plan of C&S National and also the profit sharing plan. Who funds these programs? A. We fund the programs.

Q. Who administers these programs? A. The National Bank.

Q. Does C&S National contribute anything to either of these programs? **[52]** A. They do not.

Q. Do you have other types of benefit programs for your employees? A. Yes.

Q. Such as accident insurance? A. Yes. We have health insurance, including dental, we have—for the officers, for instance, working with me, we have term insurance. We have term insurance—we have cash incentive bonuses.

Q. Could you explain what this cash incentive bonus is? A. That's exactly what it purports to be, a cash incentive bonus for doing a job.

Q. Is this for both employees and officers? A. Yes, it is.

Q. From where does the cash come from? A. From our profits.

Q. Are these insurance programs that you were mentioning, are they funded by your bank? A. Yes, they are.

Q. Are they administered by C&S National? A. Yes, they are.

Q. Is this cash incentive program, is this administered by C&S National, or is this strictly—— A. It's funded by our bank

and administered by **[53]** their bank, with the recommendation of our board.

Q. Has any part of the remuneration received by you for your performances at C&S National—excuse me—at C&S North Fulton been paid by C&S National? A. There was a short time when the bank was first organized that I was carried on the National Bank payroll primarily to keep from cutting off the fringe benefits that were coming out of—the profit sharing program—I was making a contribution to that program out of my income, and this was the reason I continued to do that.

Q. Do you know if C&S North Fulton reimbursed C&S National for that salary paid to you during that time? A. We did not, because this was prior to the actual opening of the bank, and I was performing a dual function, I was employed by the C&S Bank of Sandy Springs still while I was organizing and putting together the charter and prior to opening the bank.

Mr. Lehman: We have been going for about an hour. Why don't we take about a five-minute break, and then you can have your turn.

(Short recess)

[54] By Mr. Lehman

Q. One question. You mentioned—you were talking about your cash incentive program, and you mentioned that your directors recommended, I believe was your terminology, to, I believe it was C&S, as to what the share would be received by the employee? A. Well, the guideline comes from me, and they approve it at a directors' meeting as a routine matter.

Q. So as far as recommending—it has already been decided that the amount will be, and C&S National does not play a part in that? A. No. We have a percentage based on the length of time that they have been there, and the job that they have done, and we use this basically. Officers' cash incentive is different. It's left to my discretion as to what type of job I feel

that he has done. If he's excelled, it's 150 percent of his cash incentive, he may not get but 100 or 50, based on the job that we feel he did.

Q. I think that I just may be involved in a question of semantics as to your saying that the directors recommend—in other words—— A. No. I recommend; the directors approve.

Q. Fine. Thank you. I turn you over to Walter Grant.

[55] **Cross-Examination**

By Mr. Grant

Q. I have just two or three questions. Mr. Lane, first when you became president of the C&S Bank of North Fulton, did you think that you were leaving the C&S system or the C&S family at that time? A. No. I would not have taken the move if I had thought I was leaving the C&S system, although I thought it was an excellent opportunity in a growing area. As far as I'm concerned, it was exactly what I had been doing, except I was heading up the operation instead of——

Q. Do you consider at this time you are running a C&S bank and that your bank is part of the C&S system? A. Yes, and my customers feel the same way.

Q. A little earlier you described the C&S style of banking; as you consider that phrase, do you think that you are bringing the C&S banking to North Fulton? A. If I'm not, I hope they replace me very soon. I would like to think we are, yes.

Q. Let me ask you another question. Of the recommendations that you receive from C&S National, or from your advisory directors, do you have any idea of the percentage of those recommendations that you have followed? **[56]** A. Well, we have had a lot of discussion at board meetings, but generally, I'd say that practically 80 or 90 percent of all of the recommendations that they have made have been adopted because a di-

rector is not a banker. They can listen to a suggestion, but if it's tried and true, they are more inclined to go along with it in nearly every instance, they have gone along with it.

Q. As a past president of a C&S correspondent associate bank, could you tell me what C&S National does for your bank? In other words, what services it—C&S National provides for your bank, that C&S National does not provide a normal correspondent, that is correspondent banks of C&S National that are not five percent correspondent associates? A. Well, of course, we have the advice of the advisory board members once a month, and then we have the facilities of the credit meetings, we have access to the facilities of the credit department as such. Basically, I would say, that's the difference in correspondent associate and correspondent.

Q. Would you say that most of the customers of your bank think that it is a part of the C&S system, maybe just a branch of C&S National? A. Yes. I think particularly our stockholders **[57]** feel that it's the same as C&S, and that all of our customers, a lot of which have been in the city and moved out to Suburbia, feel that they are banking with the same bank, that it's so similar in service and attitude, that it's one and the same.

Mr. Grant: That's all I have.

Mr. Lehman: I have a couple.

Redirect Examination

By Mr. Lehman

Q. In answer to Walter's question, I think maybe the first or second question, you stated you felt you were running the C&S Bank? A. Yes.

Q. Now, did you mean to say that you felt you were running a C&S bank or that you were running it in a C&S fashion or manner? A. Would you explain the difference?

Q. As a matter of fact, is this C&S National Bank or branch? A. Obviously it is not a C&S National Bank, but it's very similar to the National or a branch, as far as the attitude of the employees toward the customer and the service it offers—not necessarily the prices of the services, because they differ, but I would like to think that the attitude is the same that I have been **[58]** accustomed to being in the C&S for all these years.

Q. And in discussing the position of the advisory director, you stated that you followed his suggestions on the percentage a large share of the time, a great share of the time. Was this because of his suggestions were in the best interest of C&S National or the best interest of your own bank? A. The best interest of C&S Bank of North Fulton.

Q. And my third question was how were you aware of what people think your bank is with regard to thinkinig it possibly a branch of C&S National? A. Well, we have had occasions to question our people, to poll them, or to survey the customers of our bank, and there's a very little recognizable difference, as far as they were concerned. They still feel that they are banking with the same bank.

Q. Do you question them as to the differences between the two banks? A. We have had market surveys, and that would give us their attitude toward the type of service we are offering, and in each instance we try to improve on the service based on the recommendations of the customers.

Q. And my last question was, how were you aware of what correspondents, what services correspondents of **[59]** C&S National received as opposed to those services received by a correspondent associate? A. Well, I had never seen a correspondent per se at a credit meeting. I've never, to my knowledge, they don't use the facilities of the credit department if it's available, whether they ask for advice from and receive same from the executive officers of the C&S Bank, I don't know.

Mr. Lehman: No further questions.

(Whereupon, the deposition was concluded.)

HUGH F. LANE, Deponent

Sworn to and subscribed before me, this the .... day of ....., 1972.

Notary Public

* * * * * * *

August 22, 1972

The following items are corrections to answers in the original deposition prepared by the Court Reporter:

Page 5, Line 6 "5555 Wright Road" should be "6555 Wright Road, NE Atlanta, Georgia"

Page 6, Line 9 "Andrew Irving" should be "Andrew Irvin"

Page 6, Line 22 "it's a bedroom life community" should be "it's a bedroom community"

Page 6, Line 23 "bedroom industry" should be "little industry"

Page 8, Line 2 "Dr. Andrew Irving" should be "Dr. Andrew Irvin"

Page 8, Line 4 "Dr. Andrew Irving" should be "Dr. Andrew Irvin"

Page 9, Line 1 "Ted Mackey" should be "Ted Murphy"

Page 9, Line 11 "screening period" should be "training period"

Page 10, Line 6 "had an account" should be "have an account"

Page 11, Line 19 "most qualified" should be "best qualified"

Page 14, Line 20 "would you like them in——" should be "would you like them in order"

Page 15, Line 3 "they were charging" should be "they were paying"

Page 17, Line 7 "we start with" should be "we competed with"

Page 17, Line 9 "so they" should be "so we"

Page 22, Line 3 "the regular checking" should be "the special checking"

Page 22, Line 21 "they never have" should be "they have"

Page 24, Line 4 "were interested" should be "were not interested"

Page 26, Line 23 "I have discussed" should be "I haven't discussed"

Page 36, Line 14 "appropriate" should be "corporate"

Page 36, Line 22 "Trust" should be "International"

Page 47, Line 18 "that correspond with" should be "that compose"

Page 50, Line 7 "Roswell" should be "Roswell Wieuca Branch"

Page 50, Line 25 "is" should be "is not"

HUGH F. LANE ELIZABETH WOOLF

[1] GX 211

(Title Omitted in Printing)

The deposition of **Alva G. Maxwell,** Deponent, taken at the instance of the Plaintiff, reading and signing of the deposition not waived, before Roberta Newberry, Deposition Officer, com-

mencing at 1:30 p.m., July 19, 1972, Citizens and Southern National Bank Building, Atlanta, Fulton County, Georgia.

* * * * * * * *

[4] (Whereupon, in discussion off the record, the reading and signing of the deposition were not waived.)

Whereupon,

ALVA G. MAXWELL

was called as a witness and, having first been duly sworn, was examined and deposed as follows:

Cross-Examination

By Mr. Kinkaid

Q. Would you please state your full name and residence address? A. My name is Alva, A-l-v-a, (spelling), G., like Georgia, Maxwell. And I'm RFD number two, Marietta, Georgia, on Postoak Road.

Q. Do you have a present occupation, Mr. Maxwell? A. I'm retired. I fish and play a little golf. So that's me. I still come down to the office a little bit. And I help run Young Harris College.

Q. From what position are you retired? A. I was vice-president of Citizens and Southern National Bank.

Q. When did you retire? A. 1956, October 1st.

Q. How long have you been a director of the Sandy Springs Bank? **[5]** A. I was a director about two months after they opened. And I stayed until—what year? I became an honorary director in about four years ago, I guess.

Q. That's good enough. A. I was there about ten years.

Q. You were then not one of the organizers of the Sandy Springs bank? A. No, not the new bank, no. I was one of the

organizers of the original C&S bank. And then I went to Europe for three months. When I came back, the new bank had been organized. And they saved a place on the board for me. That's all I had to do with it. And I had some stock.

Q. Let's see if I had that right. We understand that there was an attempt made by a group of people to obtain a state charter for a bank in Sandy Springs in the late fifties. A. That's correct.

Q. Were you part of that group? A. Yes, sir.

Q. Who were the other members of that group, if you can remember? A. Jim Aldrich, Dr. Cason—What's the grocery man's name, Fortuna?

Mr. Doyle: Mr. Maxwell, if you can remember, **[6]** fine. If you can't, he'll get a chance to ask Lou all he wants.

The Deponent: Lockerman. Mr. Lockerman was one of the directors. That's Doris' husband. Everybody knows her. And I think that was about it. There were about seven directors, but I've forgotten who they were.

By Mr. Kinkaid

Q. This group was not successful? A. Well, we were successful in getting the stock subscribed and getting ready to go. But the State Banking Department declined the charter. They claimed they didn't decline it, but deferred it. But, actually, it meant the same thing.

* * * * * * *

[1] GX215

(Title Omitted in Printing)

The deposition of **Dalton F. Scott,** Deponent, taken at the instance of the Plaintiff commencing at 2:30 p.m., July 20, 1972, at the Citizens and Southern National Bank Building, Atlanta, Fulton County, Georgia.

* * * * * * *

[34] Q. You stated that Mr. Ingram was the advisory director for your bank at the present time? **[35]** A. (Nods head affirmatively.)

Q. Have you had any advisory directors earlier than this or before him? A. Bill Mathis was the first advisory director.

Q. When did he become an advisory director? A. When the bank was formed.

Q. So ever since the bank has been formed you've had an advisory director? A. Right.

Q. And has the advisory director always been a nonvoting member of the board? A. Right.

Q. Do the advisory directors attend all meetings—— A. Yes.

Q. ——of the bank's board of directors? A. A lot of times committee meetings.

Q. Do you know if the advisory director attends the loan committee meetings? A. No. I really don't because I don't attend those meetings myself.

Q. Okay. In what capacity does the advisory director attend board meetings? What are the functions of an advisory director? A. Just as you've stated there. He is to advise us on anything that might come up pertaining to the bank **[36]** that would be of interest to the bank for the betterment of the bank and helps us in every way that he possibly can.

[5] **ECONOMIC REPORT**

ECONOMIC REPORT VOL. I

B. Historical Background of the Citizens and Southern Correspondent Associates*

The Citizens and Southern correspondent associate banks—those banks in which the Citizens and Southern Holding Company owns five percent of the equity, and thus often referred to as "five-percent banks"—must be viewed as a product both of changes in banking legislation in the State of Georgia and of developing banking needs in the suburban areas outside of the State's major cities, primarily outside of Atlanta. They are a result of responses by Citizens and Southern to new and developing banking requirements as permitted by Georgia law.

(1) Georgia Banking Legislation, 1927-1970

Prior to 1927, branching by Georgia banks was geographically unrestricted, during which time the Savannah-based Citizens and Southern Bank branched into Atlanta and other Georgia cities. However, in that year the Legislature imposed a complete prohibition on the establishment of any new branches. Some liberalization of this prohibition was enacted in 1929, permitting branching in some municipalities by banks having home offices within those municipalities. The 1929 law remained in effect until 1960, and effectively prevented The Citizens and Southern National Bank, whose home office remained in Savannah, from establishing new branch offices **[6]** in (or around) Atlanta. The 1960 legislation permitted branching by Citizens and Southern within the city limits of Atlanta, which by that time included a small portion of DeKalb County as well

* This section relies in large part on material drawn from the merger applications submitted to the FDIC by C&S Emory Bank and C&S Bank of East Point, to which citation is made for further details.

as much of Fulton County. Meanwhile, the major competitors of C&S whose home offices were in Atlanta had been branching within the city since the enactment of the 1929 statutes. The 1960 legislation, then, effectively restored C&S to potential competitive parity within the city of Atlanta.

The Georgia branching restrictions over this period left the holding company as the only route open to C&S for geographic expansion in the Atlanta area; moreover, it was, until 1970, the only means open to any Atlanta banks for serving customers in that city's rapidly growing suburbs. This led, in turn, to the establishment of one C&S affiliate in suburban Atlanta, the C&S Emory Bank (in 1950), and to the acquisition of two others, the C&S Bank of East Point (in 1948) and the C&S DeKalb Bank (in 1954). In 1960, legislation was passed to the effect that bank holding companies could acquire no more than five percent of the voting stock of a bank. The C&S correspondent associates, then, are in part a product of the 1960 legislation.

The final legislative action relevant to the issues here is the liberalization of the Georgia branching statutes in 1970.* This permitted a [7] bank to establish branch offices within any county in which that bank already had an office. In effect, this permitted Atlanta banks to branch throughout Fulton and DeKalb Counties, and suburban banks to establish branches elsewhere in their counties. This legislation also gave rise to the possibility of mergers between banks in Atlanta and banks in suburban DeKalb and Fulton Counties. Thus, under Georgia law, C&S National could branch into those parts of Fulton and DeKalb Counties outside of Atlanta and the proposed mergers could be sought.

(2) The Development of the Atlanta Suburbs

The second significant factor underlying the development of the C&S correspondent associates pertains to the substantial

* Effective January 1, 1971.

growth of the suburban areas around the major Georgia cities, particularly Atlanta, both in resident population and in commercial and industrial activity.* This, of course, resulted in a substantial increase in the number of suburban banking customers, many of whom were without the services of a convenient banking office during the early stages of this surburban development.

At least as significant for banking patterns as this growth itself has been the accompanying change in the character of these areas. Out- [8] lying areas that once had been largely independent of Atlanta increasingly became part of a single integrated metropolitan area, with an observed increase in the complexity of economic relationships among different communities. For individuals, this has been manifested in commuting and shopping patterns, whereas for businesses, it has resulted in changes in and expansion of the number of their locations.

As is typical of metropolitan area development, the suburban development around Atlanta resulted from a residential shift from Atlanta to nearby areas outside of the city and from explosive growth throughout the metropolitan region. With this residential shift came commercial development in the suburbs to serve this new population; freeway development has linked the metropolitan area and has, more recently, enabled other types of business enterprises to establish operations in the suburbs.

The emerging metropolitan area complex has, of course, created a need for banking facilities in the suburbs. This need, however, could not be met satisfactorily without the participation of the large financial institutions which are located in the center city. Suburban development has occurred with a continuing economic dependence upon and orientation toward the center city. Many customers who moved to the suburbs and

* The fact of this rapid suburban growth is recognized by Plaintiff (Complaint, filed November 11, 1971, paragraph 36).

opened bank accounts there also retained downtown banking connections, both [9] because they valued their prior banking relationships and because they require the services of larger banking institutions. Many business facilities in the suburbs are operated by firms with main offices in downtown Atlanta, and thus require both suburban and downtown banking connections; for business, the services that larger banks can provide are especially important.

Suburban areas thus must be distinguished from free standing communities in terms of their banking requirements. Whereas local independent banks sometimes can perform very adequately in the latter environment, the characteristics typical of growing metropolitan suburbs make it more difficult for local independent banks to attract customers whose requirements include convenient access to many banking offices, regardless of whether competition exists with branches of downtown banks. For this reason, regulatory authorities are careful in granting charters for the establishment of independent banks in the suburbs. Thus, for example, bank charter applications for Sandy Springs and Chamblee were initially turned down by the Georgia banking authorities because, in their judgment, there was inadequate potential business in these communities. Consequently, many rapidly growing communities in the Atlanta suburbs did not have available to them convenient banking offices and services; moreover, where there were local banks, these banks were unable to fully meet the banking needs of many suburban banking customers because these needs were often tied to downtown Atlanta.

[10] The only means by which these developing banking needs could be met fully was through the assistance of the major Atlanta banks, both in establishing new suburban banks and in assisting them in their operations. The Citizens and Southern organization provided the most extensive response to these suburban requirements, and indeed, the pattern of this response closely parallels the development of these areas. The first C&S

banks in the Atlanta suburbs were The Citizens and Southern Bank of East Point, The Citizens and Southern Emory Bank (near Decatur), and The Citizens and Southern DeKalb Bank (in Avondale Estates), all affiliates of Citizens and Southern Holding Company in existence prior to the change in the Georgia bank holding company law in 1960. All are located in long established suburban communities.*

In about 1960, the time of the last change in the Georgia holding company statutes, the development of the suburban areas in DeKalb and Fulton Counties began to accelerate. C&S thus initiated a program of working in cooperation with local residents to establish new banks in areas that had been inadequately served. The Citizens and Southern Banks of Sandy Springs and Chamblee were organized in 1959 and 1960 as "correspondent associates" of C&S National. The Citizens and Southern Belvedere Bank was similarly organized in 1966, and The Citizens and Southern Bank **[11]** of North Fulton, located in a more outlying area that was slower to develop, was organized in 1967. In the same year, The Citizens and Southern Park National Bank was established to serve a business complex, and more recently, The Citizens and Southern South DeKalb Bank was organized to serve a rapidly growing Atlanta suburb. Meanwhile, The Citizens and Southern Bank of Tucker represents a situation that in some ways parallels those in East Point and Avondale Estates. An older bank (in this case chartered in 1919) in an established community was dormant because its owners were unable to provide management which could keep pace with the expanding banking needs of its community; this bank became a C&S correspondent associate in 1965.

(3) The Nature of the Correspondent Associate Relationship with the exception of the Tucker bank, all of the C&S cor-

* A 1929 statute, repealed in 1932, temporarily annexed East Point, Decatur, and Avondale Estates, as well as two other communities, as "boroughs" of Atlanta. East Point already had a population of 21,080 by 1950 and Decatur a population of 21,635 by the same date. (Source: U.S. Bureau of the Census.)

respondent associates in the Atlanta area were offspring of the C&S organization from their inception. As will be discussed in more detail in Section VI, it was the understanding of their stockholders and directors from the outset that, while each would have its own directors responsible to its own stockholders, C&S would provide the management to establish and to operate these banks. This understanding was a major element in obtaining their charters and in attracting stockholders and directors; moreover, it was understood by the personnel of these banks from the beginning that they would remain part of the C&S organization. Finally, it was expected that the correspondent **[12]** associates would ultimately be integrated into the C&S organization in a corporate sense should Georgia's branching or holding company statutes subsequently be liberalized to so permit.

Through the vehicle of the correspondent associate, the C&S organization responded to actual and potential growth in suburban communities by providing assistance in making banking services available in those communities. The impetus for this response was the fact that banking services were otherwise inadequate in these communities. While it is not certain that independent charters could not have been obtained, in every instance the local groups organizing the correspondent associates required such assistance. Under these circumstances, it is at least clear that the regulatory authorities gave weight to the assurance of C&S management assistance in granting the original charters. The advantages of the C&S relationship clearly have affected the subsequent performance of these banks: their identification with C&S, the ability of customers to bank at many different offices, and the access of customers to the specialized services available only from large banking institutions, all have served to attract customers by better meeting their banking needs in an increasingly metropolitan environment.

Several additional points, to be elaborated upon more fully in Section VI, should be noted by way of background. First, the correspondent associate banks are located in essentially separate

suburban areas in [13] which banking services were otherwise inadequate at the time of their establishment or, in the case of the C&S Bank of Tucker, at the time of association with C&S. Indeed, their subsequent record of growth attests to the fact that they have fulfilled otherwise unmet banking needs. Second, their directors, most of whom were C&S customers who recognized the need for local banking facilities, generally felt a close relationship with C&S. Third, much of the stock of the correspondent associate banks typically was widely distributed within their local communities as well as among stockholders, officers and customers of C&S. This wide distribution of stock has served to attract and to hold customers, as well as to prevent the control of these banks from falling into hands unfriendly to C&S.

Finally, the C&S involvement with its correspondent associates has been operational in nature. The directors of the correspondent associates stress that they are independent of C&S, but have left banking management to C&S. The operational support provided to the correspondent associates has increased commensurately with the demands of technology, particularly in data processing, to centralize operations. The nature of this assistance must be understood within the context of C&S operating policy, which leaves to the manager of each facility decisions respecting rates and service charges, loans, banking hours, and so on. C&S provides the operating tools and subsequently evaluates overall performance.

[14] Summarizing, the C&S relationship of the correspondent associates, which is voluntary for each such bank, has resulted in the banking system better meeting the convenience and needs of customers in the suburbs of Atlanta and elsewhere. The system of correspondent associates, moreover, has been procompetitive in that it has provided suburban customers with more banking alternatives than could otherwise have been economically feasible. Finally, the correspondent associates, like the suburban affiliates, are in basically separate banking markets.

With this background, the remainder of this report discusses the detailed investigation of the issues raised by the plaintiff in this case. The next section provides an introductory description of the types of studies undertaken.

* * * * * * *

[83] C. **Conclusion**

The analysis of this section has focused on determining the extent of market overlaps among the C&S affiliate and correspondent associate banks in DeKalb and Fulton Counties. While an analysis of accounts by Zip-code origin of address is somewhat imperfect, it nevertheless strongly suggests that suburban banking markets are quite local in nature. This is even more true of suburban independent banks than of suburban branches of major city banks. Unique to this case, then, is that there are a number of geographic markets in which the competitive aspects must be determined, and the broader geographic area that encompasses these markets is relevant only for weighing the convenience and needs factors.

[84] A more detailed analysis of account origins by address further suggests the quite local nature of these banking markets. Moreover, it indicates very clearly that there is no more than a very minimal amount of overlap among the markets of the C&S affiliates and correspondent associates—too little to be of any possible competitive significance. Moreover, since these banks operate much as branches of a single institution in providing services to customers, the nature of their markets should be similar to those of branches of the major banks. This implies, in turn, that their market areas would be even smaller and more local in character were it not for their C&S relationship.

Spillover effects, on the other hand, are observed to be significant, and this, too, is in large part a consequence of the C&S relationship. It is the task of the next section to investigate this topic further.

Meanwhile, the analysis to this point suggests that there exists no market in which any two or more C&S affiliates or correspondent associates could have meaningfully acted in restraint of trade. Since each serves its own separate market, there exists no area in which the proposed mergers could tend to reduce competition.

* * * * * * *

[114] E. Conclusions on Suburban Banking Requirements and Customer Behavior

The results of the survey and interview investigations confirm the hypotheses about metropolitan area banking and customer behavior outlined **[115]** earlier in this report. Despite the apparent complexity of banking patterns in metropolitan areas such as Atlanta, convenience is the primary factor in the selection of banking relationships. Although this is not always defined by the customer in terms of proximity to home or place of business, it is clear that it implies that suburban banking markets are quite local in character. Nevertheless, suburban banking customers generally include access to many offices of the same organization as part of the convenience factor.*

It is clear, too, that the accounts that originate, or appear to originates outside of a C&S bank's own local market area do not in any meaningful sense represent competition or the potential for competition among the C&S banks. Spillovers of accounts are characteristic of metropolitan areas, particularly where customers have access to many offices of the same organization. They thus are largely a result of the complementary relationships among these banks and between them and the C&S National Bank. Such accounts would tend to be lost if the C&S correspondent associates were instead independent.

---

* Again, Exhibits 28 and 29, showing transmittal items for deposit and check cashing on accounts at other C&S banks, attest to the widespread use of C&S offices other than those where these customers have their accounts.

This complementary relationship, and the C&S identity of these banks is also important to customers who require the services of a large [116] bank as well as convenient access to suburban facilities for their day-to-day banking needs. For many of these customers, the C&S correspondent associates are essentially surrogates for branches of the C&S National Bank, and tend to be viewed and utilized as such. Basically, it is the personal customers of these banks who are more likely to be unaware of the fact that they are not branches; however, it is to the business customers, who more often are aware of the difference, that the complementary relationship among the C&S banks is most likely to be critical.

The analysis, then, not only confirms the local nature of the market areas of the C&S affiliates and correspondent associates, but also suggests that their customer base is largely built upon the C&S relationship and identity. Local independent banks, most of whose customers can be served just as well by branches of the major banks, are unable to meet the needs of a growing number of metropolitan banking customers, and most suburban C&S customers appear to be among those whom these independent banks cannot fully serve. Since it is the complementary relationship and common identity of these C&S banks that has attracted and held the major part of their customer base, it is clear that they would tend to lose much of their market if independent of C&S.

The effects on the Potential competitiveness of these banks as independents should be clear, particularly when it is recognized that even [117] their locational advantages—the primary factor that now distinguishes them from one another—would be lost as the major Atlanta banks, including C&S, branch into their market areas. They would lose many customers because of their inability to serve them; indeed, each time customers are lost, their ability to serve remaining customers would be weakened, resulting in further losses of customers. As a consequence of attrition, they could no longer be significant competitive fac-

tors in their own market areas. Moreover, banks thus weakened could not consider opening new offices, nor is there a significant customer base to be served by their doing so. Consequently, there is no reasonable possibility of these banks entering one another's market areas and thereby becoming competitors.

[118] VI. Policies and Behavior of C&S

The preceding section focused on banking patterns from the point of view of the banking requirements and behavior of C&S suburban customers in the Atlanta area. This section will describe the manner in which C&S operates as an organization with particular reference to its correspondent associate banks.

Banking competition is more than the number of banks in a given market—it is their behavior. Since the very purpose of competition is to ensure good economic performance, an analysis of the impact of the C&S correspondent associates on competition in the Atlanta area should be as directly tied as possible to an appraisal of performance. Performance, of course, cannot be measured in a vacuum, for what counts is the extent to which the banking organizations are meeting the needs of customers. For this reason, considerable attention has been devoted to the issue of why a customer chooses a bank and to the issues that are important to banking customers in the Atlanta area. The present section, by means of an examination of the behavior of these banks, will attempt to determine whether the correspondent associates have been successful in meeting these customer needs.

[119] The information in this section draws heavily from the interviews which have been conducted with banking customers, C&S bankers, and competing bankers. Two basic issues are considered. First, the nature of the correspondent associates is discussed with particular attention to their image, their management by the C&S organization, and the competitive impact of their merger into C&S. Second, the prospects for the correspondent associates as independent banks are discussed, for that

is the alternative to the mergers presently under consideration. In both cases, particular attention will be placed on the competitive effects as well as on the ability of these banks to meet the convenience and needs of the communities they serve.

A. The Nature of Correspondent Associates

The correspondent associates are C&S banks. Customers and competitors view them as such because they are managed by C&S personnel and are identified as C&S banks. Their competitive behavior conforms to the so-called "C&S style of banking," and they provide customers with the full range of C&S banking services. Indeed, this C&S style of banking is at the heart of the competitive posture of all C&S banks. While no phrase such as this is subject to precise definition, several things are implied thereby. Customers, **[120]** both of C&S and of other banks in the Atlanta area, generally view C&S as the most competitive and innovative banking organization in Atlanta. C&S normally takes the lead with new services and is somewhat more retail-oriented than are other banks. To competitors, C&S represents a tough and aggressive adversary, termed by many as "the leader" and as the banking organization most necessary to reckon with. To a C&S banker, this "style" implies a delegation of authority to make decisions, an attitude to try to find a way to work out a customer's problem, a positive desire to lend money, and a desire to serve effectively the communities in which C&S banks are located. In contrast to the policies of most major banks around the country, where loan officers must justify their loans in advance, a strong burden is put on C&S officers to justify why certain loans have been turned down. Only one C&S officer is needed to approve a loan, whereas the concurring opinion of two is required to turn down a borrower's request. In short, C&S bankers have the authority and the back-up to be responsive to the needs of the local communities which they serve.

The senior management of C&S has the responsibility for establishing guidelines, assuring that adequate operational support is provided as required, and for appraising the performance of the organization. With respect to the most general types of guidelines, **[121]** recurring references were made to the ability of the organization to serve the community, the customer, and itself—in that order. The emphasis on independent on-site decision making by C&S branches, affiliates, and correspondent associates is related to the fact that customers react negatively to delays caused by loan committees and other head office reviews. Meanwhile, the C&S organization provides all of its banks and branches with management tools and personnel, with credit reviews, and with operations support. Management control is provided by *ex post* performance and credit reviews rather than by *ex ante* directives. In the extreme, poor performance results in management replacement; otherwise, the management of individual banking offices is expected to make its own decisions on lending and on interest rates.

The consequence of the independent decision making by branch managers and by the presidents of the C&S affiliates and correspondent associates is that each is primarily concerned with the performance of his own unit, for it is on this basis that his own achievement, and thus his level of responsibility and compensation, ultimately will be determined. Standards of performance are, in all cases, set by the branch supervision department of the C&S National Bank: the president of the affiliates and correspondent associates, because of their **[122]** additional responsibilities, also report budgeting items to the C&S National Comptroller's Department.

There is, in fact, no essential difference in the manner in which the C&S approach to management is applied to its branches and to its correspondent associate banks. Employees of the latter regard themselves as C&S employees, and most of

the senior management have had previous experience with other C&S banks, particularly the C&S National Bank.*

Meanwhile, senior officers of C&S periodically attend directors meetings of the correspondent associate banks as advisors.** For management, the correspondent associates are fully dependent upon the C&S organization, while directors of these banks are satisfied to rely on the C&S management and operating support as long as it produces results. In the area of operations, the correspondent associates are totally dependent upon the C&S organization. In addition to providing management, performance evaluation, credit information and review, and general advisory services, there are a number of other functions that receive internal support. Many of these are listed **[123]** in Exhibit 69: centralized payroll accounting, purchasing, and personnel services, a single employee benefit plan, and so on. Internal data processing services are completely centralized. Also important is that the C&S relationship is itself a significant incentive to management, providing more opportunities to obtain diversified experience and promotion than would be possible in an individual small bank.

Because the correspondent associates are managed as C&S banks, they are identified as such in the minds of customers. Most of their customers look at these banks as C&S branches through which to avail themselves of the advantages of the entire C&S organization. Interview evidence supports the findings of the questionnaire survey with regard to the importance to many customers of using several C&S offices. Several customers were interviewed who had changed their business location and yet maintained older C&S banking relationships; they

---

* See Answers of defendants to plaintiffs' interrogatory No. 8, June 16, 1972.

** Answers of defendants to plaintiffs' interrogatory No. 9, June 16, 1972.

nonetheless made use of C&S correspondent associate offices near their present business location. Larger banking customers view the C&S relationship with the correspondent associates as particularly important, if not critical, in meeting their banking needs. Customers feel that they can call upon the total resources of the C&S organization at any of the correspondent associate banks.

[124] Repeatedly emphasized in these interviews was the importance of direct availability of specialized services and the efficiency with which overline loans could be arranged as a consequence of the relationship between C&S National and the correspondent associate banks. At C&S Park National, for example, services such as lock box, freight bill payments and payroll processing are important to some customers, while at the C&S Bank of Chamblee, assistance in real estate lending was cited. The importance of these specialized services to some customers is, of course, supported by the findings of the questionnaire survey.

The importance of convenient arrangement of overline loans is evidenced from data on loan-deposit ratios and loan participations, as shown in Exhibit 70. Notice, for example, that the C&S South DeKalb Bank is responsible for a loan volume that is in excess of its deposit base due to the very heavy demand for installment loans in its service area. In general, the arrangement of loan participations is a regular part of C&S activity. Because of management involvement and responsibility, loan participations within the C&S organization are a very different matter than participations involving outside correspondent banks. This distinction is particularly important when an intimate knowledge of the customer's business is required and when customers requiring rapid loan commitments are involved.

[125] Because of all of these factors, correspondent associates present the image of a C&S bank. Coupled with this management attitude and ability to meet the community's needs with

the backup of the C&S organization is the common identification through the C&S logo. Most customers cannot recognize a distinction between the correspondent associates and any branches of C&S National. Though larger customers may be aware of the legal distinction, it is in no sense apparent to them operationally. Yet, these observations are entirely consistent with the fact that many customers view the correspondent associates as independent entities. As with branches of C&S National in local communities, these banks identify with the areas that they serve in their approach to local customer banking requirements.

As a consequence of the needs of the local service areas, and in line with the C&S style of banking, the correspondent associates pursue policies which vary significantly from one another. One example is the Saturday hours maintained by the C&S North Fulton and South DeKalb Banks, which were instituted in order to meet particular banking needs within those communities. Another example is banking hours during the week: the North Fulton, Sandy Springs, Chamblee, and Tucker Banks remain open until 6:00 p.m. on Fridays while the Park National and South DeKalb Banks close at 4:00 p.m.; the Tucker Bank opens its drive-in window at 8:30 a.m. while the other corres- **[126]** pondent associates open at 9:00 a.m.* A third example is provided by bids for public funds deposits. In one case of state funds placed by the fiscal division of the Georgia Department of Administrative Services (May 23, 1972), the C&S Bank of Tucker was the only successful bidder among the C&S banks. More generally, while there are numerous examples of variations in stated rates, service charges and fees, these can only scratch the surface of the variations which arise in granting loans and in negotiable interest rates.** This does occasionally

---

* Answer of defendants to plaintiffs' interrogatory No. 19, June 16, 1972.

** A number of examples of differences in stated charges, rates, and fees may be found in the Answer of Defendants to Plaintiffs' Interrogatory No. 11, June 16, 1972.

result in two different C&S offices competing with one another for a particular account, but in this regard there appears to be no difference between the correspondent associates and branches of C&S National.

Based on the foregoing, the following conclusions emerge. The correspondent associates are managed as C&S banks and are therefore viewed as such by their competitors and customers. The fact that they are able to offer the full range of C&S banking services in their local communities is very important to them in attracting their customers. C&S banking, in fact, has been characteristically competi- [127] tive and innovative. One innovation was the ability to serve customers in suburban areas through the establishment of correspondent associate banks. In this regard, the operating support provided by C&S is of critical importance to the ability of the correspondent associates to serve their customers adequately. Their customers are typical of a growing majority of suburban banking customers who can be served satisfactorily only by means of metropolitan-wide branch banking institutions. The C&S relationship, however, still involves independence in banking decisions among the correspondent associates, recognizing that they can serve different communities with different banking needs if decisions are made by officers on the scene whose responsibility is to serve their individual communities. Finally, it is clear that the integral relationship between the C&S correspondent associate banks and the C&S organization involves much more than simply that between correspondent banks. Basically, a bank provides correspondent services to another bank only on its request—it does not initiate these services, as C&S in fact does with respect to its affiliates and correspondent associates, nor is there any integration of the services of the banks involved. Similarly, a bank does not provide management to its correspondents, nor is there any integration of management as in the case of C&S.

[128] B. **The Experience in Savannah, Augusta and Belvedere**

The proposed mergers of the correspondent associate banks

in the Atlanta area are not without precedent. As mentioned in Section II of this report, C&S National merged with suburban correspondent associates in Chatham County outside Savannah and in Richmond County outside Augusta in 1971. Similarly, the C&S Belvedere Bank was merged with the C&S DeKalb Bank in 1969, a merger made possible by a redefinition of the municipal boundaries of Avondale Estates. These previous mergers provide good case studies for assessing the impact of the present merger proposals on competition and on the manner in which the convenience and needs of the banking public is served. Interviews in Augusta, Savannah, and in the Belvedere section of DeKalb County confirm the conclusions discussed above. The correspondent associates previously located in these areas were always managed as C&S banks and hence were viewed as branches by their customers. These mergers were largely unnoticed by customers and competitors of these banks. Many customers had scarcely been conscious of the fact that these correspondent associates were anything other than C&S branches. Nevertheless, some larger customers, to whom bank management is important, did notice faster deposit posting as a consequence of these mergers and the elimination of the transmittal process permitted thereby. Also recognized was the ability of **[129]** the merged banks to arrange larger loans somewhat more expeditiously. Because of the previous relationships of these banks with C&S, no change was noticed in the degree of competition as a consequence of the mergers. Parenthetically, it might be added, customers and competitors in the service areas of these Savannah, Augusta and Belvedere banks indicated that in their judgment, these banking markets were highly competitive both before and after the mergers.

Because the correspondent associate banks are already well integrated into the C&S system, substantial cost savings cannot be expected to result from the proposed merger. Nevertheless, there will be some reductions in operating costs which could result ultimately in lower banking costs or better services to

customers. An analysis of expenses of the Richmond and Chatham County offices before and after the Augusta and Savannah mergers suggests some cost savings. Changes in accounting procedures, however, result in many comparisons being of doubtful validity. Two areas in which direct comparisons are possible are with respect to director's fees and bank examinations, both of which are eliminated by the merger (resulting in savings of $2,250 per year by the Chatham County office and $3,100 by the Richmond County office). Some savings are also believed to have occurred for salaries and related expenses and for data processing, but exact amounts of these savings cannot be mea- **[130]** sured because of the changed accounting procedures.

In any event, the basic conclusion to be drawn from previous experience is clear: no diminution in competition or in the ability to serve their communities was apparent after the mergers of the C&S correspondent associate banks in Chatham County, in Richmond County, and in the Belvedere area of DeKalb County. The mergers were merely a change of corporate form rather than of competitive substance.

* * * * * * * *

[139] VII. General Conclusions

This report has presented the findings of an economic analysis of the competitive impact of the relationships among the defendant banks and of the proposed mergers. It has addressed this issue in light of the convenience and needs of banking customers in the Atlanta metropolitan area. This analysis has included an examination of banking patterns in metropolitan areas, the rational basis of these patterns in terms of the convenience and needs of metropolitan area banking customers, and the resulting implications for competition, actual and potential, in commercial banking in the suburban areas around Atlanta. It has involved a statistical examination of the structural charac-

teristics of metropolitan area banking, a detailed study of the geographic origins of commercial bank accounts in the Atlanta area, an extensive questionnaire survey of banking customers in the Atlanta suburbs, and numerous interviews with bankers and bank customers in and around Atlanta, Augusta and Savannah.

The findings of this study provide no basis for the Justice Department allegations that competition has been or will be lessened by the past and present relationships among the defendants or by consummation of the proposed mergers. On the contrary, the conclusion emerges that the past relationships among the C&S banks have, in fact, promoted competition in these banking markets and have brought better and more convenient banking **[140]** services to customers in these markets. Prevention of the proposed mergers would have detrimental effects both on competition and upon the effectiveness with which customer banking requirements are met.

The management and operation of the C&S affiliates and correspondent associates in Fulton and DeKalb Counties have been predicated upon an integral relationship with the C&S organization since the initial C&S involvement. Further investigation indicates that these banks are identified by customers and competing bankers with C&S, and generally are viewed as if they are branches of the C&S National Bank. They function within the C&S system much as branches; they meet customer needs by providing multiple office locations to serve customers conveniently.

Examination of the structure of banking in the Atlanta metropolitan area leads to the conclusion that in comparison with similar metropolitan areas, commercial banking in Atlanta is neither concentrated nor is it trending that way. For example, in metropolitan areas in limited-area branching states, the average share of deposits held by the largest banking organization in mid-1970 was 36.6 percent; C&S, with all of its affiliates and correspondent associates in the metropolitan Atlanta area in-

cluded, held 29.8 percent. Moreover, the C&S share as measured by number of accounts has consistently been far less than this. The C&S National Bank, for example, held 23.6 percent of total metropolitan area deposits in mid-1970, but only 17.2 percent of the total number of deposit accounts.

[141] Furthermore, the proposed mergers would have only a minimal effect on banking concentration in the Atlanta metropolitan area, involving an increase of only 1.7 percent of total deposits. In reality, however, the mergers would be merely a formalization of existing relationships; thus, this small increase in concentration would have no competitive significance.

Additional measures of banking structure have indicated that banking in the Atlanta area is highly competitive, that the intensity of this competition is increasing, and that customers are well served in terms of the number of convenient and competing alternatives. Between the beginning of 1971 and mid-1972, for example, sixteen new banking offices have opened in DeKalb County and suburban Fulton County.

The analysis of banking structure in the Atlanta area also suggested that the major Atlanta banks are becoming increasingly important factors in suburban Fulton and DeKalb Counties. From the end of 1970 to mid-1971, the number of branches of these banks in these suburbs increased from four to thirty, accounting for some 40 percent of all banking offices in that area. This, in turn, indicates the emergence of a banking structure that is characteristic of metropolitan areas in which branching by commercial banks is permitted. For several reasons, this is, in fact, the rational structure for banking to assume within a complex economic environment. **[142]** Specifically, most suburban customers require facilities at multiple locations at which they can conduct banking business; many, too, require convenient suburban access to the credit resources and the specialized services and expertise that can be provided only by a major metropolitan bank. More generally, such a structure

typically brings to suburban customers a larger number of banking facilities and a larger number of competitive alternatives, and tends to result in a better allocation of credit as individual offices have more flexibility in responding to local borrowing requirements. It is within such an environment that C&S was the first Atlanta organization to respond to suburban banking needs by establishing banks consistent with the limitations of state law. This response, in turn, is reflected in the widespread view among bank customers and other bankers that C&S is the most competitive and innovative of the Atlanta banking organizations.

Initially it may appear that a relatively broad metropolitan banking market definition should be taken as the relevant geographic area in assessing the effects of the proposed mergers. While it is indeed a broad area that seems most relevant to the convenience and needs issues of this case, such areas can at best be relevant only to a very few customers. Suburban banking markets are, in fact, highly localized, and this fact is supported by extensive data on the origins of suburban customer accounts by ZIP-code address. Typically, both the suburban C&S banks and the **[143]** suburban branch offices of the major Atlanta banks draw the bulk of their accounts from only a few ZIP-code areas. Furthermore, the market areas of the suburban independent banks are observed to be even more geographically confined than those of the offices of the major organizations.

Postal ZIP-code data on origins of accounts can provide only a preliminary indication of bank market areas and the existing degree of market overlap. While these data indicate strongly the overwhelming significance of proximity in determining where people do their banking, postal ZIP-code areas coincide very poorly with any reasonable concept of geographic banking markets. Thus, in order to test for overlap among the markets of the suburban C&S banks, a detailed analysis was undertaken of the origins of their accounts by street address. It has been concluded from this analysis that no significant degree of market overlap exists among any of these banks. There is, therefore, no market

area in which the potential for competition has ever existed given the present locations of the correspondent associates.

The analysis of market areas has revealed, nevertheless, that there are a number of accounts of these banks that originate, or at least appear to originate, from outside of their service areas. It has been found, however, that these accounts, which are widely dispersed around and beyond the Atlanta metropolitan area, do not represent any form of market overlap and have, in fact, no competitive significance. Rather, they have their **[144]** source in the complementary relationships among the C&S banks in this metropolitan area and in the banking requirements which this complementarity enables them to meet. Should the relationship of the C&S correspondent associate banks to one another and to the other C&S banks in the area cease, these accounts would tend to evaporate and the market areas of these banks would tend to become even more confined geographically than at the present time. Such accounts thus represent no potential for competition among any of the defendant banks.

Because each of the correspondent associates serves a separate suburban market, their association with C&S cannot have served to lessen competition or otherwise to restrain trade. Moreover, each bank operates with independent decision-making authority. The role of the C&S organization is rather to provide the management and support required to serve each community with maximum effectiveness.

A final issue of potential competition is the competitive posture of the C&S correspondent associates should they be required to sever their relationship with the C&S organization. Just as it has been found that the C&S relationship has allowed them to provide better services for the great majority of suburban customers, severance of the C&S relationship would deprive them of this ability. This indicates that a substantial attrition of their customer base, with no effective means of attracting other customers, would occur. In turn, particularly in

light of the fact that these banks have [145] no experience as independents, these banks would be of substantially diminished importance as competitive factors in their suburban markets.

The conclusions regarding the competitive issues of this case may thus be summarized briefly:

— First, commercial banking in the Atlanta area is now vigorously competitive, and C&S is an innovative and competitive banking organization.

— Second, by simply formalizing past relationships among the defendant banks, the proposed mergers, which the Department of Justice seeks to enjoin, can in no event result in a lessening of competition.

— Third, each of the defendant banks serves its own separate market area, and thus there is no market overlap in which the potential for competition could have been eliminated or in which it could be created by prevention of the mergers.

— Fourth, the customer base and the competitive posture of the suburban C&S banks have been predicated upon the complementary relationship of the C&S banking system and upon the particular banking requirements of metropolitan area customers that can be served only by means of such a relationship.

— Fifth, the means by which these banks compete within their local markets are determined by each bank individually and separately.

— Sixth, the C&S correspondent associate banks could no longer serve the banking needs of the substantial and growing majority of suburban bank customers if their relationship to C&S were terminated. Should this occur, as it must if the proposed mergers are enjoined, these banks could no longer be positive competitive factors in suburban Atlanta.

[146] The issues of the convenience and needs of banking customers in this case are closely related to the competitive issues. Indeed, it is apparent that the competitive issues themselves arise from the past efforts of C&S to better meet the banking requirements of suburban banking customers. The mergers themselves would merely formalize what C&S has already accomplished. Prevention of the mergers, however, would deprive many customers of the convenience with which their banking requirements are now served.

The great majority of suburban banking customers require different points of access to their accounts. Indeed, of all personal customers now banking with C&S, over 80 percent now use two or more C&S banks for personal banking transactions, as do about half of all business customers for their business accounts. Furthermore, about 25 percent of the business customers of these banks require the specialized services and expertise and the large credit resources that must ultimately be provided by a major bank such as the main office of the C&S National Bank. Consequently, the overwhelming majority of the customers of the C&S suburban banks have been better served by virtue of the complementary C&S relationship.

Through meeting the convenience and needs of suburban customers, the C&S correspondent associates have acted to enhance banking competition in the Atlanta area. Prevention of these mergers and eliminating C&S **[147]** management from these banks would substantially inconvenience the majority of their customers and would, in turn, be detrimental to banking competition in these markets.

ECONOMIC REPORT VOLUME 2

Exhibit 20

Population Trends in the Atlanta SMSA, 1950-1970

	Number of Persons			Percentage Increases	
	1950	1960	1970	1950-1960	1960-1970
City of Atlanta	437,785	487,455	496,973	11.3	2.0
Fulton County, excluding Atlanta part	73,322	110,203	157,306	50.3	42.7
DeKalb County, excluding Atlanta part	98,860	215,450	368,700	117.9	71.1
Clayton County	22,872	46,365	98,043	102.7	111.5
Cobb County	61,830	114,174	196,793	84.7	72.4
Gwinnett County	32,320	43,541	72,349	34.7	66.2
Total Atlanta SMSA	726,989	1,017,188	1,390,164	39.9	36.7

Source: U.S. Census of Population, 1950, 1960, 1970

Exhibit 28

Demand Deposit Transfers Accepted by C&S Correspondent Associate Banks on Accounts Held at C&S National Bank, Affiliates, and Other Correspondent Associates in the Atlanta Metropolitan Area*

	Chamblee	North Fulton	Park National	Sandy Springs	South DeKalb	Tucker	Total
Total Deposits/Transfers							
Number	4,246	629	1,811	2,963	1,215	4,283	15,147
Amount	$2,720,771	$468,476	$3,011,180	$2,130,612	$596,840	$3,899,277	$12,827,156
National Banks Account Transfers							
Number	389	31	228	206	136	270	1,260
Percentage	9.2	4.9	12.6	6.9	11.2	6.3	8.3
Amount	$ 585,139	$ 51,510	$1,360,729	$ 234,609	$ 67,040	$ 448,201	$ 2,747,228
Percentage	21.5	11.0	45.2	11.0	11.2	11.5	21.2
Affiliate & Correspondent Associate Account Transfers							
Number	161	18	98	69	46	199	591
Percentage	3.8	2.9	5.4	2.3	3.8	4.6	3.9
Amount	$ 100,144	$ 4,882	$ 74,625	$91,918	$ 18,606	$ 586,322	$ 876,497
Percentage	3.7	1.0	2.5	4.3	3.1	15.0	6.8
Combined Transfers as Percent of Total							
Number	13.0	7.8	18.0	9.2	15.0	10.9	12.2
Amount	25.2	12.0	47.7	15.3	14.3	26.5	28.0

* All figures are the averages of transfers made in four days: Friday, July 7; Monday, July 10; Friday, July 14; and Monday, July 17, 1972.

Source: Citizens and Southern National Bank.

Exhibit 29

Checks Cashed at C&S Correspondent Associate Banks in North Fulton and DeKalb County
On Demand Deposit Accounts at Other C&S Banks in the Atlanta Area*
Daily Totals

Bank	Date Surveyed	Checks Cashed on C&S National Accounts		Checks Cashed on Accounts at Affiliates and Correspondent Associates		Total, Other C&S Banks	
		Number	Amount	Number	Amount	Number	Amount
C&S Chamblee	7/28/72	198	$ 20,804	79	$ 5,929	277	$ 26,733
	7/31/72	187	28,678	74	6,213	261	34,991
C&S Park National	7/28/72	140	12,264	56	4,980	196	17,244
	7/31/72	152	16,983	62	4,010	214	20,993
C&S North Fulton	7/28/72	31	7,500	30	5,392	61	12,892
(Sat.)	7/29/72	86	10,858	63	9,750	149	20,608
	7/31/72	40	6,402	37	3,711	77	10,113
C&S Sandy Springs	7/28/72	196	123,794	65	13,353	261	137,140
	7/31/72	366	229,904	122	24,799	488	254,700
C&S Tucker	7/28/72					841	140,766
	7/31/72					610	74,999

* These data were obtained by counts taken at their stations. One of the correspondent associate banks (C&S South DeKalb) was unable to complete the survey, and C&S Tucker was able to obtain totals only. C&S North Fulton maintains Saturday hours, thus a count was also made for that day. Counts of all checks cashed on these banks were not possible.

Exhibit 53

Transactions Conducted at Other C&S Banking Offices in the Atlanta Area
Personal Accounts—All Respondents

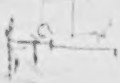
Percentages of All Respondents Answering

Customers of Bank/Branch	None	Instant Banker	Drive-In Banking	Check Cashing	Deposits to Checking Account	Withdrawals from Savings	Deposits to Savings	Loan Payments	Financial Advice	Other
North Fulton	21.9	8.6	45.7	57.6	47.5	8.6	11.5	16.2	8.3	4.3
Sandy Springs	19.7	7.3	50.3	65.3	60.2	14.0	15.9	14.0	8.9	9.6
Chamblee	30.4	6.4	43.8	54.8	49.1	8.8	13.4	11.0	5.7	4.6
Tucker	29.2	6.2	40.7	55.3	44.4	9.3	12.7	13.4	6.2	6.5
Park National	19.1	9.4	48.5	65.2	59.9	11.7	15.1	20.4	6.6	5.4
South DeKalb	19.9	11.2	45.4	59.0	59.8	12.7	12.4	17.1	6.4	2.8
Emory	23.4	10.0	45.3	62.0	62.3	12.8	14.0	12.5	5.2	5.8
East Point	13.8	13.8	56.4	77.7	68.0	18.1	26.6	16.0	5.3	8.5
DeKalb	20.7	9.5	49.6	62.4	57.4	10.3	14.5	20.7	8.3	3.7
Total Banks	22.8	8.7	46.5	60.9	55.5	11.4	14.2	15.5	6.9	5.6
Roswell Wieuca	8.1	11.1	67.2	80.8	79.7	20.1	24.7	20.3	7.7	11.8
Northside Parkway	11.4	8.1	69.1	73.2	73.8	14.1	15.4	14.8	4.0	6.7
Peachtree-Lenox	7.3	12.2	68.3	78.2	43.6	20.5	24.1	20.1	7.6	6.9
Moreland	10.8	8.1	46.2	60.4	73.1	18.8	25.4	17.7	6.5	5.8
South Moreland	10.3	13.4	62.1	69.0	82.0	21.5	26.8	25.3	5.0	5.4
Main	9.7	12.1	51.4	67.9	69.7	19.7	22.4	17.6	10.3	6.9
Total Branches	9.4	11.1	60.1	71.6	69.4	19.6	23.7	19.6	7.2	7.3
All Banks and Branches	17.8	9.6	51.8	65.1	60.9	14.6	17.9	17.1	7.0	6.3

Exhibit 54

Transactions Conducted at Other C&S Banking Offices in the Atlanta Area
Personal Accounts—Banking Where Now Live Not Important
Percentages of All Respondents Answering

Customers of Bank/Branch	None	Instant Banker	Drive-In Banking	Check Cashing	Deposits to Checking Account	Withdrawals from Savings	Deposits to Savings	Loan Payments	Financial Advice	Other
North Fulton	13.4	6.3	50.0	59.8	54.5	9.8	15.2	19.6	13.4	2.7
Sandy Springs	14.2	10.0	51.7	69.2	62.5	12.5	11.7	14.2	11.7	7.5
Chamblee	22.7	6.2	47.4	59.8	57.7	12.4	22.7	13.4	7.2	6.2
Tucker	21.1	6.3	46.3	59.0	49.5	8.4	11.6	17.9	6.3	6.3
Park National	18.0	8.7	47.7	68.2	59.0	11.8	13.9	28.2	6.2	5.1
South DeKalb	16.7	10.7	52.4	63.1	59.5	8.3	9.5	23.8	9.5	2.4
Emory	20.7	8.2	46.7	63.7	65.2	14.1	12.6	12.6	3.7	3.7
East Point	11.1	11.1	59.3	74.1	77.8	25.9	33.3	18.5	7.4	-0-
DeKalb	21.0	8.0	53.0	62.0	60.0	11.0	18.0	22.0	8.0	2.0
Total Banks	18.1	8.2	49.4	64.0	59.4	11.7	14.8	19.5	8.0	4.5
Roswell Wieuca	8.5	13.9	64.6	80.0	77.7	19.3	21.5	23.1	7.7	10.0
Northside Parkway	10.2	10.2	76.3	78.0	79.7	16.9	20.3	23.7	6.8	8.5
Peachtree-Lenox	8.2	10.0	68.4	75.3	69.6	15.8	18.4	18.4	7.0	4.4
Moreland	12.0	9.3	45.3	57.3	70.7	17.3	22.0	19.3	6.7	6.0
South Moreland	9.4	15.9	59.8	68.2	84.1	20.6	28.0	29.0	6.5	4.7
Main	11.4	12.8	45.5	70.6	61.6	19.0	19.4	16.6	9.5	6.2
Total Branches	10.1	12.4	57.1	70.8	71.7	18.2	21.2	20.6	7.6	6.4
All Banks and Branches	14.4	10.1	52.9	67.1	65.0	14.7	17.8	20.5	7.8	5.3



IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

CITIZENS AND SOUTHERN NATIONAL BANK, et al.

On Appeal from the United States District Court for the Northern District of Georgia

JOINT APPENDIX

INDEX

VOLUME I

	Page
Relevant Docket Entries	1
Complaint by the United States Filed November 2, 1971	9

Answer to Complaint Filed by the Defendants May 5, 1972 24

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia Commencing September 25, 1972:

Appearances [2] 45

Testimony of W. D. Padgett—
Direct examination [7] 49
Cross-examination [74] 89

Testimony of William Farr, III—
Direct examination [85] 96
Cross-examination [123] 118

Testimony of Herbert Leonard Megar—
Direct examination [151] 135
Cross-examination [161] 142
Redirect examination [171] 148

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 26, 1972:

Testimony of James A. Parker—
Direct examination [180] 151
Cross-examination [227] 178
Redirect examination [245] 188

Testimony of Charles B. Ginden—
Direct examination [256] 195
Cross-examination [296] 219
Redirect examination [309] 226

Testimony of Warren Jackson—
Direct examination [312] 228
Cross-examination [352] 251

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 27, 1972:

Testimony of Warren Woolsey—
Direct examination [361] 257
Cross-examination [408] 284
Redirect examination [424] 292

Testimony of Samuel L. Skogstad—
Direct examination [425] 293
Cross-examination [426] 294
Redirect examination [476] 322
Recross-examination [494] 333

VOLUME II

Testimony of Mills B. Lane—
Direct examination [508] 343
Cross-examination [539] 361
Redirect examination [562] 374

Transcript of Proceedings Held Before the Hon. Charles A Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 28, 1972:

Testimony of Howard S. Starks—
Direct examination [582] 386
Cross-examination [604] 400
Redirect examination [633] 417

Testimony of Joseph Hall—
Direct examination [637] 420
Cross-examination [683] 445
Redirect examination [744] 481

Testimony of Robert Daniel Handley, Jr.—
Direct examination [747] 483
Cross-examination [765] 494
Redirect examination [774] 499
Recross-examination [774] 500

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 29, 1972:

Testimony of Warren L. Berry—
Direct examination [777] 501
Cross-examination [784] 505
Redirect examination [802] 516

Testimony of Roy B. Holland—
Direct examination [802] 517
Cross-examination [805] 519

Testimony of Hubert Harris—
Direct examination [808] 521
Cross-examination [812] 523

Testimony of Lewis C. Beasley—
Direct examination [815] 524
Cross-examination [821] 528

Testimony of Joseph M. Ream—
Direct examination [824] 530

Testimony of Henry T. Collingsworth, Jr.—
Direct examination [830] 534
Cross-examination [837] 538

Testimony of Gordon B. Trulock, Jr.—
Direct examination [842] 542
Cross-examination [853] 548

Testimony of Ben C. Cook—
Direct examination [854] 548
Cross-examination [859] 552

Testimony of Merrill Autry, Jr.—
Direct examination [862] 554
Cross-examination [865] 555

Testimony of L. R. Gellerstedt, Jr.—
Direct examination [873] 559
Cross-examination [881] 564

Testimony of King Cleveland—
Direct examination [888] 569
Cross-examination [892] 571

Testimony of W. M. Jackson—
Direct examination [895] 573
Cross-examination [905] 579

Testimony of Evans Bruner—
Direct examination [932] 594
Cross-examination [940] 599

VOLUME III

Testimony of J. Mack Robinson—
Direct examination [942] 601
Cross-examination [946] 603

Testimony of Walter Eaves—
Direct examination [953] 607
Cross-examination [956] 609

Testimony of E. D. Dunn—
Direct examination [960] 611

Testimony of Nevins Dennis Baxter—
Direct examination [974] 619
Cross-examination [1004] 636

Depositions:

Warren Lanham Berry—
(GX-198) 671

Dr. William M. Cason—
(GX-199) 4.1-6.13 739

Gus Lockett Connelly—
(GX-200) 4-29.3; 53.13-54.22 741

Thomas E. Cook—
(GX-201) 4-26.4 760

Edward E. Elson—
(GX-202) 10.23-12.7 774

Louis J. Fortuna—
(GX-204) 19.6-22.3 775

Hubert L. Harris—
(GX-206) 4-28.7 778

T. Robert Hazelrig—
(GX-207) 4-28.13 793

Dr. W. Andrew Irvin—
(GX-208) 12.4-12.21; 18.10-18.24 811

Hugh F. Lane—
(GX-209) 812

Alva G. Maxwell—
(GX-211) 4-6.13 848

Dalton F. Scott—
(GX-215) 34.24-36.3 851

Economic Report (Excerpts):

Volume 1—|5-14|
|83-84|
|114 "E"-130 "B"|
|139-147| 852

Volume 2—Exhibits 20, 28, 29, 53, 54, 55, 69 877

Government Exhibits:

GX-33 B E-1
GX-33 C E-5
GX-33 D E-7
GX-33 E E-10
GX-35 ..... E-13
GX-36 ..... E-24
GX-37 ..... E-28
GX-38 ..... E-38
GX-104 ..... E-57
GX-105 ..... E-89
GX-106 A E-113
GX-107 ..... E-121
GX-108 ..... E-122
GX-109 ..... E-123
GX-110 ..... E-124
GX-111 ..... E-125
GX-112 ..... E-126
GX-113 ..... E-127
GX-114 ..... E-128
GX-115 ..... E-132
GX-116 ..... E-133
GX-117 ..... E-134
GX-118 ..... E-135
GX-119 ..... E-137
GX-120 ..... E-139

GX-121 ..... E-140
GX-122 ..... E-141
GX-123 ..... E-142
GX-124 ..... E-143
GX-125 ..... E-145
GX-126 ..... E-146
GX-127 ..... E-147
GX-128 ..... E-148
GX-134 ..... E-153
GX-136 ..... E-155
GX-138 ..... E-156
GX-139 ..... E-158
GX-140 ..... E-160
GX-142 ..... E-161
GX-148 ..... E-162
GX-151 ..... E-164
GX-153 ..... E-165
GX-162 ..... E-166
GX-163 ..... E-172
GX-164 ..... E-198
GX-166 ..... E-204
GX-169 ..... E-206
GX-170 ..... E-215
GX-177 [1-15.6] E-217
GX-177 B E-232
GX-177 D E-235

GX-188 ..... E-240
GX-189 ..... E-241
GX-190 ..... E-242
GX-191 ..... E-243
GX-192 ..... E-249
GX-193 [1-6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 28] ... E-251
GX-194 ..... E-268
GX-216 ..... E-269

Defendants' Exhibits:

DX-94 ..... E-305
DX-113 ..... E-329
DX-125 ..... E-330
DX-152 ..... E-331
DX-266 ..... E-337
DX-267 ..... E-460
DX-268 ..... E-502-2
DX-269 (Sections A, D, F, K and V) E-572
DX-270—Vol. I, GOG 9.27 and GOG 9.6 ..... E-692
Vol. II, GOG 26.01 and 26.011 ..... E-699
DX-277 ..... E-703
DX-278 ..... E-705
DX-300 ..... E-706
DX-301 ..... E-835
DX-302 ..... E-840
DX-310 ..... E-860

DX-311 ..... E-1024
DX-313 ..... E-1717
DX-316 ..... E-1804
DX-317 ..... E-1816
DX-318 ..... E-1822
DX-320 ..... E-1826

Notice of Appeal filed March 25, 1973 ..... E-1841
Order Noting Probable Jurisdiction dated October 29, 1974 ..... E-1842

GX-33 B

8-30 (10-4-71)

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: Citizens and Southern Bank of East Point
East Point, Georgia
Application for Consent to Acquisition of
Assets and Assumption of Liability to Pay
Deposits and to Establish Two Branches

BASIS FOR CORPORATION APPROVAL

Citizens and Southern Bank of East Point, East Point, Georgia (East Point Bank), an insured State nonmember bank with total deposits of $27,606,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior approval to acquire the assets of and to assume the liability to pay deposits made in The Citizens and Southern Bank of North Fulton, Roswell, Georgia (North Fulton Bank), an insured State nonmember bank with total deposits of $7,013,000, and The Citizens and Southern Bank of Sandy Springs, Sandy Springs, Georgia (Sandy Springs Bank), an insured State nonmember bank with total deposits of $21,001,000.1/ Application is made also under Section 18(d) of the Federal Deposit Insurance Act to operate the main, and only, offices of the North Fulton Bank and Sandy Springs Bank as branches of the resulting bank, increasing the number of its authorized offices to five.

Competition. The Citizens and Southern National Bank (C&S National), Savannah, Georgia, is the owner of all the outstanding stock of Citizens and Southern Holding Company (C&S Holding), Savannah, Georgia, which in turn owns 90.25 percent of the stock of East Point Bank, and 5.0 percent each of the stock of North Fulton Bank and Sandy Springs Bank.

The proposed mergers would consolidate in East Point Bank the Fulton County activities of the C&S system outside the City of Atlanta. That system in the aggregate presently controls 30.2 percent of all deposits held at Fulton County commercial bank offices and 28.6 percent of all commercial bank offices in the County, making it the largest banking system in the County.

Because the C&S system has such a large share of the banking resources in Fulton County, proposed new acquisitions of nonaffiliated banks in the same market would raise the most serious competitive problems under the Bank Merger Act as amended and under Section 7 of the Clayton Act. Whether similar considerations require the Corporation to deny the proposed mergers into a C&S subsidiary of two banks in which C&S Holding has only a 5.0 percent stock interest is the question raised by the present applications.

East Point Bank operates a main office and one branch, both located in East Point, a suburban community of about 39,400 population, bordering on Atlanta and about 6 miles south of that city's downtown section. East Point Bank presently holds 1.0 percent of total Fulton County deposits. The two banks it

1/ Deposit data as of June 30, 1971.

Citizens and Southern Bank of East Point

seeks to merge have offices to the north of the city of Atlanta, where East Point Bank also has an authorized but unopened branch.

North Fulton Bank is a unit bank located at Roswell (population 5,430), about 9 miles north of the city of Atlanta along U.S. Route 19. Established in 1967, it has 0.2 percent of the total commercial bank deposits in Fulton County. Sandy Springs Bank, also a unit bank, is about 8 miles south of Roswell and lies just north of the city of Atlanta. Established in 1959, it controls 0.8 percent of the total commercial bank deposits in Fulton County. The authorized branch of East Point Bank lies approximately midway between Roswell and Sandy Springs. These three offices service a combined area in which six other commercial banks, i.e., the second, third, fourth and fifth largest Atlanta banks as well as two local banks in Roswell, have eight authorized offices.

The banks involved in the proposed mergers do not compete today and never have competed in the past. The two smaller banks were both organized under C&S guidance and direction at a time when Georgia law did not permit C&S National or any other Atlanta bank to branch outside the City of Atlanta. A close working relationship has existed ever since and a majority of the stock in each bank has been held continuously by directors, officers and employees of C&S National, directors, officers and employees of subsidiary banks of C&S Holding, and a number of influential customers who maintain significant banking relationships with one or more such banks. The remaining stock is well dispersed, with no significant blocs held independently of the C&S system. From the inception of both banks, their management has been drawn from the C&S system, C&S National has hired all their employees, and these employees participate fully in the various employee benefits provided by the C&S system. Customers seeking services not provided by Sandy Springs Bank or North Fulton Bank are referred to C&S National, and that bank provides credit services, investment advice and numerous other services for the two smaller banks in much the same manner as it does for its own branches or subsidiary banks. Like the other banks in the C&S system, these 5 percent banks use the C&S name and logo and advertise jointly. More than 40 percent of their respective loan portfolios are loans purchased from C&S National, while their buildings have been leased from other C&S entities. When additional capital became desirable, C&S National subscribed to capital notes of each bank. In short, North Fulton Bank and Sandy Springs Bank have been recognized by the public and the C&S National as part of the C&S system since their inception.

Under these circumstances, the proposed mergers of these two 5 percent banks into a majority-owned C&S subsidiary would not eliminate any existing competition between them or between either bank and any other C&S unit. Such mergers would not alter the existing competitive structure of Fulton County in any way or add to the concentration of banking resources now held by the C&S system. The Corporation also finds that the opening of these two de novo

banks served the convenience and needs of their respective communities and enhanced competition in both areas without increasing the percentage of Fulton County deposits then controlled by the C&S system.

Furthermore, the Corporation finds no reasonable probability that North Fulton Bank or Sandy Springs Bank would become disassociated from the C&S system in the future if the proposed mergers are denied. This conclusion is based in part on the close working relationship described above and the continuing nature of that relationship throughout the history of both banks. The following considerations also appear relevant.

The relationship between each bank and the C&S system has been mutually advantageous; voluntary disaffiliation would run the risk of significant transfers of banking relationships and official staff, and a consequent weakening of the ability of both banks to compete in the new and intensely competitive climate of county-wide branching.

Neither bank has had significant transfers of stock since they were organized, and there is some evidence that persons who bought shares initially expected a merger into C&S National or a C&S majority-owned subsidiary whenever Georgia law was changed to permit it. The virtually unanimous vote of the shareholders of both banks approving the proposed merger into East Point Bank tends to confirm this expectation and attests to the complete acceptance of C&S direction by shareholders as well as directors of the two banks.

In the one recent example of voluntary disaffiliation by a 5 percent bank from the C&S system--out of more than 30 possibilities Statewide--that bank had a very significant bloc of stock held independently of C&S influence and a history of local independence on the part of its board of directors and top management. Its disaffiliation does not increase the likelihood of disaffiliation of North Fulton Bank or Sandy Springs Bank if the present mergers are denied.

If voluntary disaffiliation represents no more than an unlikely possibility, the Corporation finds itself unable to conclude that the proposed mergers would eliminate any significant potential for increased competition between the two banks or between either of them and the rest of the C&S system banks.

The Corporation concludes that the proposed mergers would not be anticompetitive either as to existing or as to potential competition.

Financial and Managerial Resources; Future Prospects. These factors are satisfactory with respect to each of the banks involved and are so projected for the resulting bank.

Convenience and Needs of the Community to be Served. In view of the close working relationship that presently exists between the C&S system and these two banks, consummation of the mergers proposed would not change in any significant way the ability of Sandy Springs Bank or North Fulton Bank to serve the convenience and needs of Fulton County residents.

Citizens and Southern Bank of East Point

With the various factors to be considered weighing neither for approval nor denial, the Corporation concludes that the management decision to restructure the existing C&S system in the manner proposed should be honored. Accordingly, approval of the applications appears to be warranted.

# # # # # #

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: The Citizens and Southern Emory Bank
Atlanta, Georgia
Application for Consent to Acquisition
of Assets and Assumption of Liability
to Pay Deposits and to Establish Five
Branches

BASIS FOR CORPORATION APPROVAL

The Citizens and Southern Emory Bank, Atlanta, Georgia (Emory Bank), an insured State nonmember bank with total deposits of $34,800,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior approval to acquire the assets of, and to assume the liability to pay deposits made in: The Citizens and Southern Bank of Chamblee, Chamblee, Georgia (Chamblee Bank), an insured State nonmember bank with total deposits of $21,700,000; The Citizens and Southern Park National Bank, Atlanta, Georgia (Park National Bank), which has total deposits of $11,300,000; and The Citizens and Southern South DeKalb Bank, Decatur, Georgia (South DeKalb Bank), an insured State nonmember bank with total deposits of $5,100,000.1/ Application also is made under Section 18(d) of the Federal Deposit Insurance Act to operate as branches of Emory Bank: the main office and branch of Chamblee Bank; the sole office of Park National Bank; and the main office and branch of South DeKalb Bank.

Competition. The Citizens and Southern National Bank (C&S National), Savannah, Georgia, is the owner of all the outstanding stock of Citizens and Southern Holding Company (C&S Holding), Savannah, Georgia, which in turn owns 95.14 percent of the stock of Emory Bank, and 5 percent each of the stock of Chamblee Bank, Park National Bank, and South DeKalb Bank. The three offices of Emory Bank and all offices of the three banks it proposes to acquire are located in DeKalb County. The C&S system, including its 5 percent affiliates, presently controls 41.8 percent of all deposits held at DeKalb County commercial bank offices and operates 25.4 percent of the commercial bank offices in the County, making it by far the largest banking system in DeKalb County.

Because the C&S system has such a large share of the banking resources of DeKalb County, proposed new acquisitions of nonaffiliated banks in the same market would raise the most serious competitive problems under the Bank Merger Act as amended and under Section 7 of the Clayton Act. Whether similar considerations require the Corporation to deny the proposed acquisitions by a C&S subsidiary of three banks in which C&S Holding has only 5 percent stock interest is the question raised by the present applications.

1/ Deposit data as of June 30, 1971

Re: The Citizens and Southern Emory Bank

Emory Bank and the three banks proposed to be acquired together serve nearly the whole of DeKalb County; with the exception of South DeKalb Bank, they draw their business from overlapping areas in the County. Emory Bank holds 12.8 percent of total DeKalb County Deposits; Chamblee Bank (organized in 1960) holds 5.8 percent, Park National Bank (organized in 1967) 2.8 percent, and South DeKalb Bank (organized in 1969) 1.1 percent, respectively, of total DeKalb County deposits. These four banks, however, do not compete today and never have competed in the past.

Except that these four banks are located in DeKalb County, rather than Fulton County, substantially the same facts are presented as to the organization of the banks, the close working relationship between them, the lack of competition between them, and the unlikely prospect of voluntary disaffiliation, as were presented by the proposals to merge the Citizens and Southern Bank of North Fulton, Roswell, Georgia (North Fulton Bank) and other C&S Banks in Fulton County, approved today by the Corporation.

Following the reasoning set down in the basis in that matter, the Corporation concludes that the proposed acquisitions would not be anticompetitive, either as to existing or as to potential competition and that since the other factors to be considered weigh neither for approval nor denial, approval of the applications is warranted. See In Re: The Citizens and Southern Bank of East Point, East Point, Georgia; Application for Consent to Acquisition of Assets and Assumption of Liability to Pay Deposits and to Establish Two Branches, decided October 4, 1971.

# # # # #

GX-33 D

FEDERAL DEPOSIT INSURANCE CORPORATION

Re: The Citizens and Southern Emory Bank
Atlanta, Georgia
Application for Consent to Acquisition of
Assets and Assumption of Liability to Pay
Deposits and to Establish Two Branches

BASIS FOR CORPORATION DENIAL

The Citizens and Southern Emory Bank, Atlanta, Georgia (Emory Bank), an insured State nonmember bank with total deposits of $34,796,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior approval to acquire the assets of and to assume the liability to pay deposits made in Citizens and Southern Bank of Tucker, Tucker, Georgia (Tucker Bank), an insured State nonmember bank with total deposits of $24,738,000.1/ Application is made also under Section 18(d) of the Federal Deposit Insurance Act to operate the main and single branch office of Tucker Bank as branches of the resulting bank.

Competition. The Citizens and Southern National Bank (C&S National), Savannah, Georgia, is the owner of all the outstanding stock of Citizens and Southern Holding Company (C&S Holding), Savannah, Georgia, which in turn owns 95.14 percent of the stock of Emory Bank and 5.0 percent of the stock of Tucker Bank.

The C&S system, including its 5% affiliates, presently controls 41.8 percent of all deposits held at DeKalb County commercial bank offices and 25.4 percent of all commercial bank offices in the County, making it by far the largest banking system in DeKalb County.

Tucker Bank was organized in 1919 and did not become affiliated with the C&S system until early 1965. At that time Tucker Bank maintained only one office, holding approximately $4 million in deposits.

When C&S Holding acquired its 5% interest in Tucker Bank, approximately 75 percent of Tucker Bank's remaining stock was acquired simultaneously by holders close to the C&S system. Ever since, Tucker Bank has been operated with substantially the same close working relationship between it and other C&S banks that exists between the C&S system and the 5% banks which it organized de novo. This relationship, and the lack of existing competition between C&S banks, are detailed in the Basis for Corporation Approval issued this date in connection with the proposed acquisition by the Citizens and Southern Bank of East Point and two other 5% C&S banks in Fulton County.

Even as to Tucker Bank, the Corporation sees no reason to anticipate a voluntary disaffiliation from the C&S system if this proposed merger is denied.

1/ Deposit data as of June 30, 1971.

Re: The Citizens and Southern Emory Bank

The close, and apparently friendly, working relationship that presently exists with the C&S system argues against the likelihood of such disaffiliation despite the fact that 17 percent of the outstanding stock of Tucker Bank remains in the hands of the family that controlled the bank as an independent institution when C&S acquired its interest in 1965. As in the case of the other proposed mergers of 5% banks into majority-owned C&S subsidiaries, more than 87 percent of the outstanding shares of Tucker Bank were voted in favor of this proposed merger and only 26 shares (less than 0.1 percent) of the outstanding shares were voted against the proposal. Disaffiliation, if it occurs, would appear to depend on compulsory process to sever the C&S relationship with this bank, rather than the denial of the application now before the Corporation.

While the Corporation finds that existing competition would not be eliminated by the proposed merger, and that future competition through voluntary disaffiliation is unlikely, it subscribes to the following view expressed by the Board of Governors of the Federal Reserve System in its May 20, 1971, opinion on the reconsideration of its earlier decision relating to the proposed merger of Trust Company of Georgia and Peachtree Bank and Trust Company, Chamblee, Georgia:

> "...A merger of two banks which are not significant competitors cannot be regarded as eliminating significant existing competition, and, similarly, if future competition is unlikely -- even though possible -- the merger cannot be regarded as reasonably likely to lessen future competition.
>
> "This does not mean that every proposed merger before the Board of two related banks receives favorable consideration. First of all, consideration must be given to the question of whether the relationship was anticompetitive in its origins; if so, little weight should be attributed to such relationship, since to do so might encourage evasion of the law." [Emphasis supplied.]

The Corporation took a similar position in its December 1, 1970, opinion approving the proposed merger of The Lone Tree Savings Bank into The Farmers and Merchants Savings Bank, also of Lone Tree, Iowa, and in its December 4, 1970, opinion approving the proposed merger of Embarrass State Bank, Embarrass, Wisconsin into Citizens State Bank, Shawano, Wisconsin.

The following circumstances surrounding the affiliation of Tucker Bank with the C&S system in 1965 appear relevant. Tucker Bank was a small, limited service unit bank serving primarily the credit needs of outside business interests of the Cofer family, its controlling owners. A new national bank was being organized in Tucker, which promised more intense competition. Seeking more experienced banking management and a good price for their stock, the controlling owners of Tucker Bank approached C&S National, with whose management they were personally friendly, and the sale of 80 percent of their stock to C&S interests was consummated shortly thereafter.

Re: The Citizens and Southern Emory Bank

While the C&S affiliation resulted in broadening the banking services offered to Tucker Bank customers, it also resulted in a significant increase in the share of DeKalb County banking resources controlled by the C&S system. At year-end 1964, the C&S system already controlled approximately 24 percent of total DeKalb County commercial bank deposits and a slightly larger share of all the commercial bank offices in the County. Tucker Bank's deposits represented at that time about 5 percent of total DeKalb County commercial bank deposits. Its affiliation with the C&S system not only increased substantially that system's lead over other banking organization in the County, but foreclosed the possibility that Tucker Bank, either as an independent bank under different control or as part of another large banking organization with a less substantial share of DeKalb County banking resources, would become a significant competitor to the C&S system.

Tucker Bank at the time was not in an unsound condition, it had had no experience actually competing against the new bank being organized in its community, and the record discloses no serious effort on the part of its owners to find some other, less anticompetitive solution to the new situation it faced. Moreover, with the growth projected for the Tucker area, the C&S system might have found it desirable and practicable, if not in 1964-1965, then at some later date, to establish a de novo bank in the area served by Tucker Bank, just as it did in other growing secitons of DeKalb County prior to the recent change in Georgia's branching laws.

Based on the increased concentration of DeKalb County banking resources in the C&S system and the elimination of probable future competition with Bank of Tucker had the affiliation with C&S not taken place, the Corporation finds that the present affiliation was anticompetitive in its origins and should not now be ratified by the Corporation's approval under the Bank Merger Act.

Financial and Managerial Resources; Future Prospects. These factors are satisfactory with respect to each of the banks involved and are so projected for the resulting bank.

Convenience and Needs of the Community to be Served. In View of the close working relationship that presently exists between the C&S system and these two banks, neither consummation nor denial of the proposed merger would change in any significant way the ability of Tucker Bank to serve the convenience and needs of DeKalb County residents.

With the various other factors to be considered weighing neither for approval nor denial, the Corporation concludes that the application now before it should be denied in view of the anticompetitive nature of the original affiliation of Bank of Tucker with the C&S system in 1965.

////////

GX-33 E

FEDERAL DEPOSIT INSURANCE CORPORATION

IN RE: The Citizens and Southern Emory Bank
DeKalb County (P. O. Atlanta), Georgia
Application for Consent to Establish a Branch (DENIAL)

STATEMENT

Pursuant to the provisions of Section 18(d) of the Federal Deposit Insurance Act (12 U.S.C. 1828), The Citizens and Southern Emory Bank, DeKalb County (P. O. Atlanta), Georgia, a subsidiary of Citizens and Southern Holding Company, has filed an application with the Federal Deposit Insurance Corporation for consent to establish a branch at the corner of Ashford-Dunwoody Road and Perimeter Center Drive, DeKalb County (P. O. Atlanta), Georgia.

The Perimeter Center Branch would be located in an unincorporated area of DeKalb County which is being developed into an office building park and shopping center known as Perimeter Center. This development will be one of the metropolitan area's largest commercial centers outside of downtown Atlanta when completed. The trade area population is estimated in excess of 25,000 with single family residences priced in the $25,000 to $45,000 range generally, and numerous apartment development complexes in the area are anticipated. Three Atlanta-based banks have received approval to open branches within the Perimeter Center complex and a fourth bank has approval to open a branch approximately one and one-half miles away.

Statutory Factors to be Considered

The Corporation is required by Section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828) to consider, in determining whether to grant or withhold its consent to the establishment of a new branch by a State nonmember insured bank, the financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and whether or not its corporate powers are consistent with the purposes of the FDI Act. The Board of Directors finds favorably on all factors, other than convenience and needs.

Convenience and Needs

Although the statutory factors do not expressly require that competition be taken into account, there are nevertheless compelling considerations that lead the Corporation to conclude that competition is an inherent part of the convenience and needs factor, and must be considered in determining whether the convenience and needs of the community are served by the establishment of a branch.

- more - E-10

In Re: The Citizens and Southern Emory Bank

The duty of a Federal regulatory agency to preserve and promote competition, where there is no explicit statutory directive to do so, is typically found to be implicit in the statutory obligation to determine whether a proposal would be in the "public interest" or would be warranted by considerations of "public convenience and necessity." See, e. g., United States v. R.C.A., 358 U.S. 334, 351 (1959); Northern Natural Gas Co. v. Federal Power Commission, 399 F. 2d 953, 959-61 (D.C. Cir. 1968). Although the pertinent provisions of the FDI Act do not employ either of these phrases, the phrase "convenience and needs" is closely akin to each of them and, indeed, has been interpreted to include competition as a relevant consideration in a recent de novo branch application by a national bank where applicable State law, judicially construed as applicable to national banks, required that "convenience and needs of the public" be considered. Clermont Nat'l Bank v. Citizenbank Nat'l Assoc., Civil No. 7987, (S.D. Ohio, filed June 15, 1971). Further, since the preservation of competition is an established national policy, actions by Federal regulatory agencies ought to be consistent with that policy, unless it is clear in the case of a particular agency-administered statute that Congress intended otherwise.

The Corporation's conclusion that competition is a proper consideration in applications for de novo branches coming before it is consistent with the construction placed on the Federal Reserve Board's statutory authority to pass on de novo branch applications, which authority mentions neither competition nor "convenience and needs" as relevant considerations. See 12 U.S.C. §§ 36, 321. Competition was judicially determined to be a proper consideration under the Federal Reserve Board's statutory authority on the rationale that

> ". . . when Congress impowers an agency to 'approve' an action, it normally requires the agency to consider the probable effects of the action within the area of agency responsibility. The existence of too much or too little competition may cause serious harm in banking as it may in other areas of business. Thus, it is important for the [Federal Reserve] Board to consider whether an applicant may be seeking to establish a large number of branches in order to give it an undue competitive advantage . . ."

Old Kent Bank & Trust Co. v. Martin, 172 F. Supp. 951, 952, (D.C. 1959), rev'd on other grounds, 281 F. 2d 61 (D.C. Cir. 1960). The statutory authority of the Federal Reserve Board in this respect is similar to that of the Comptroller of the Currency. The Federal Reserve Board currently lists competition as a relevant consideration in de novo branch applications. See 12 C.F.R. § 265.2(f)(1)(iv).

The portions of the FDI Act governing bank mergers (Section 18(c); 12 U.S.C. 1828(c)), as judicially construed, make it clear that the law is directed toward achieving an accommodation between a needed addition to banking services and the maintenance of competition in a relevant geographic market, although the statute lists both competition and "convenience and needs" as relevant factors. A proposed added quantity or range of banking services is only one consideration under "convenience and needs" and the law recognizes that a competitive banking market, with its potential for innovation, improved services and price competition, also has benefits for the banking "convenience and needs" of

a community. More particularly, decisions of the Supreme Court under the Bank Merger Act as amended have concluded that an anticompetitive bank merger cannot be justified on "convenience and needs" grounds unless all consumers of banking services in the relevant area for assessing competition are likely to benefit, and unless the benefits in "convenience and needs" cannot be attained through other, less anticompetitive means. See United States v. Phillipsburg Nat'l Bank, 399 U.S. 350 (1970); United States v. Third Nat'l Bank in Nashville, 386 U.S. 361 (1967); see also H.R. Rep. No. 1416, 86th Cong., 2d Sess. 10 (1960).

Given the foregoing considerations, and the principle that the provisions of a regulatory scheme should be construed so as to mesh rather than conflict, the Corporation concludes that the maintenance of a competitive banking market is an appropriate factor to consider in the case of de novo branch applications under Section 18(d) of the FDI Act.

Turning to the facts of this branch application, an additional banking facility in this proposed shopping center would provide some limited benefit to the public. The extent of this benefit is minimized because of the already opened or approved branches of three large Atlanta banks within the shopping center itself and an additional branch of a fourth bank only one and one-half miles east.

Contrasted with this benefit is the fact that the Citizens and Southern system controls 25% of the banking offices in DeKalb County and, as of June 30, 1971, 42% of the deposits in the County, and the fact that the establishment of additional branches by the Citizens and Southern system could cause a further concentration of the banking business in DeKalb County. An opportunity on the part of other banks, however, to open de novo branches and to develop their stake in this particular service area, without immediate competition from the Citizens and Southern system, could have the opposite effect of deconcentrating such banking resources and encouraging a greater number of meaningful banking options for the public over the long term.

Considering all the facts and information relevant to the determination, the Board of Directors concludes that these competitive considerations outweigh the limited benefit that might accrue to the public from the existence of an additional banking office in this location. The application is therefore denied.

THE BOARD OF DIRECTORS
FEDERAL DEPOSIT INSURANCE CORPORATION

GX-35

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of TRUST COMPANY OF GEORGIA, Atlanta, Georgia, for approval of acquisition of assets and assumption of liabilities of Peachtree Bank and Trust Company, Chamblee, Georgia.	ORDER ON PETITION FOR RECONSIDERATION.

On February 22, 1971, the Board of Governors issued an Order pursuant to the Bank Merger Act (12 U.S.C. 1828(c)), approving an application by Trust Company of Georgia, Atlanta, Georgia, for prior approval of the merger of Trust Company with Peachtree Bank and Trust Company, Chamblee, Georgia, by means of Trust Company's purchase of assets and assumption of liabilities of Peachtree Bank.

In order to permit study of the complex procedural and substative issues raised by a petition by the United States Department of Justice for reconsideration of that Order, the Board, on March 19, 1971, stayed its operation.

After study of those issues, the Board finds that reconsideration of its Order of February 22, 1971 would be appropriate and in the public interest.

It is hereby ordered, For the reasons set forth in the accompanying Statement and in the Board's Order of February 22, 1971, that the Orders of March 19 and February 22, 1971 be and hereby are vacated, and it is further ordered, That the application be and hereby is approved, provided that the merger so approved shall not be consummated (a) before the thirtieth calendar day following the date of this Order or (b) later than three months after the date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Atlanta pursuant to delegated authority.

By order of the Board of Governors, May 20, 1971.

Voting for this action: Chairman Burns and Governors Mitchell, Daane, Maisel, Brimmer, and Sherrill.

Voting against this action (on the merits of the application): Governor Robertson

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon
Deputy Secretary

[SEAL]

BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

APPLICATION BY
TRUST COMPANY OF GEORGIA, ATLANTA, GEORGIA,
FOR APPROVAL OF ACQUISITION OF ASSETS AND ASSUMPTION
OF LIABILITIES OF PEACHTREE BANK AND TRUST COMPANY
CHAMBLEE, GEORGIA

STATEMENT

On February 22, 1971 the Board of Governors issued an Order pursuant to the Bank Merger Act (12 U.S.C. 1828(c)), approving an application by Trust Company of Georgia, Atlanta, Georgia ("Trust Company"), for prior approval of the merger of Trust Company with Peachtree Bank and Trust Company, Chamblee, Georgia ("Peachtree Bank"), by means of Trust Company's purchase of assets and assumption of liabilities of Peachtree Bank. As an incident to the merger, the two offices of Peachtree Bank would become branches of Trust Company.

On March 2, 1971, the Department of Justice filed with the Board a petition requesting reconsideration of the Board's Order of February 22, 1971. The petition was brought pursuant to § 262.3(f)(6) of the Board's Rules of Procedure, which provides that the Board will not grant any request for reconsideration unless "the request presents relevant facts that, for good cause shown, were not previously presented

to the Board, or unless it otherwise appears to the Board that reconsideration would be appropriate." Opportunity was afforded Trust Company to reply to the allegations of the Department and the Board has given careful consideration to the briefs filed on behalf of Trust Company and the Department. On March 19, the Board stayed its February 22 Order to study the issues raised.

In its petition, the Department noted that, pursuant to the Bank Merger Act, the Board had requested from it a report on the competitive factors involved in the application, but had not been furnished the report within the statutorily prescribed period because of the illness of certain key personnel and incomplete information concerning the apparently unique banking relationships existing in the relevant Georgia markets. The Department urged that the Board consider certain additional information and arguments bearing on the relation between Trust Company and Peachtree Bank, and reconsider the competitive effects of the proposal in the light thereof.

Trust Company has urged that the Board deny the Department's request on the grounds, among others, that the Department is not an appropriate party to request reconsideration. Without deciding that question, or the question of whether the petition presents relevant facts which, for good cause shown, were not previously presented, the Board finds it appropriate and in the public interest to vacate and reconsider its Order of February 22, 1971 in the light of the issues raised by the Department.

In its Order approving the application, the Board indicated that its conclusions with respect to the competitive effects of the proposal took account of the fact that Trust Company was instrumental in organizing Peachtree Bank in 1960, and that the banks had been closely associated since that time. The Department does not controvert those findings, but instead argues that, in attributing significance to them in assessing the competitive aspects of the transaction, the Board applied an incorrect standard. It states that "the mere existence of a 'close relationship' between the two merging banks should not serve to release the merger from the usual competitive considerations applied by the Board (or from the standards of Clayton Act § 7)." It then proposes the following as a test of the relevance of any relationship between two merging banks:

> "[W]here a metropolitan bank in reality establishes a new bank (rather than assisting others in establishing such a bank), the new bank may be in effect an extension or branch of the existing bank. This occurs where it, albeit indirectly, organizes, controls, and finances the new bank. In such circumstances, a subsequent merger of the 'affiliated' bank into the large Atlanta bank is not likely to have competitive significance. Absent this situation of original and continuing control, however, we believe that the new 'affiliated' bank should be considered an independent competitive factor and any subsequent acquisition or merger evaluated according to traditional standards."

At the outset, it should be clear that every bank merger before the Board is subject to scrutiny under the same standards, that is, whether its effect "in any section of the country may be substantially

to lessen competition, or to tend to create a monopoly, or . . . in any other manner would be in restraint of trade." The existence of a factual situation, of whatever nature, which indicates that competition between two banks is not substantial and is unlikely to become such does not result in the application of different standards. However, it may lead to a different conclusion than would be reached if the same standards were applied to a different factual situation. A conclusion as to whether a particular proposal may have the effect of substantially lessening competition must be based on the facts of the particular case, and the Board is not authorized, much less required, to ignore facts which bear on that conclusion. A merger of two banks which are not significant competitors cannot be regarded as eliminating significant existing competition. And, similarly, if future competition is unlikely - even though possible - the merger cannot be regarded as reasonably likely to lessen future competition.

This does not mean that every proposed merger before the Board of two related banks receives favorable consideration. First of all, consideration must be given to the question of whether the relationship was anticompetitive in its origins; if so, little weight should be attributed to such relationship, since to do so might encourage evasion of the law. Assuming, however, that the relationship was not anti-competitive when established or fashioned so as to avoid legal restrictions, its impact on competition - present and future - should be considered

realistically in determining whether approval of the transaction would be in the public interest. If the effect of a relationship is to create and sustain cooperation, and not competition, between the banks, their merger cannot reasonably be said to eliminate presently existing competition between them. Insofar as the future effects of the proposal are concerned, that depends on whether it might reasonably be anticipated that the existing inhibitions on competition might be terminated, so that, if the banks were not merged, effective competition between the banks would be likely. It may be that, in a very highly concentrated market, elimination of even a relatively remote possibility of significant future competition would mean that approval of the transaction would not be in the public interest. But in no case does the Board consider it appropriate to regard the elimination of a remote possibility of future competition as being the equivalent of the elimination of a reasonable probability of such competition. 1/

1/ It should be noted that Trust Company of Georgia, in addition to being a bank, is also a bank holding company. Had it established control over another bank sufficiently firm to meet the Justice Department's proposed standard, it would probably be regarded as violating the Bank Holding Company Act. In such case, the relationship between the two banks, being unlawful, would properly be regarded as less durable than the present relationship, not more so. It should also be stressed that, under recent amendments to the Bank Holding Company Act, the establishment of such control by any bank over another requires prior approval of the Board.

Reexamination of the facts of the present case, including those stressed by the Department, do not persuade the Board that its original decision was incorrect. Trust Company was largely responsible for the founding of Peachtree Bank, has supplied it with management (which continues to participate in Trust Company's retirement and profit-sharing plans), and has accorded it all the assistance and cooperation which this relationship implies. While it does not control the bank or its policies, the relationship between them is such that they cannot realistically be regarded as significant competitors to each other. Moreover, while Trust Company apparently does not have the ability to force continuation of the relationship, the relationship appears to have been mutually beneficial and there is no reason to expect that either Trust Company or Peachtree Bank would voluntarily discontinue it if their merger were to be prohibited. The latter has advised that almost 40 per cent of its IPC demand deposits are in accounts whose size exceeds the insurance maximum, and that most of them would likely be moved elsewhere if the relationship were terminated.

Nor do the facts suggest that, if Peachtree Bank were to become truly independent of Trust Company, competition would be so much enhanced that the preservation of the mere possibility of such occurrence should be accorded unusual significance. Peachtree Bank, with $15 million deposits, has the eighth largest share of deposits in DeKalb County (7 per cent) of the 19 banks operating there. As indicated above,

it would likely be even smaller were its relationship with Trust Company to be terminated. It is doubtful that, as an independent, it would exert a significant competitive influence on Trust Company or other Atlanta banks.

Based on these facts, the board concludes that consummation of the transaction would not have a substantially adverse effect on competition in any relevant area. As to other factors required to be considered by the Act, the Board incorporates its findings and conclusions as set forth in its Order of February 22, 1971.

On the basis of the record in this case, as supplemented by the petition and supporting documents filed by the Department of Justice and Applicant's response thereto, it is the Board's judgment that the proposed merger would be in the public interest and that the application should be approved.

May 20, 1971

DISSENTING STATEMENT OF GOVERNOR ROBERTSON

At the time the Board first considered this application, I voted to approve on the grounds that the facts were such that no significant change in banking competition in the relevant area would result. However, I am now convinced by the Justice Department position that, since the relationship between Trust Company and Peachtree Bank does not constitute actual control, the banks should be treated as independent institutions in analyzing the competitive effects of the proposal. Considering the facts in this context, I would reverse my prior decision and deny the application, the approval of which will permanently foreclose the possibility of future competition and constitute a precedent that could lead to additional anticompetitive mergers in areas where concentration of banking power is already great.

Moreover, I believe denial is called for even under the method of analysis adopted by the majority - which is to consider all facts bearing on the present and potential ability of the banks to compete, and to weigh the possibility of disaffiliation with the benefits that would result if the smaller bank became independent.

Admittedly the relationship between the banks is such as to inhibit competition between them; however, the possibility that Peachtree would become independent is far from remote. The record indicates that Trust Company's initial offer was rejected by Peachtree, that the two banks have no common officers and directors, that common stock ownership is minimal, and that the two banks have pursued different commercial strategies. Clearly the relationship between the banks is not so strong as to preclude the possibility of disaffiliation.

Peachtree Bank is located in DeKalb County (pop. 414,000). That county is situated to the east of Atlanta and, as part of the Atlanta SMSA, is one of the fastest growing areas in the country. Although DeKalb County was once basically a "bedroom" suburb of Atlanta, the population increase has been accompanied by an even larger growth in the number and size of commercial and industrial firms. Banking in Atlanta is dominated by three banking organizations (including Trust Company). In Fulton County - where Atlanta is located - these three organizations control 73 per cent of deposits; in DeKalb County they control 53 per cent of deposits. Additionally, the three Atlanta banks have relationships with 12 banks in DeKalb County (including Peachtree), which, in the aggregate, control 28 per cent of that county's deposits. If mergers involving those 12 banks and their "affiliated" institutions were to be consummated, the three large Atlanta banks would control 82 per cent of the DeKalb County deposits, and 76 per cent of the deposits in the two-county area.

In my judgment, these "affiliated" banks represent a source of competition for the three Atlanta banks. By approving the present application, the Board has permitted Trust Company to increase its share of DeKalb County deposits from 14 to 20 per cent, and has adopted a policy of removing potential sources of deconcentration for the Atlanta area.

For these reasons, I would deny the application and preserve the realistic possibility that Peachtree might become independent.

May 20, 1971

GX-36

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D.C. 20530

Address Reply to the Division Indicated and Refer to Initials and Number
RWMcL:DIB:CLW
60-111-2041

November 12, 1970

Honorable Frank Wille
Chairman
Federal Deposit Insurance
Corporation
Washington, D. C. 20429

Dear Mr. Chairman:

This is in reply to your letter of October 15, 1970, requesting a report pursuant to Section 18(c) of the Federal Deposit Insurance Act on the competitive factors involved in the proposed merger of Citizens and Southern Bank of East Point, East Point, Georgia, Citizens and Southern Bank of North Fulton, Roswell, Georgia and Citizens and Southern Bank of Sandy Springs, Sandy Springs, Georgia under the charter and title of Citizens and Southern Bank of East Point.

1. The Banks

Citizens and Southern Bank of East Point ("C&S East Point") was chartered under another name in 1946. The Citizens and Southern Holding Company ("C&S Holding") first acquired an interest in it in November, 1948 and now owns about 90 per cent of the bank's stock. The Citizens and Southern National Bank, which has its main office in Savannah but most of its business in Atlanta, is the lead bank of C&S Holding. C&S East Point operates its main office and one branch in the City of East Point, Fulton County. As of June 30, 1970, C&S East Point had total deposits of $25.9 million (including IPC demand deposits of $10.1 million) and loans and discounts of $24.0 million. Its net operating income in 1969 was $751,000, a substantial increase over its 1965-69 average of $488,000.

E- 24

Citizens and Southern Bank of North Fulton ("C&S North Fulton") was organized with the assistance of C&S Holding in May, 1967. C&S Holding has owned 5 per cent of its outstanding stock since its organization. It operates its only office in Roswell, Fulton County. As of June 30, 1970, C&S North Fulton had total deposits of $5.8 million (including IPC demand deposits of $1.9 million) and loans and discounts of $5.2 million. Its net operating income in 1969 was $141,000, well above its 1967-69 average of $67,000.

Citizens and Southern Bank of Sandy Springs ("C&S Sandy Springs") was organized with the assistance of C&S Holding as The Citizens National Bank of Sandy Springs in December, 1959. It was converted to a state charter and adopted its present name in October, 1969. C&S Holding has owned 5 per cent of its outstanding stock since its organization. It operates its only office in Sandy Springs, Fulton County. As of June 30, 1970, C&S Sandy Springs had total deposits of $17.7 million (including IPC demand deposits of $8.7 million) and loans and discounts of $14.0 million. Its net operating income in 1969 was $505,000, more than double its 1965-69 average of $238,000.

2. The Communities

East Point, Roswell and Sandy Springs are all located in Fulton County, outside the city limits of Atlanta. All three are basically bedroom suburbs and all have benefited from the substantial growth which Atlanta enjoyed in the 1960's.

3. Effect on Existing Competition

These mergers constitute what is essentially an internal reorganization. All three banks are located in Fulton County but they have never represented independent competitive forces in the county. They have all been operated by C&S Holding as part of one banking system. C&S North Fulton and C&S Sandy Springs

were chartered independently because Georgia law prohibited C&S East Point from branching throughout Fulton County. These proposed mergers have been made possible by a change in Georgia's branching law which will become effective on January 1, 1971. Since no competition has ever existed between these banks, these mergers will have no adverse effect on competition.

A summary of this report is attached.

Sincerely yours,

RICHARD W. McLAREN
Assistant Attorney General
Antitrust Division

By: Donald I. Baker
Deputy Director of Policy Planning

SUMMARY OF THE REPORT OF THE DEPARTMENT OF JUSTICE ON THE COMPETITIVE FACTORS INVOLVED IN THE PROPOSED MERGER OF CITIZENS AND SOUTHERN BANK OF EAST POINT, EAST POINT, GEORGIA, CITIZENS AND SOUTHERN BANK OF NORTH FULTON, ROSWELL, GEORGIA AND CITIZENS AND SOUTHERN BANK OF SANDY SPRINGS, SANDY SPRINGS, GEORGIA

These mergers constitute what is essentially an internal reorganization. All three banks are located in Fulton County but they have never represented independent competitive forces in the county. They have all been operated by C&S Holding as part of one banking system. C&S North Fulton and C&S Sandy Springs were chartered independently because Georgia law prohibited C&S East Point from branching throughout Fulton County. These proposed mergers have been made possible by a change in Georgia's branching law which will become effective on January 1, 1971. Since no competition has ever existed between these banks, these mergers will have no adverse effect on competition.

GX-37

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D.C. 20530

Address Reply to the Division Indicated and Refer to Initials and Number

RWMcL:DIB:CLW
60-111-2042

December 29, 1970

Honorable Frank Wille
Chairman
Federal Deposit Insurance
Corporation
Washington, D. C. 20429

Dear Mr. Chairman:

This is in reply to your letter of October 15, 1970, requesting a report pursuant to Section 18(c) of the Federal Deposit Insurance Act, on the competitive factors involved in the proposed merger of Citizens and Southern Emory Bank, DeKalb County (P.O. Atlanta), Georgia, Citizens and Southern Bank of Chamblee, Chamblee, Georgia, Citizens and Southern Bank of Tucker, Tucker, Georgia, Citizens and Southern Park National Bank, Atlanta, Georgia and Citizens and Southern South DeKalb Bank, Decatur, Georgia under the charter and title of Citizens and Southern Emory Bank.

1. The Banks

Citizens and Southern Emory Bank ("C&S Emory") was organized in 1950. All of the stock of this bank, save for directors' qualifying shares, has always been held by Citizens and Southern Holding Company ("C&S Holding"), a registered bank holding company. C&S Holding is a wholly owned subsidiary of Citizens and Southern National Bank ("C&S National"), the largest bank in Georgia with deposits of $1.4 billion, and itself a registered bank holding company. C&S Emory operates its main office and two branches in Emory, DeKalb County. As of June 30, 1970, C&S Emory had total deposits of $36.9 million (including IPC demand deposits of $14.0 million) and loans and discounts of $29.8 million. Its net operating income in 1969 was $1.0 million, considerably above its 1965-9 average of $464,000.

E-28

Citizens and Southern Bank of Chamblee ("C&S Chamblee") was organized as Chamblee National Bank in May , 1960, with the assistance of C&S Holding. In October, 1969, it converted to a state charter and adopted its present name. C&S Holding has owned 5 per cent of its outstanding stock since its organization. C&S Chamblee operates its main office and one branch in Chamblee, DeKalb County. As of June 30, 1970, C&S Chamblee had total deposits of $16.9 million (including IPC demand deposits of $8.9 million) and net loans and discounts of $13.6 million. Its net operating income in 1969 was $624,000, substantially above its 1965-9 average of $345,000.

Citizens and Southern Bank of Tucker ("C&S Tucker") was chartered as the Bank of Tucker in 1919. In 1965, C&S Holding acquired a 5 per cent interest in the bank; the name of the bank was changed to its present title at that time. C&S Tucker operates its main office and a branch in Tucker, DeKalb County. As of June 30, 1970, C&S Tucker had total deposits of $19.9 million (including IPC demand deposits of $10.4 million) and loans and discounts of $15.0 million. Its net operating income in 1969 was $692,000, considerably above its 1965-9 average of $363,000.

Citizens and Southern Park National Bank ("C&S Park National") was organized with the assistance of C&S Holding in 1967. It is located and operates its sole office in an office development complex in DeKalb County. As of June 30, 1970, C&S Park National had total deposits of $8.2 million (including IPC demand deposits of $5.4 million) and loans and discounts of $6.0 million. Its net operating income in 1969 was $164,000, more than double its 1967-9 average of $62,000.

Citizens and Southern South DeKalb Bank ("C&S South DeKalb") was organized with the assistance of C&S Holding in 1969. It operates its only office in Decatur, DeKalb County and has recently received regulatory authority to establish an additional office. As of June 30, 1970, C&S South DeKalb had total deposits of $3.2 million (including IPC demand deposits of $1.5 million) and loans and discounts of $2.7 million. Its net operating income in 1969, its only year of operation, was $56,000.

2. The Communities

All of the banks involved in the proposed mergers operate offices in DeKalb County. DeKalb County (1970 population 414,000) is a part of the Atlanta Standard Metropolitan Statistical Area ("SMSA"), one of the fastest growing areas in the country, and DeKalb County has actually grown faster than the Atlanta area generally. DeKalb County is basically a "bedroom" suburb of Atlanta, but the population increase has been accompanied by large increases in the number and size of commercial and industrial firms in the county.

3. Effect on Competition

C&S Chamblee, C&S Park National and C&S South DeKalb were organized by parties friendly to C&S Holding, with C&S Holding's assistance. They have always been operated as C&S "affiliates" in DeKalb County, since Georgia branching laws prohibited the C&S system from establishing new branches of any of the banks of the C&S system located in DeKalb County. These banks have never been independent competitive forces in DeKalb County.

POOR COPY

C&S Tucker, however, for many years was an independent and viable banking competitor in DeKalb County. C&S Tucker's branch office is located some three miles from the nearest branch of C&S Emory, and somewhat further distances, ranging up to 11 miles, from the head offices of the other banks involved in this merger. The application states that 13.2 per cent of the IPC deposits in C&S Emory, 43.5 per cent of the IPC deposits in C&S Chamblee, 10.9 per cent of the IPC deposits in C&S Park National and .8 per cent of the IPC deposits in C&S South DeKalb originate in C&S Tucker's "service area." Although there are intervening banks, it is clear that a significant amount of competition which existed between C&S Tucker and other banks involved in this merger (and other C&S banks) at the time C&S Tucker became "affiliated" with C&S Holding, as well as the not insignificant amount which still exists, would be permanently eliminated by this merger.

The competitive implications must be seen in the light of banking structure in DeKalb County (an area which may overstate the market). Twenty-three banks operate 38 banking offices in the county, but most of these are subject to affiliations of various kinds and degrees with leading Atlanta banks. In fact, after making allowances for such affiliations, we find that five banking groups, each dominated by a large Atlanta bank, control over 95 per cent of DeKalb County deposits. There appear to be only four banks not affiliated with these groups and with one exception, these are under $1 million in deposits and less than one year old. The only bank of any size at all remaining in DeKalb County which has no known affiliation with an Atlanta bank is Peoples Bank of Lithonia, with deposits of $5.9 million. Thus, DeKalb County is in reality a highly concentrated banking market, completely dominated by the large Atlanta banks.

C&S Holding controls the largest share of DeKalb County deposits. C&S Holding owns or is affiliated with eight banks with offices in DeKalb County. These include C&S Emory, which holds the largest single share of county deposits (14 per cent), and C&S National the largest bank in the state, which has an office in East Atlanta. Those banks which C&S Holding owns or is affiliated with are: C&S National (one office in DeKalb County - total deposits $1.4 billion); C&S Chamblee (two offices - total deposits $16.9 million); C&S Bank of DeKalb (two offices - total deposits $36.9 million); C&S South DeKalb (one office - total deposits $3.2 million); C&S Bank of Stone Mountain (one office - total deposits $7.0 million); C&S Tucker (two offices - total deposits $19.9 million); and C&S Park National (one office - total deposits $8.2 million). Together, these eight banks hold over 45 per cent of DeKalb County deposits.

C&S Tucker holds about 7.1 per cent of total county deposits. It has a 50-year history of viable and independent banking pre-dating its "affiliation" with C&S Holding. The kind of affiliation, and its relatively short duration, does not preclude the possibility that C&S Tucker could again become an entirely independent competitor in an area where deconcentration is sorely needed.

In many respects, this proposed acquisition has similar competitive effect to those found by the Corporation in its Report to the Comptroller of the Currency on the proposed mergers of the First National Bank of Atlanta, The First National Bank of Tucker, and The First National Bank of Glenwood, dated November 25, 1970 (A-15-70). In that report, involving mergers of former indirect affiliates of another major Atlanta bank, the Corporation said:

> The acquisition by FNB Atlanta of Glenwood Bank and Tucker Bank would eliminate two potentially significant competitive forces in DeKalb County and the Atlanta SMSA and enhance FNB Atlanta's already impressive position in the SMSA. Moreover, approval of these two proposals

> would constitute a precedent that could lead to additional anticompetitive mergers and an even greater concentration in the Atlanta SMSA and in other areas of Georgia. The Corporation is of the view that the anticompetitive effect of the proposed merger cannot be ignored on the ground that FNB Atlanta is presently affiliated with Glenwood Bank and Tucker Bank . . . . Since the mergers proposed would enhance the already impressive position of FNB Atlanta in DeKalb County and in the Atlanta SMSA, and constitute a precedent that could lead to additional anti-competitive mergers and an even greater concentration of banking resources in the same areas and in other areas of Georgia, the Corporation has concluded that the proposed transaction would have a substantially adverse effect on competition in DeKalb County, in the Atlanta SMSA and in the State of Georgia as a whole.

4. Conclusion

The Georgia branching laws have recently been changed to allow, as of January 1, 1971, branching in any county in which a bank has its home office or a branch office. Since C&S Emory has offices in DeKalb County, it may now branch further in the county. The mergers of C&S Chamblee, C&S Park National and C&S South DeKalb into C&S Emory are apparently intended to consolidate into one C&S Holding "affiliate" the de facto branches it had established by setting up these other "affiliated"

banks. 1/ There seems to be no question that these banks have always been "affiliated" with the C&S system and have never represented independent competitors in DeKalb County banking. Thus, these mergers, standing alone, would have little or no effect on competition.

It seems clear, however, that the creation of the affiliation between C&S Holding and C&S Tucker had an adverse effect on competition at the time it occurred; and that the consummation of this merger would permanently foreclose the potential for future competition between C&S Tucker and the other banks of the C&S system. The consummation of this merger would thus be a significant step toward complete and permanent control of banking in DeKalb County by five large Atlanta banks. Because of these factors, we conclude that the proposed merger of C&S Tucker into C&S Emory would have a significantly adverse effect on competition.

A summary of this report is attached.

Sincerely yours,

RICHARD W. McLAREN
Assistant Attorney General
Antitrust Division

By: Donald I. Baker
Deputy Director of Policy Planning

1/ We, of course, take no position as to the legality of these prior arrangements under the Bank Holding Company Act of 1956 or other relevant statutes. Cf. Whitney Bank v. New Orleans Bank, 379 U.S. 411 (1965).

SUMMARY OF THE REPORT OF THE DEPARTMENT OF JUSTICE ON THE COMPETITIVE FACTORS INVOLVED IN THE PROPOSED MERGER OF CITIZENS AND SOUTHERN EMORY BANK, DeKALB COUNTY (P.O. ATLANTA), GEORGIA, CITIZENS AND SOUTHERN BANK OF CHAMBLEE, CHAMBLEE, GEORGIA, CITIZENS AND SOUTHERN BANK OF TUCKER, TUCKER, GEORGIA, CITIZENS AND SOUTHERN PARK NATIONAL BANK, ATLANTA, GEORGIA AND CITIZENS AND SOUTHERN SOUTH DeKALB BANK, DECATUR, GEORGIA

C&S Chamblee, C&S Park National and C&S South DeKalb were organized by parties friendly to C&S Holding, with C&S Holding's assistance. They have always been operated as C&S "affiliates" in DeKalb County, since Georgia branching laws prohibited the C&S system from establishing new branches of any of the banks of the C&S system located in DeKalb County. These banks have never been independent competitive forces in DeKalb County.

C&S Tucker, however, for many years was an independent and viable banking competitor in DeKalb County. C&S Tucker's branch office is located some three miles from the nearest branch of C&S Emory, and somewhat further distances, ranging up to 11 miles, from the head offices of the other banks involved in this merger. The application states that 13.2 per cent of the IPC deposits in C&S Emory, 43.5 per cent of the IPC deposits in C&S Chamblee, 10.9 per cent of the IPC deposits in C&S Park National and .8 per cent of the IPC deposits in C&S South DeKalb originate in C&S Tucker's "service area." Although there are intervening banks, it is clear that a significant amount of competition which existed between C&S Tucker and other banks involved in this merger (and other C&S banks) at the time C&S Tucker became "affiliated" with C&S Holding, as well as the not insignificant amount which still exists, would be permanently eliminated by this merger.

The competitive implications must be seen in the light of banking structure in DeKalb County (an area which may overstate the market). Twenty-three banks operate 38 banking offices in the county, but most of these are subject to affiliations of various kinds and degrees with leading Atlanta banks. In fact, after making allowances for such affiliations, we find that five banking groups, each dominated by a large Atlanta bank, control over 95 per cent of DeKalb County deposits. There appear to be only four banks not affiliated with these groups and with one exception, these are under $1 million in deposits and less than one year old. The only bank of any size at all remaining in DeKalb County which has no known affiliation with an Atlanta bank is Peoples Bank of Lithonia, with deposits of $5.9 million. Thus, DeKalb County is in reality a highly concentrated banking market, completely dominated by the large Atlanta banks.

C&S Holding controls the largest share of DeKalb County deposits. C&S Holding owns or is affiliated with eight banks with offices in DeKalb County. These include C&S Emory, which holds the largest single share of county deposits (14 per cent), and C&S National, the largest bank in the state, which has an office in East Atlanta. Those banks which C&S Holding owns or is affiliated with are: C&S National (one office in DeKalb County - total deposits $1.4 billion); C&S Chamblee (two offices - total deposits $16.9 million); C&S Bank of DeKalb (two offices - total deposits $36.9 million); C&S South DeKalb (one office - total deposits $3.2 million); C&S Bank of Stone Mountain (one office - total deposits $7.0 million); C&S Tucker (two offices - total deposits $19.9 million); and, C&S Park National (one office - total deposits $8.2 million). Together, these eight banks hold over 45 per cent of DeKalb County deposits.

C&S Tucker holds about 7.1 per cent of total county deposits. It has a 50-year history of viable and independent banking pre-dating its "affiliation" with C&S Holding. The kind of affiliation, and

its relatively short duration, does not preclude the possibility that C&S Tucker could again become an entirely independent competitor in an area where deconcentration is sorely needed.

The Georgia branching laws have recently been changed to allow, as of January 1, 1971, branching in any county in which a bank has its home office or a branch office. Since C&S Emory has offices in DeKalb County, it may now branch further in the county. The mergers of C&S Chamblee, C&S Park National and C&S South DeKalb into C&S Emory are apparently intended to consolidate into one C&S Holding "affiliate" the de facto branches it had established by setting up these other "affiliated" banks. There seems to be no question that these banks have always been "affiliated" with the C&S system and have never represented independent competitors in DeKalb County banking. Thus, these mergers, standing alone, would have little or no effect on competition.

It seems clear, however, that the creation of the affiliation between C&S Holding and C&S Tucker had an adverse effect on competition at the time it occurred; and that the consummation of this merger would permanently foreclose the potential for future competition between C&S Tucker and the other banks of the C&S system. The consummation of this merger would thus be a significant step toward complete and permanent control of banking in DeKalb County by five large Atlanta banks. Because of these factors, we conclude that the proposed merger of C&S Tucker into C&S Emory would have a significantly adverse effect on competition.

GX-38

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D.C. 20530

Address Reply to the Division Indicated and Refer to Initials and Number
KWMcL:DIB:WES
60-111-2041
60-111-2042

March 12, 1971

Honorable Frank Wille
Chairman, Federal Deposit
Insurance Corporation
Washington, D. C. 20429

Dear Mr. Chairman:

Except as noted below, this supersedes competitive reports submitted by the Department of Justice, pursuant to Section 18(c) of the Federal Deposit Insurance Act, and dated November 12, 1970, and December 29, 1970, on certain merger transactions involving subsidiaries of Citizens and Southern National Bank, Savannah, Georgia ("C&S"). These transactions all involve a variety of complex competitive questions, arising out of unusual "affiliation" arrangements between C&S (a leading Atlanta bank) and various local banks in the Atlanta metropolitan area. The transactions are also related to other pending merger proposals involving two other leading Atlanta banks.

I. Background

The pending merger proposals involve C&S, First National Bank of Atlanta ("First National") and Trust Company of Georgia ("Trust Company"). Briefly, these are as follows:

C&S Mergers. The Department of Justice submitted a competitive report dated November 12, 1970, on the proposed merger of Citizens and Southern Bank of East Point ("C&S East Point") with Citizens and Southern Bank of North Fulton ("C&S North Fulton") and Citizens and Southern Bank of Sandy Springs ("C&S Sandy Springs"). The Department submitted a similar competitive report dated December 29, 1970, on the

E- 38

proposed merger of Citizens and Southern Emory Bank ("C&S Emory") with Citizens and Southern Bank of Chamblee ("C&S Chamblee"), Citizens and Southern Bank of Tucker ("C&S Tucker"), Citizens and Southern Park National Bank ("C&S Park National"), and Citizens and Southern South DeKalb Bank ("C&S South DeKalb"). C&S East Point and C&S Emory are both subsidiaries of C&S and their acquisitions therefore should be treated as acquisitions by C&S.

First National Mergers. The Department of Justice also filed competitive reports, dated December 29, 1970, with the Comptroller of the Currency involving applications by First National to merge with four banks in DeKalb County: First National Bank of Glenwood, First National Bank of Tucker, First National Bank of Doraville, and First Bank of South DeKalb. On January 20, 1971, the Comptroller of the Currency approved three of the four First National merger applications then pending. On February 18, 1971, the Department filed suit against First National and two of the banks with which they proposed to merge. United States v. First National Bank of Atlanta, et al., Civil No. 14748 (N.D. Ga.).

Trust Company Mergers. On February 22, 1971, the Board of Governors of the Federal Reserve System approved the application of Trust Company to acquire Peachtree Bank and Trust Company ("Peachtree") and Trust Company of Georgia Bank of Sandy Springs ("Sandy Springs"). When the Board approved these mergers, the Department of Justice had not yet submitted competitive reports; this was a result of pressure on staff resources and the illness of senior personnel. Therefore, on March 2, 1971, the Department submitted a Petition for Reconsideration, asking the Board of Governors to re-evaluate the Trust Company/Peachtree merger in light of the information we had uncovered and our current understanding and competitive analysis of Atlanta area banking markets. A copy of this Petition was forwarded to the Corporation at the time of filing.

In our competitive reports to the Corporation of November 12 and December 29, 1970 (and in the First National reports of December 29, 1970), we attempted to differentiate between the following types of situations:

(1) The type of situation in which a large Atlanta bank apparently established the new bank from scratch by indirect methods. We equated these situations with de novo branching and treated the proposed mergers as mere changes in corporate form having no adverse effects on competition. These situations appeared to include five of the banks for which C&S sought approval and two of the banks for which First National sought approval.

(2) The type of situation in which a large Atlanta bank entered into an "affiliation" arrangement involving a going concern which formerly had been entirely independent. This appeared to be the case with one bank for which C&S sought approval (C&S Tucker) and two banks for which First National sought approval. We objected to these situations on a basically twofold ground: First, that the original "affiliation" was anticompetitive; and secondly, that the prospective "forgiveness" provisions of the Bank Merger Act of 1966 would make the anticompetitive effect permanent and eliminate the potential for future competition.

This distinction obviously rested on our assumption that, in the situations which we had treated as essentially de novo branching, the acquiring bank had in fact established and completely controlled the smaller "affiliated" bank since its creation, and thus the smaller bank had never been an independent competitive force in its banking market. After we had sent these competitive reports, however, we began to receive information which indicated that this assumption might not be accurate. Based on this information, we instituted a field investigation in Atlanta.

That investigation revealed that, in at least one instance, our previous distinction was invalid. One of the C&S affiliates, C&S Bank of Stone Mountain ("Stone Mountain"), which appeared to have been organized and operated in a manner similar to, if not identical with, the other C&S "affiliates," had rejected a C&S merger proposal, broken away from the C&S system and become a truly independent banking entity. Further investigation involving this and other "affiliated" banks in the Atlanta area led us to seriously question our previous assumption that banks organized with assistance from C&S (or others) were in fact completely controlled by the latter. The information which we now have suggests that

most, if not all of the so-called "affiliates" of the large Atlanta banks have close working relationships with the latter, but were not necessarily controlled by them. This conclusion is buttressed by the available public statements of the Atlanta banks which unanimously deny the existence of actual control over the smaller suburban banks.

This letter is intended to provide the Corporation with the information developed in that investigation and our analysis of it. No information has come to our attention which would cause us to question our previous analysis of the acquisition of C&S Tucker and, so far as our conclusion as to the competitive effects of that acquisition was based on the affiliation of C&S with a previously independent and viable bank, we feel that conclusion was correct.

II. The Changing Georgia Law and Its Effect

For many years, Georgia banks have been allowed to branch only within the cities in which they are located. Since 1956, bank holding companies have also been severely restricted by state law. In that year, the Georgia legislature prohibited the ownership of more than 15 percent of the stock of two or more banks by a bank holding company. In 1960, the law was broadened to prohibit the establishment of any new bank holding companies altogether and to reduce the stock ownership allowable to five precent.

Prior ownership arrangements, however, were "grandfathered" under both the 1956 and 1960 laws (as they had been under the earlier branch banking restrictions). As a consequence, Citizens and Southern Holding Company ("C&S Holding"), a wholly-owned subsidiary of C&S, was able to retain ownership of three subsidiary banks--C&S East Point in Fulton County, and C&S Emory and C&S Bank of DeKalb in DeKalb County. Trust Company of Georgia Associates, a wholly-owned subsidiary of Trust Company, retained ownership of Trust Company of Georgia Bank of DeKalb in DeKalb County. In addition, First National retained two "grandfathered" branches in DeKalb County, at Decatur.

In response to these prohibitions against geographic expansion, the major Atlanta banks have developed different types of "affiliation" arrangements with suburban banks in the Atlanta area (Fulton and DeKalb counties). These appear to cover at least four banks in Fulton County outside Atlanta and at least nine banks in DeKalb County. The actual "affiliation" arrangements have differed considerably as between

the three major Atlanta banking organizations. For example, C&S acquired 5% of the stock of each of its "affiliate" banks; generally it tried to arrange for additional stock to be held in friendly hands; it allowed the affiliates to use the C&S logo; and it provided various types of assistance to them. Trust Company has also acquired 5% of its two affiliates, with additional stock in friendly hands; in addition, its name was associated with its affiliate in Sandy Springs.

During the past year, Georgia branch banking law was liberalized. Effective January 1, 1971, it permits banks to expand directly in counties (formerly limited to the cities) where they already have offices. Since C&S, First National and Trust Company have branch offices in both DeKalb County and Fulton County, both counties are completely open to branching by the three banks.

III. Standard For Evaluating These Acquisitions

In considering the competitive effect of these mergers, the crucial question must be whether C&S established and controlled the banks which it now seeks to acquire so that they could never reasonably be regarded as sources of present or future competition. 1/ This requires resolution of some fundamental factual questions. When, if ever, did C&S have "control" over these banks? What is the extent and likely permanence of that control? Answers to these questions have not yet been developed, either in the merger applications, our previous competitive reports, or elsewhere.

1/ The possibility of these banks as sources of present or future competition should be evaluated with a view toward the importance of preserving or promoting the development of competitive alternatives in Fulton and DeKalb counties to the few institutions which presently dominate commercial banking in the Atlanta area. Where a market is sorely in need of the development of additional competitive factors, even less immediate probabilities become significant in assessing the competitive effects of a proposed merger. Cf. United States v. Penn-Olin Chemical Co., 378 U.S. 158 (1964).

These facts are of crucial importance. We believe that the mere existence of an "affiliate" relationship between merging banks should not serve to release the merger from the usual competitive considerations applied by the Corporation (or from the standards of Clayton Act § 7). For example, where there is a cooperative venture between a leading metropolitan bank (such as C&S) and citizens of an area desiring to establish a new bank, that new bank may still be--or subsequently become--a significant independent competitive factor. Even where the metropolitan bank owns a small percentage of the "affiliate's" stock as part of the cooperative venture, this fact does not prevent the new suburban bank from separately offering and pricing its banking services. Such a new bank, unlike the typical bank holding company subsidiary, normally retains independent decision-making capability--as illustrated by the Stone Mountain situation described above. Accordingly, it is appropriate to treat such a new bank as a separate commercial entity and to evaluate the impact of a subsequent merger in the light of this fact. This approach is consistent with Supreme Court decisions that "affiliated" corporations under some degree of common ownership or control can be treated as separate entities subject to the antitrust laws. See, e.g., Timken Co. v. United States, 341 U. S. 593, 595 (1951). Likewise, the fact that there is a degree of common control between the two merging banks does not mean that there may not be elimination of present or future competition between them. Absent complete control, the "affiliated" bank may decline to follow the wishes of its large Atlanta sponsor.

We recognize that where a metropolitan bank in reality establishes a new bank (rather than assisting others in establishing such a bank), the new bank may be in effect an extension or branch of the existing bank. This occurs where it, albeit indirectly, organizes, controls, and finances the new bank. In such circumstances, a subsequent merger of the "affiliated" bank into the large metropolitan bank is not likely to have competitive significance. Absent this situation of original and continuing control, however, we believe that the new "affiliated" bank should be considered an independent competitive factor and any subsequent acquisition or merger evaluated according to traditional standards. The presumption should be one of independence, with the burden placed on the applicant to prove that it established the new bank and controlled it from the outset.

We reiterate that, for purposes of this analysis, actual control must have some degree of permanence. De facto control by informal arrangements with independent individual shareholders simply does not meet this standard for actual continuing control, since such relationships could change with death or other changes in personal relationships (as in the Stone Mountain situation). Continuing control, by contrast, would have to rest on actual ownership of stock or contractual arrangements that would negate any reasonable possibility that the "affiliated" bank would become independent of its sponsor at some point in the future. If control falls short of this level of stability and permanence, a merger would permanently foreclose the existing possibility of future competition; and, depending on the structure of the market and the banks' position in it, such foreclosure could have a significantly adverse effect on competition. Cf. U.S. v. El Paso Natural Gas Co., 376 U.S. 651 (1964). See also Kohn and Carlo, Potential Competition: Unfounded Faith or Pragmatic Foresight? (N.Y. State Banking Dept. 1970). These factors are evaluated in the specific C&S context in the next section.

IV. The Standard Applied

A. The Parties and the Relationship Between Them

C&S is the largest bank in Atlanta and in the State of Georgia. C&S and its subsidiaries (C&S Emory, C&S DeKalb and C&S East Point) have total deposits in the Atlanta area of over $790 million and account for over 26% of Atlanta area deposits, over 28% of Fulton County deposits, and over 25% of DeKalb County deposits. 2/

C&S owns 5% of the outstanding stock in all six "affiliates" which are the subject of merger proposals. C&S North Fulton and C&S Sandy Springs together have deposits of $23.5 million. The four DeKalb County "affiliates" together have total deposits of $48.2 million.

2/ Unless otherwise noted, all deposit data is as of June 30, 1970.

C&S owns only 5% of the outstanding stock of each of these banks. C&S officers have stated publicly, before the Federal Reserve Board and a Committee of the Georgia Legislature, that they do not control any of these banks. There are no representations to the contrary, either in the applications or elsewhere. Large blocks of the stock in each of these banks are owned by officers, directors, and employees of the banks themselves, and there is no evidence presently available indicating that these individuals are either acting for or controlled by C&S. Thus, the presumption must be that these "affiliates" were not established and controlled down to the present time by C&S. This being so, our previous analysis and conclusions as to the competitive effects of these mergers (except for C&S Tucker) appear to have been inadequate. We now feel that the Corporation should treat all the proposed mergers as mergers between separate banking organizations, unless C&S can establish that it meets the standard set forth in Section III above. 3/

We applied that standard in evaluating the First National mergers. The two First National mergers challenged were situations very similar to that of C&S Tucker, where the Atlanta bank had become affiliated with a previously totally separate banking competitor. As in the case with C&S Tucker, we felt that the affiliation itself had anti-competitive effects which would be made permanent by the merger. The two First National mergers which we did not challenge appeared to be instances of original and continuing control. 4/ First, First National was the moving force in

---

3/ Of course, there may well be degrees of "control" present in these situations which do not qualify as control for purposes of analyzing the competitive effects of a merger, and yet may raise competitive problems by reducing present and future competition between the banks absent regulatory approval of the proposed mergers.

4/ Letters to Comptroller of the Currency from Department of Justice on proposed mergers of First Bank of South DeKalb and First National Bank of Doraville into First National Bank of Atlanta, dated December 29, 1970.

establishing the two "affiliated" banks in question. Secondly, almost all of the shareholders of these banks, including a substantial majority if not all of their directors, financed their stock purchases with loans from First National. These loans were represented by notes payable on demand and secured by the pledge of the stock purchased; the principal amounts of the loans were not subject to a repayment schedule, and interest on the notes was accrued but not paid. Finally, the shares were subject to an option agreement, either written or based on an oral understanding, in favor of First National. 5/

B. C&S Emory Merger Proposals - C&S Expansion in DeKalb County

1. The Banks

C&S Emory operates its main office and two branches in Emory, DeKalb County. It is a C&S subsidiary in which C&S Holding owns over 95% of the bank's stock. It has total deposits of $36.9 million, about 13% of total DeKalb County deposits.

C&S Chamblee operates two offices in DeKalb County. It has deposits of $16.9 million, about 5.9% of DeKalb County deposits.

C&S Park National operates one office in DeKalb County. It has deposits of $8.2 million, about 2.8% of DeKalb County dep

C&S South DeKalb operates one office in DeKalb County. It has deposits of $3.2 million, about 1.1% of DeKalb County deposits.

C&S Tucker operates two offices in DeKalb County. It has deposits of $19.9 million, about 6.9% of DeKalb County deposits.

5/ See Application of First National Bank of Atlanta to merge with First Bank of South DeKalb, Merger Agreement, page 2; Letter from R. J. Blanchard, Deputy Comptroller of the Currency, to D. I. Baker, October 26, 1970, enclosing letter from McChesney H. Jeffries, Attorney for First National Bank of Atlanta, to Mr. Blanchard, dated October 20, 1970.

2. The Market

DeKalb County (1970 population 414,000) is situated to the east of Atlanta and is a part of the Atlanta Standard Metropolitan Statistical Area (SMSA) which is one of the fastest growing areas in the country. DeKalb County has actually grown faster than the Atlanta SMSA generally, the former having grown in population by 62 per cent over the past ten years compared to 35 per cent for the latter. Although DeKalb County was once basically a "bedroom" suburb of Atlanta, the population increase has been accompanied by an even larger growth in the number and size of commercial and industrial firms. Between 1958 and 1967 the number of retail establishments has increased by 48.4%, total retail sales by 187.0%, employment payroll by 233.2%, and paid employment by 123.8%. Wholesale trade has increased even more impressively. Between 1954 and 1963 the number of wholesale establishments increased by 200.8%, total wholesale sales by 413.1%, total wholesale payroll by 414.2%, and the number of paid employees by 255.1%. More recent statistics would reveal even more dramatic increases. Thus, it now appears that DeKalb is achieving a considerable degree of economic independence from the City of Atlanta.

DeKalb County is a relevant market within which to evaluate the C&S Emory acquisitions for several reasons. First, the acquired banks operate and can only operate in DeKalb County, and DeKalb County has been achieving a degree of economic independence from Atlanta; i.e., its residents have more and more places in the County to work, shop, etc., without going to the city. State branching law now permits county-wide branching, but prohibits banks with offices only outside the County from opening offices in it and prevents banks with offices only in DeKalb County from opening offices outside. Thus, the only area of significant competive overlap is and will be within DeKalb County. 6/ Second, although the banks sought to be acquired at present derive the bulk of their deposits from relatively small portions of the County, they have scattered accounts throughout much of it, indicating that the area in which they compete for business extends beyond their primary service areas. There is, according to the application, competition between the merging banks, even accepting the limited primary service areas advanced in the application.

6/ See United States v. Philadelphia National Bank, 374 U.S. 321, 360-62 (1963).

Consequently, the extent of direct competition is probably understated by using the county. Third, it seems likely that with the Atlanta banks branching throughout the County, banks like the "affiliates" will be forced to open new branches or merge with other independent banks in order to continue to grow. The broadest area within which they can expand is DeKalb County. Such expansion would increase existing competition between C&S and the "affiliates." It would also increase competition generally among the banks operating in the county and at the same time insure that the county does not become highly concentrated like the rest of the Atlanta area. These benefits which would be enjoyed in DeKalb County will be denied to the county if viable banks like the "affiliates" are allowed to be permanently removed from the scene by the dominant banks. Thus, from the point of view of evaluating the effect of these acquisitions on present and future competition, DeKalb County is an appropriate market. 7/

7/ "[I]n banking [the idea that] the relevant geographical market is a function of each separate customer's economic scale means simply that a workable compromise must be found: some fair intermediate delineation which avoids the indefensible extremes of drawing the market either so expansively as to make the effect of the merger upon competition seem insignificant because only the very largest bank customers are taken into account in defining the market, or so narrowly as to place appellees in different markets, because only the smallest customers are considered."

United States v. Philadelphia National Bank, supra, at 361.

3. The Competitive Effects of the Proposed C&S Emory Acquisition

The following chart lists the banks which operate in DeKalb County, their total deposits, their share of total county deposits and their affiliation, if known:

Bank	Deposits (in millions)	% Share	Affiliation
C&S	$ 12.7	4.4	C&S
C&S DeKalb	23.2	8.0	C&S
C&S Emory	36.9	12.8	C&S
C&S Chamblee	16.9	5.9	C&S
C&S South DeKalb	3.2	1.1	C&S
C&S Tucker	19.9	6.9	C&S
C&S Park National	8.2	2.8	C&S
First National	36.5	12.7	FNB
FNB-Glenwood	13.8	4.8	FNB
FNB-Tucker	5.0	1.7	FNB
FNB-Doraville	.8	0.3	FNB
First Bank of South DeKalb	1.3	0.5	FNB
Trust Company	21.6	7.5	Trust Co.
Peachtree B&T	14.8	5.1	Trust Co.
Trust Co. - Bank of DeKalb	19.8	6.9	Trust Co.
Fulton National	37.0	12.8	Fulton
Northeast Commercial Bank	2.3	0.8	Fulton
National Bank of Georgia	-	-	
Citizens Bank of Clarkston	.7	0.2	*
DeKalb County Bank	.6	0.2	*
Peoples Bank of Lithonia	5.9	2.0	
C&S Stone Mountain	7.1	2.5	**
	$ 288.2	99.9	

*/ There is some indication that the Citizens Bank of Clarkston and the DeKalb County Bank are commonly owned or controlled, and that the same person or persons also own or control the Roswell Bank and Fulton Exchange Bank (in Fulton County), and a new bank established in DeKalb County in late 1970, the DeKalb Exchange Bank.

**/ Until recently affiliated with C&S.

DeKalb County is already a concentrated banking market. The four largest banks hold about 65% of total County deposits; the top three hold 53%; the top five about 68%.

DeKalb County

	C&S	First Nat'l	Trust Co.	Top Three
Present Share	25.2	13.5	14.4	53.1
Affiliates	16.7	6.5	5.1	28.3
Total After Mergers	41.9	20.0	19.5	81.4

The "affiliates" which C&S seeks to merge into C&S Emory have total deposits of $48.2 million and, as the chart shows, account for 16.7% of total county deposits. Should the mergers be consummated, C&S would increase its market share to 41.9% of DeKalb County deposits. The share held by the three largest banks would increase from 53% to 81%. In addition, present and future competition between these "affiliates" and C&S would be permanently eliminated.

C. C&S East Point Merger Proposals--C&S Expansion in North Fulton County

1. The Banks

C&S East Point operates its main office and one branch in East Point, in the southern part of Fulton County. It is a C&S subsidiary in which C&S Holding owns about 90% of the bank's stock. It has total deposits of $25.9 million.

C&S North Fulton operates one office at Roswell in the northern part of Fulton County. It has deposits of $5.8 million.

C&S Sandy Springs operates one office at Sandy Springs, also in the northern part of Fulton County. It has total deposits of $17.7 million.

2. The Market

North Fulton County is the area most immediately affected by the proposed C&S East Point acquisitions. Fulton County

(population 597,000) is the largest of the five counties in the Atlanta SMSA. Eighty-five per cent of Fulton County's population reside in the city of Atlanta, which has developed into the economic center of the Southeast. Fulton County is bisected by the city of Atlanta and thereby divided into three fairly distinct parts--the city, North Fulton County, and South Fulton County. The county's growth, traditionally centered in Atlanta, has now begun to spread out into the suburban areas north and south of the city. Thus, the portion of the county's population located in North Fulton County has increased from 3.3% in 1950 to 9.2% in 1970 (while that in South Fulton County has increased from 12.4% to 16.9% in the same period).

North Fulton County has many of the same economic characteristics which make DeKalb County a rapidly growing portion of the Atlanta metropolitan area. It seems to be distinct, however, from DeKalb County for purposes of banking analysis because Georgia branching laws allow banks located in either Fulton or DeKalb to branch only within their respective county. Moreover, for purposes of such analysis, North Fulton County has traditionally been separated from the city of Atlanta by branching restrictions; until January 1, 1971, Atlanta banks were prohibited from branching into North Fulton County and vice-versa. For a substantial number of people, North Fulton County banks are the sole reasonable banking alternatives because of convenience of location. Therefore, North Fulton County is an appropriate market in which to evaluate the effect of these acquisitions on present and future competition.

3. The Competitive Effects of the Proposed C&S East Point Acquisitions

The city of Atlanta is a highly concentrated banking market, in which the three largest banks control over 70 percent of all deposits. The suburban areas around Atlanta, including the high growth areas of DeKalb County and North Fulton County, are not now so structured. However, if all pending mergers were consummated, those suburban areas would become the mirror image of Atlanta in terms of banking market structure. This development would foreclose present and future competition.

The following chart lists the banks which operate in Fulton County, their total deposits, their share of total county deposits, and their affiliation, if known:

Bank	Deposits (in millions)	% Share	Affiliation
C&S	$ 705.9	27.4	C&S
C&S East Point	25.9	1.0	C&S
C&S Sandy Springs	17.7	0.7	C&S
C&S North Fulton	5.8	0.2	C&S
First National	699.8	27.2	FNB
Trust Company	454.5	17.6	Trust Co.
Trust Co.-Bank of Sandy Springs	4.2	0.2	Trust Co.
Bank of Fulton County	24.4	0.9	Trust Co.
Fulton National	384.6	14.9	Fulton
Bank of the South	12.1	0.5	Fulton
National Bank of Ga.	124.0	4.8	NBG
Peoples American Bank	27.5	1.1	
Citizens Trust Co.	22.0	0.9	
Georgia Savings Bank	12.4	0.5	
Mercantile National Bank	6.3	0.2	
Citizens Bank of Hapeville	16.2	0.6	*
Fairburn Banking Co.	6.9	0.3	
First-Palmetto Bank	2.8	0.1	
Roswell Bank	15.3	0.6	**
Fulton Exchange Bank	8.3	0.3	**
	$ 2,576.6	100.0	

*/ We have some information which would indicate that the Citizens Bank of Hapeville is affiliated with C&S.

**/ There is some indication that the Roswell Bank and Fulton Exchange Bank have recently come under common ownership, and that the same person or persons also own or control the DeKalb County Bank, the Citizens Bank of Clarkston and a new bank established in late 1970, the DeKalb Exchange Bank, all located in DeKalb County.

Five of these banks have offices in North Fulton County, which seems the more appropriate area to consider. These five include the two which C&S seeks to acquire--C&S North Fulton and C&S Sandy Springs. Between them they hold 45.8% of total deposits held by banking offices located in North Fulton. If C&S were to acquire these two banks, it would immediately assume a dominant position in North Fulton County, and greatly assist in transferring the concentrated market structure of Atlanta to the suburban area of North Fulton County. Cf. Procter & Gamble, supra. In addition, the merger would eliminate two of the very limited number of potential independent bank alternatives existing in the suburban areas of Fulton County.

C&S clearly has the capability to branch de novo into Fulton County suburbs, and since January 1, 1971, it is legally able to do so. Since C&S holds the dominant position in Atlanta banking, any move by it into the newly opened suburbs by acquiring banks with leading positions will have a significantly adverse effect on present and future competition in those areas.

V. Conclusion

The proposed mergers would eliminate present and future competition between (i) C&S and its subsidiaries, and (ii) the banks which it seeks to merge into its subsidiaries. Consummation of these mergers would allow C&S, which already is the dominant bank in Atlanta, to transfer its dominance to North Fulton County, and to increase its share of DeKalb County deposits from 25% to over 41%. (Even within the five-county Atlanta SMSA, an area which clearly overstates the market, these mergers would increase C&S' leading share from 26% to 28%.)

Moreover, this merger must be evaluated in the context of the other pending merger proposals of First National and Trust Company. If all the proposed mergers were consummated, these banks which now dominate Atlanta would, together or separately, obtain positions of dominance in both North Fulton County and DeKalb County. These three Atlanta banks account for 53% of DeKalb County deposits now and would control almost 82% if all the proposed "affiliate" mergers were consummated. The same three banks' control of North Fulton County would increase from 0% to over 50%. These proposed mergers, involving three banks accounting for 54% of North Fulton County's deposits and nine banks accounting

for over 28% of DeKalb County's deposits, would forever eliminate the possibility that significant numbers of Fulton or DeKalb "affiliates" of the major Atlanta banks could become independent sources of new competition. 9/ If they were all approved, few significant sources of deconcentration would remain in either Fulton or DeKalb Counties.

For the foregoing reasons, we believe that the C&S mergers would have a significantly adverse effect on competition in North Fulton County, DeKalb County and the Atlanta area generally.

A summary of this report is attached.

Sincerely yours,

RICHARD W. McLAREN
Assistant Attorney General
Antitrust Division

By: Donald I. Baker
Deputy Director of Policy Planning

9/ The federal regulatory agencies could affirmatively encourage such independence for affiliates by denying any Atlanta bank branches in any suburban area in which it has an "affiliate" until it has eliminated present restraints on competition flowing from stock ownership, director interlocks, and so forth.

SUMMARY OF THE REPORT OF THE DEPARTMENT OF JUSTICE ON THE COMPETITIVE FACTORS INVOLVED IN THE PROPOSED MERGERS OF CITIZENS AND SOUTHERN BANK OF EAST POINT, EAST POINT, GEORGIA, CITIZENS AND SOUTHERN BANK OF NORTH FULTON, ROSWELL, GEORGIA AND CITIZENS AND SOUTHERN BANK OF SANDY SPRINGS, SANDY SPRINGS, GEORGIA AND CITIZENS AND SOUTHERN EMORY BANK, DeKALB COUNTY (P.O. ATLANTA), GEORGIA, CITIZENS AND SOUTHERN BANK OF CHAMBLEE, CHAMBLEE, GEORGIA, CITIZENS AND SOUTHERN BANK OF TUCKER, TUCKER, GEORGIA, CITIZENS AND SOUTHERN PARK NATIONAL BANK, ATLANTA, GEORGIA AND CITIZENS AND SOUTHERN DeKALB BANK, DECATUR, GEORGIA

The proposed mergers would eliminate present and future competition between (i) C&S and its subsidiaries, and (ii) the banks which it seeks to merge into its subsidiaries. Consummation of these mergers would allow C&S, which already is the dominant bank in Atlanta, to transfer its dominance to North Fulton County, and to increase its share of DeKalb County deposits from 25% to over 41%. (Even within the five-county Atlanta SMSA, an area which clearly overstates the market, these mergers would increase C&S' leading share from 26% to 28%.)

Moreover, this merger must be evaluated in the context of the other pending merger proposals of First National and Trust Company. If all the proposed mergers were consummated, these banks which now dominate Atlanta would, together or separately, obtain positions of dominance in both North Fulton County and DeKalb County. These three Atlanta banks account for 53% of DeKalb County deposits now and would control almost 82% if all the proposed "affiliate" mergers were consummated. The same three banks' control of North Fulton County would increase from 0% to over 50%. These proposed mergers, involving three banks accounting for 54% of North Fulton County's deposits and nine banks accounting for over 28% of DeKalb County's deposits, would forever eliminate the possibility that significant numbers of Fulton or DeKalb "affiliates" of the major Atlanta banks could become independent sources of new competition. If they were all approved, few significant sources of deconcentration would remain in either Fulton or DeKalb Counties.

For the foregoing reasons, we believe that the C&S mergers would have a significantly adverse effect on competition in North Fulton County, DeKalb County and the Atlanta area generally.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF GEORGIA

GX-104

UNITED STATES OF AMERICA, Plaintiff, v. CITIZENS AND SOUTHERN NATIONAL BANK, et al., Defendants.	)	Civil Action No. 15823 Filed: November 2, 1971

AFFIDAVIT OF DR. SAMUEL L. SKOGSTAD

Comes now Samuel L. Skogstad who on his oath deposes and states as follows:

I received B.A. and M.A. degrees in Economics from Florida State University, and a Ph.D. in Economics from Washington University, in St. Louis.

I was employed as "Financial Economist" in the Federal Reserve Bank of Atlanta from July [illegible] until September 1964. Since September of 1964, I have been a member of the faculty of the Department of Economics at Georgia State University. From August 1966 to August 1968, I was on Leave of Absence from Georgia State, serving as Economic Advisor and later Senior Economic Advisor in the U.S. AID Mission to Chile.

At the present time I hold the rank of Professor of Economics, and I am coordinator of graduate programs in Economics at Georgia State University. My primary teaching areas are Monetary & Banking Theory and Policy. I designed and have taught for the past two years a graduate course called Banking Structure and Competition.

I have served on or testified before a number of economic study and planning commissions, including serving as a member

of the Advisory Council on Monetary and Fiscal Policies of the Coastal Plain Regional Commission. The work of the Council included an examination of the role of banks in promoting economic growth. I was also invited to testify before the Georgia Bank Holding Company Study Committee of the Georgia legislature (on the Georgia branch-banking law), and before the President's Commission on Income Maintenance (to prepare a statement for the record giving an economic and demographic profile of the Atlanta area).

I have been asked by the plaintiff to conduct a study to determine what geographic area(s) would be appropriate areas within which to analyze the competitive effects of the proposed mergers which are the subject of this litigation. In order to accomplish that task, I have conducted a rather intensive study of the geographic distribution of banks and bank customers in the Atlanta metropolitan area. The data on which the study is based show, for offices of Fulton and DeKalb County banks, the number and dollar volume of various classes of deposits, by size class and by the ZIP code address to which statements are mailed. The study focused on the place of origin of demand deposits in accounts with balances of $1,000 or less (hereafter "small accounts"). 1/ The small-deposit category was chosen because it is the relatively small, household and business customers who are the most numerous members of banking markets and who are most affected by the degree of concentration in banking

---

1/ The data were provided to the plaintiff by the banks pursuant to subpoenas. Because the data were extremely voluminous, I arranged to have them tabulated in a more usable, though still basic, form. The results of these ZIP code tabulations, prepared under my direct supervision, are represented by plaintiff's proposed exhibits GX 42 through 75. I utilized these tabulations in preparing various of the tables set forth herein.

markets. Demand deposits were chosen because it is in providing demand deposit services that commercial banks are unique among financial institutions. Moreover, on the lending side of commercial banking, the most likely group of potential borrowers for any given bank is its demand deposit customers.

The study involved three essential steps. First, I developed conceptual criteria for determining which specific customers and which specific banks to include in a particular banking market. The second step was to examine available data in the light of the criteria developed in step one, in an attempt to determine a reasonable approximation of the number and sizes of bank markets in and around Atlanta. The third step was to interview bank officials in an attempt to evaluate my interpretation of the data to which I had access, and to gain information on policies and practices with respect to which I had no data.

To put precise geographic boundaries on a market is a difficult--perhaps impossible--task. To draw boundaries that represent a reasonable approximation of a market, however, is somewhat more manageable. One approach is to reach a first approximation by selecting a geographic area that, on the basis of professional judgment, appears likely to contain most of the customers in some market. This approach leads to a customer-oriented delineation of a market. For this first approximation, we can hypothesize that the sellers in this market are contained within the same boundaries as the buyers.

The next step is to apply criteria drawn from the

E-. 59

economic theory of markets to determine whether this geographic area is unreasonably small or unreasonably large. 2/ The first approximation of a market area can be adjusted until an area is found that comes as close as possible to a representation of an economic market.

It is worth noting that there is the possibility of the existence of two distinct, adjacent, market areas in which identical terms of exchange are found. In such a case, it may be difficult to distinguish one market from the other. Moreover, it may be found that a single firm sells in both markets. In this case, the firm's market power in one market may influence the terms on which consumers may buy in another. The extent to which events in one market influence buyers and/or sellers in another depends on the physical proximity of the two, the mobility of buyers and sellers in the two markets, and, crucially, the time period of the analysis. In general, as time passes, the effects of causes originating in a given market are transmitted to increasingly distant markets. This may occur because some consumers are able to move back and forth from one market to another, or through communication media, or any number of other factors.

In general, it is reasonable to presume that buyers will spend more time and effort "shopping around" for an

---

2/ The qualification in terms of reasonableness is necessary to prevent markets for most goods and services from becoming indefinitely large. If, for example, an Atlanta bank has 10 customers in the State of Washington, these customers should, in principle, be counted as members of the buyers' side of the market in which that bank sells. However, if the boundaries of that market are drawn to include such customers, the boundary would take in thousands of additional banks. Those banks in turn would serve millions of additional customers, and so on ad infinitum. Thus it is probably impossible, in any meaningful sense, to find perfect correspondence between an economic market and a specific, limited, geographic area.

E-60

item that is important relative to the family budget than for one that represents a relatively minor outlay. Thus, for example, we would expect people to be willing, in general, to travel farther to save 10 or 15 percent on an automobile than to save a proportional amount on a package of cigarettes.

The same principle is operative in banking markets. Borrowers (or lenders) of relatively large sums are likely to be more influenced by a given interest rate differential than borrowers (or lenders) of small sums. By the same token, checking account customers would not be expected to travel great extra distances to avail themselves of small service charge variations.

To illustrate, let us examine a plausible example. Consider an account with a minimum balance below $250, on which 25 checks are written. A bank that charges $1.00 plus $.10 per check service charge on such an account would collect a total of $3.50 for the month. Now imagine a bank 5 miles farther from the customer's residence or place of employment, with service charges of $.50 per month and $.05 per check. This bank's charge for the same service would be $1.75 or 50 percent less. However, note that even if the customer's time is valued at nothing at all, and travel cost is calculated at the modest rate of $.10 per mile, 2 round-trips to the bank would more than consume the savings on service charge. On this service, then, the more 5 miles of additional travel is of substantial significance to such a customer.

Thus, economic theory leads us to expect that, from the point of view of most customers, banking markets cover

a relatively small geographic area. 3/ However, we need not rely on theory alone. Numerous empirical studies have demonstrated significant differences in the terms of exchange from one small geographic area to another. For example, George Kauffman found significance in one-county banking markets in Iowa. 4/ Schull and Horvitz found that market size is influenced by state banking laws. 5/ Schweiger and McGee found differences in loan rates within cities. 6/ In short, there appears to be agreement among students of banking that the market for small, retail-type commercial bank services is essentially local in character.

Another difficulty is important to note. It is possible to identify two markets that are spatially separated, but that present elements of interaction. This would be expected if there were many adjacent markets. In such a case the banks in one market might adopt a policy that would attract customers from each of several markets. Consider markets 1, 2, and 3 with market 2 separating 1 and 3. If the banks in

---

3/ On this point, for example, Professor Kreps has written: "Competition in some product lines (within banking) may be national in scope, and in others regional, although for most banks competition is largely, if not entirely, local." (My parentheses.) Clifton H. Kreps, Jr. "Characteristics of Local Banking Competition," in Banking and Monetary Studies, Deane Carson, ed., Comptroller of the Currency, 1963.

4/ Kaufman, George G., "Bank Market Structure and Performance: The Evidence from Iowa". Southern Economic Journal, (April 1966).

5/ Schull, Bernard and Horvitz, Paul. "Branch Banking and the Structure of Competition". National Banking Review, (March 1964).

6/ Schweiger, Irving, and McGee, John S., "Chicago Banking," The Journal of Business, July, 1961.

market 1 should, say, lower interest rates on consumer loans, the banks in market 3 might feel sufficiently insulated from market 1 to ignore the change. However, if the banks in market 2 adopted the policy, the banks in market 3 might then feel compelled to follow suit also. In such a case, there might be sufficient interaction between the markets to make it appropriate to consider the entire area encompassing them as well as the area encompassing each market in assessing the market power of sellers operating in any or each of the markets.

Finally, it should be pointed out that a given customer (or group of customers) may choose among banks in two or more spatially separated areas, while other customers residing in the same area may have reasonable and convenient access to banks in only that area. For example, one group lives in area A and works in area B, while the other group lives and works in area A. Thus, the "market" will be viewed differently by the two groups, and the banks in the two areas may behave differently. Their actual behavior depends on how many customers in area A view the banks in the two areas as alternatives, and how important such customers are to the banks involved.

With this as an analytical framework, my market analysis began with what would, in the context of this litigation, appear to be the largest conceivable realistic banking market, the Atlanta SMSA. The SMSA includes five counties: Fulton, DeKalb, Clayton, Cobb and Gwinnett. If this area is in fact a realistic market, we should find that, at a minimum, there are no significant groups of banks and bank customers which are insulated from market forces in other parts of the area. On the other hand, if there are such groups in significant numbers, the SMSA is not a realistic banking market. In fact, an examination of the pattern of population distribution, movement

and banking activity in the SMSA leads to the conclusion that it is not a realistic banking market.

According to 1970 Census figures, the population of the Atlanta SMSA was 1,390,164. Table 1 shows the distribution of the SMSA population.

Table 1

Distribution of Population: Atlanta SMSA

	Population	Percent of Total SMSA Population
Total SMSA	1,390,164	100
Fulton County	607,592	44
DeKalb County	415,387	30
Cobb County	196,793	14
Clayton County	98,043	7
Gwinnett County	72,349	5
Sub-Areas		
City of Atlanta	496,973	36
In Fulton	[450,286]	
In DeKalb	[46,687]	
Fulton Outside Atlanta	157,306	11
DeKalb Outside Atlanta	368,700	27

Source: 1970 Census of Population and Housing (PCH(1)-14); Census Tracts, Atlanta, Ga. SMSA. U.S. Department of Commerce, March 1972, Table P-1.

As these data reveal, the population of the SMSA is heavily concentrated in Fulton and DeKalb Counties, which claim 74 percent of the total.

The socio-economic center of the area is the City of Atlanta. Census Bureau estimates for 1970 show that 287,783 people reside in the SMSA and work in Atlanta. Of this total, 55 percent live in Fulton County, 29 percent live in DeKalb County, 8 percent in Cobb County, 5 percent in Clayton County, and 2 percent in Gwinnett County.

The city limits of Atlanta place most of the city in Fulton County. However, the eastern boundary of the city crosses the county line into DeKalb County. The DeKalb portion of Atlanta contains about 47,000 residents, or 9 percent of the city's population. This "straddling" of the county line by the City of Atlanta is symbolic of the socio-economic unity of the adjacent areas of Fulton and DeKalb Counties. The border between Fulton and DeKalb Counties lies just about 2 miles east of the heart of the downtown business district. Thus, the growth of the city has naturally spilled over from Fulton County into DeKalb County and forms an important bond between the two political entities.

The relationship between Fulton and DeKalb and the three peripheral counties of the SMSA--Clayton, Cobb, and Gwinnett--contrasts sharply with that between Fulton and DeKalb. Two specific characteristics of the contrast are of particular importance. First, the boundaries of Clayton and Cobb Counties are about 7 miles from the downtown Atlanta business district, and the Gwinnett County line is over 13 miles away. Moreover, traveling from Atlanta outward, these boundaries are reached after passing from the high density commercial center of the area through areas of successively lower population density. The boundary between Fulton and DeKalb, on the other hand, is principally inside the City of Atlanta and about 2 miles from the center of the business district.

The second important point of contrast is that the principal towns and cities of the peripheral counties are socially, politically and, to a considerable extent, economically distinct from Atlanta. Thus, for example, a resident of Gwinnett County is likely to consider Lawrenceville or Buford his home, and not Atlanta. The same is true of Austell

or Acworth or Marietta in Cobb County, and Jonesboro in Clayton County. Even for many of those who reside in the peripheral counties and work in Fulton or DeKalb Counties, the civic, social, religious and commercial institutions with which they identify are separated by substantial distances from Atlanta and its immediate environs.

Convenience of location is by far the most important factor for most people in choosing where they will bank. Most of the banking market literature I have read on the subject asserts that ordinary ("small") banking customers generally choose a bank that is near their residence or their place of employment. My interviews with local bankers have supported this proposition. For persons who do commute long distances to work, however, it seems possible that banks widely separated in space may constitute convenient alternative choices. Thus, while the geographic and economic facts discussed above tend to suggest that the SMSA is not a realistic banking market, we must test the possible significance of these spatially separated banking alternatives.

The important measure here is not whether it is mechanically possible for workers to bank near their place of employment, but whether in fact they actually find it convenient to do so. The best available indicator of the extent to which they do find it convenient is the extent to which they do actually bank outside the home county.

Data published in the 1970 Census of Population and Housing (Table P-2) show journey-to-work patterns for the Atlanta SMSA. A summary of these patterns for workers residing in Clayton, Cobb and Gwinnett Counties is presented in Table 2 below.

E-66

Table 2

County	Population	Employed Labor Force	Labor Force Working In: Fulton No.	%	DeKalb No.	%	Other SMSA No.	%	Home County No.	%
Gwinnett	72,349	28,988	6,622	22	9,394	32	739	3	9,400	32
Clayton	98,043	40,373	21,674	53	2,737	6	580	1	11,566	28
Cobb	196,793	82,655	27,002	32	4,069	4	834	1	44,639	54
Total	367,185	152,016	55,208		16,200		2,173		65,605	

Source: 1970 Census of Population and Housing. Tables P-1 and P-2 were the sources of the data used to prepare this table. Fulton County totals include those residents of the City of Atlanta in Fulton County. Atlanta residents in the DeKalb section of the city are included in DeKalb County totals.

These three peripheral counties supplied 71,408 workers to Fulton and DeKalb labor markets. This represented a relatively small share of all SMSA residents who reported working in Fulton and DeKalb Counties (16 percent). However, from the point of view of the work forces in the peripheral counties, the Fulton job market is of great importance. The DeKalb job market is of great importance only to Gwinnett County residents. Only among workers in Cobb County do we find less than half the labor force employed in Fulton or DeKalb.

These statistics suggest that the Fulton or DeKalb banks may indeed be convenient alternatives for a significant percentage of Gwinnett residents, while Fulton banks could be convenient alternatives for a significant percentage of Cobb and Clayton residents.

In Fulton County and DeKalb County banks, there are 0.93 small checking accounts ($1,000 or less) with known Fulton or

DeKalb ZIP codes for each person who resides and works in those counties. Taking this as a norm for accounts per employed person, then census data on employed persons (Table 2) can be multiplied by 0.93 to arrive at an estimate of total small accounts with peripheral county ZIP codes. These estimates are:

Clayton - 37,547

Cobb - 76,869

Gwinnett - 26,959

Based on these estimates, we can calculate the significance of Fulton and DeKalb banks to residents of those counties. Such calculations are shown in Table 3 below.

Table 3

	Number of Small Accounts			Percentage Distribution	
County	Total	In Fulton and DeKalb Banks	In Home County Banks	In Fulton and DeKalb Banks	In Home County Banks
Clayton	37,547	14,836	22,711	40	60
Cobb	76,869	17,881	58,988	23	77
Gwinnett	26,959	6,563	20,396	24	76

This table indicates that while many of the peripheral county residents do bank in Fulton or DeKalb Counties, banks in Clayton, Cobb and Gwinnett Counties are the principal suppliers of commercial banking services to the majority of residents of those counties. Moreover, Table 4 indicates that, compared to all small-checking account customers with SMSA ZIP codes, customers who reside in the peripheral counties are quantitatively quite unimportant to Fulton and DeKalb banks.

Table 4

Small Checking Accounts in Banks
Located in Fulton and DeKalb Counties

County of Origin	Number of Small Checking Accounts in Fulton and DeKalb Banks with Known ZIP Codes 7/	Percentage of All Small Checking Accounts in Fulton and DeKalb Banks
Clayton	14,836	3.5
Cobb	17,881	4.2
Gwinnett	6,563	1.6
Fulton	193,328	46.0
DeKalb	145,039	34.5

80.5 %

From these data, one can reach certain conclusions. First, there are many potential banking customers who live in Clayton, Cobb or Gwinnett Counties who, because of regular commuting, would appear to have reasonable and convenient access to banks in Fulton or DeKalb Counties. From the point of view of banks in the peripheral counties, these customers are numerically important. However, many of those potential customers do not actually bank with Fulton or DeKalb banks. This tends to undercut the significance of the actual number of commuters as an influence on the buyers' side of Fulton and DeKalb banking markets.

Second, a very significant number of banking customers in Clayton, Cobb and Gwinnett Counties do not have reasonable and convenient access to Fulton and DeKalb banks since they do not work in those counties. Moreover, those residents of

---

7/ May include some accounts of political entities and other special category accounts. Excludes accounts with unknown ZIP codes or ZIP codes outside SMSA. Since these are included in the total, percentages do not add to 100. Base is 420,212 accounts.

the peripheral counties who do buy from Fulton and DeKalb banks are not of sufficient importance to those banks to induce them to respond to the needs or demands of peripheral county customers.

Third, given these facts, it would seem likely that banks in Clayton, Cobb and Gwinnett Counties would tend to respond only to those banks in Fulton and DeKalb Counties which in fact are reasonable and convenient alternatives for residents of the peripheral counties. My interviews with peripheral county bankers gave the impression that they tend to respond only to the large downtown Atlanta banks, and paid little or no attention to the other Fulton or DeKalb banks. The combination of these interviews and these statistics suggest that only the large downtown Atlanta banks are <u>in fact</u> convenient alternatives to commuter residents of the peripheral counties. Data supplied by Atlanta banks show that of the accounts known to have peripheral county ZIP codes, the four largest Atlanta banks claim 71 percent.

Because of the response of peripheral county banks to large downtown Atlanta banks, the large downtown Atlanta banks apparently do have some influence on price and quality of service in the peripheral counties. This influence, however, is not balanced by reciprocal interaction from Fulton and DeKalb County banks. Because the customers of these banks who reside in Clayton, Cobb and Gwinnett Counties are quantitatively unimportant in comparison to all the customers of Fulton and DeKalb banks, these banks would not be likely to react to pricing changes in these peripheral counties. Bankers in these counties believe, based on my interviews, that their policies can change without inducing a response from the banks in Fulton and DeKalb. These bankers

expressed the view that their response to Atlanta banks is made necessary by the broad-area dissemination--through advertising on television and in newspapers--of information on major changes in Atlanta banking policies. The concern they expressed is that their public relations would be damaged if they failed to respond to a significant competitive move. This view is consistent with their feeling that they would not gain an appreciable amount of business if Atlanta banks should adopt a policy injurious to customers of Atlanta banks. What this demonstrates in terms of markets, is that customers may move from one market to another but that a physical banking facility is fixed permanently in one market. The interaction represented here reflects customers moving from one market to another, and not the interaction of the banks and customers of a single market. The distinction is significant if, as in this case, the number of customers who move is significant to one group of sellers and not to the other.

Finally, the pattern of commutation shown in Table 2, suggests that small banking customers in any one of the peripheral counties are almost wholly insulated from banking markets in the other two. In my judgment, each of the peripheral counties has at least one banking market that is largely independent of banking markets in any other county. More importantly, such independent markets encompass most of the banking customers in these counties (see Table 3). Thus, banks in Clayton County, for example, do not compete with banks in Cobb or Gwinnett or DeKalb for significant groups of customers. Only to the extent that the large downtown banks are convenient alternatives for some peripheral county residents do banks outside those counties offer any competition to banks within those counties.

In summary, then, the large downtown Atlanta banks have some influence on banks in Clayton, Cobb and Gwinnett Counties; other banks in Fulton and DeKalb have little, if any, influence. Bank customers in Clayton, Cobb or Gwinnett Counties have little or no influence on banks in Fulton and DeKalb Counties, or on banks in the peripheral counties other than those located in the county in which they live. There are a significant number of banking customers in the peripheral counties who have no reasonable and convenient banking alternatives outside their county. Even of those residents who work in Fulton or DeKalb County, many exhibit a preference for banks near their place of residence rather than their place of work. Finally, those counties are spatially distant and, in various other ways, separated from Atlanta and its immediate environs. Considering these factors, I reject the Atlanta SMSA as a reasonable approximation of a banking market.

It therefore would be inappropriate to analyze the competitive effect of the mergers which are the subject of this litigation in a geographic area approximated by the Atlanta SMSA.

Having eliminated the outer reaches of the Atlanta SMSA, we are left with an area encompassing Fulton and DeKalb Counties.

The combined population of these two counties is just over one million. Fulton is the larger of the two both in area and in population. Census reports for 1970 show that over 90 percent of DeKalb and Fulton workers who reported place of employment worked within the two-county area. Of 166,144 DeKalb residents who reported place of employment, 83,590 (about half) worked in Fulton County, while 70,864 (43 percent) worked in DeKalb County. This contrasts sharply

with the movenent of Fulton County workers. Of these, 227,150 reported place of work, and 187,165, or 82 percent, worked in Fulton County. Only 18,939 (8 percent) were employed in DeKalb County.

Of the DeKalb County workers employed in Fulton County, 66,420 (79 percent) worked either in the Central Business District or elsewhere in the City of Atlanta. Thus, the penetration of DeKalb residents into Fulton County is more than a thin spillover across county lines. As indicated earlier, Fulton County relies heavily on DeKalb for workers, and DeKalb residents depend heavily on Fulton employers for jobs.

The journey-to-work data cited in Table 2 lead me to predict that many DeKalb and Fulton County residents buy banking services in the same market. This would reflect principally the movement of people from DeKalb County into Fulton County, and not the opposite flow. There is a natural integration of a significant portion of DeKalb County into the economy of the City of Atlanta. It is this integration with Atlanta that imparts a significant homogeneity to the residents and businesses in a broad area extending outward from the city. I have noted earlier that the outlying counties are only marginally integrated at the present time. The substantial independence they retain is one factor that led me to omit them from the Atlanta area market.

Similarly, it appears that there are peripheral portions of Fulton and DeKalb Counties that are substantially separated from the Atlanta economy. I will return to this point later. The issue is raised here to illustrate that economic-geographic separation from Atlanta is one criterion for excluding an area

from the market. I do not, however, mean to argue that the presence of integration defines the entire area as a single market. As we shall see, there is evidence that, in fact, this is not the case.

With the foregoing caveats in mind, let us proceed to a consideration of the banking relationships found in the data for the two counties as a whole.

Table 5 below summarizes the relationship between banks and bank customers in this area, based on accounts whose ZIP code origins were known.

Table 5

County of Origin	Number of Small Deposits* in Banking Offices in		Percent Distribution of Accounts in Banking Offices in	
	DeKalb	Fulton	DeKalb	Fulton
DeKalb	88,384	56,655	92	23
Fulton	8,004	185,324	8	77
Totals	96,388	241,979	100	100

*Data adjusted to remove DeKalb branches of Fulton County banks. Deposits in these branches are included in DeKalb accounts in DeKalb County banking offices. Fulton County deposits in this branch are included as Fulton accounts in DeKalb offices.

The data reveal the following pattern of relationships between banks in these two counties and customers in the counties.

1. DeKalb banking offices draw 92 percent of their Atlanta area customers from DeKalb County, and only 8 percent from Fulton County.

2. DeKalb residents in numbers of consequence to DeKalb banks, bank in Fulton County, but are not of great importance to Fulton banking offices.

3. Fulton banking offices draw 77 percent of their Atlanta area customers from Fulton County and only 23 percent from DeKalb.

4. Fulton residents show little propensity to bank in DeKalb County.

These results strongly support the view that there may be a banking market which, in terms of the customers it includes, covers most of DeKalb County. In other words, DeKalb County cannot be considered to be too small to be a banking market. Obviously, banking offices and consumers on the periphery of the county may also be participants in this market. However, the numbers from within the county are of such magnitude that the excluded buyers and sellers are unlikely to be of sufficient importance to alter the qualitative conclusion that there may be a market for small customers that is roughly bounded by the DeKalb County line.

This does not imply, however, that the markets are unrelated. The DeKalb customers who have accounts in Fulton County banking offices are equivalent to 59 percent of all small-checking accounts in DeKalb banking offices. Therefore, we may conclude that these customers are potentially of greater importance to DeKalb County banks than to Fulton County banks. DeKalb small accounts in some Fulton County banking offices are significant to these offices. However, in the aggregate, DeKalb customers are not likely to be of sufficient importance to Fulton County banking offices to influence the policies of these banks.

These observations lead me to several market-related conclusions. First, if Fulton County bank customers, as a unique group, should demand and receive additional bank

services or services on better terms, we would expect banks in both counties to respond to those demands. DeKalb banks would respond because DeKalb residents who have Fulton banking offices as reasonable and convenient alternatives would have available to them the additional or better services offered by Fulton banks. Since these customers are important to DeKalb banks, DeKalb banks would be expected to offer the same change to prevent them from moving. Therefore, if the degree of competition among Fulton County banks were lessened, a significant number of DeKalb customers would be among the injured small customers, by virtue of the fact that one of the markets to which they have convenient access has become less competitive. They would no longer be the gratuitous beneficiaries of competitive response to the demands of Fulton consumers.

Secondly, if DeKalb customers, as a unique group, should exhibit dissatisfaction with the present level or mix of services, we would expect DeKalb banks to respond. Since these customers are only a small portion of their total customers, we would expect Fulton banks to be only marginally influenced, if at all. Therefore, Fulton banks may be uninfluenced by either the customers or the banks located in DeKalb, except over reasonably long periods of time.

To illustrate this point, let us assume that all DeKalb County banks took a competitively significant action, such as eliminating service charges on checking accounts. If my conclusions are correct, banks in Fulton County would not make an immediate response to this action. Obviously, this decision would be based on a consideration of whether it would be in their interest to respond, or whether a response

would be more costly than silence. Using C&S as an example, I believe the following are the factors that would determine whether the Fulton County banks would in fact respond to such a move by DeKalb County banks.

First, C&S would be expected to make some assessment of the number of checking account customers it would lose if it chose not to respond. If, as I have contended earlier, and as most of the literature on banking markets suggests, convenient physical proximity is of key importance, I would not expect customers to exhibit perfect responsiveness to a change in the price of checking account services.

Next, assuming that service charges exactly cover the cost of providing the service, C&S would be expected to estimate the loss of net income from other services provided to the customers who did leave, and the interest income that could be earned on the deposits of these customers. The sum of these costs measures the cost of ignoring the change.

Finally, C&S would be expected to calculate the cost, in foregone service charge revenue, of responding to the DeKalb banks. This cost will be determined by the extent to which they match the change adopted by DeKalb banks, and the present level of service charge revenue, and the number of customers involved.

If the cost of responding is determined to exceed the cost of ignoring the change, C&S would not respond. Presumably, the other major Fulton County banks would perform the same kind of calculations.

Table 6 shows the distribution and significance of DeKalb deposits in Fulton County offices of the four largest Atlanta banks.

Table 6

Small Demand Deposit Accounts in Fulton County Offices of Four Largest Atlanta Banks

June 30, 1970

Bank	Accounts From ZIP Codes in			Percent of Total Originating in	
	Fulton	DeKalb	Total	Fulton	DeKalb
C&S National	50,660	15,935	87,644	58	18
First National	37,014	14,386	67,567	55	21
Trust Company	22,381	8,580	42,334	53	20
Fulton National	19,687	5,242	33,001	60	16

Source: Data supplied by banks. The account numbers under the county headings were found as follows: First, the sum of all small accounts originating in ZIP codes in Fulton and DeKalb Counties was found for each entire bank. Second, the same information was computed for the offices of these banks that are located in DeKalb County. For each column in the table, the DeKalb branch data were deducted from the bank totals. The percentages do not add to 100 simply because these banks have accounts for which the ZIP code is not known, and other accounts with ZIP codes outside these two counties.

These ratios cast considerable doubt on the likelihood of Fulton County banks following a policy adopted by DeKalb County banks to appeal to DeKalb residents, particularly a policy that involved any significant cost to the banks. Clearly, 20 percent of the customers of the Fulton County offices of the major banks is an important proportion. However, any benefit granted to the 20 percent of the customers who come from DeKalb County must also be granted to the other 80 percent. Moreover, there is reason to doubt that, from any reasonably likely policy change, anything like the full 18 or 20 percent would in fact move.

Some evidence is available that there are at present service charge variations among the banks in Fulton and DeKalb Counties. There also appear to be differences between these banks in interest rates on consumer type loans, such as auto loans. In general, bankers I have interviewed were of the view that individual customers tend to fall into one of two categories. In one category, customers are quite insensitive to differences in interest rates and service charges between banks. On the other hand, such customers feel that hours of operation, convenient access, and the probability of success when seeking credit are crucial, and particularly so when there is a competitor bank within a reasonably short distance. The second category includes customers who typically "shop around" for interest rates and other charges. In general, the larger the former group, the more sluggish the response of banks in one market to changes in policy in an adjacent market.

Even if Fulton County banks were faced with a competitively spectacular action initiated by DeKalb County banks, the former probably would not lose a significant number of customers. Some will stay for reasons of convenience; some will stay because they "like" the bank and its service; some will stay with the larger bank because they like to do business with a large bank even though they don't need to; some will stay because they don't know about the alternative; and some will stay for miscellaneous and sometimes undefinable reasons.

The most compelling reason, then, for concluding that DeKalb County contains at least one banking market is that it contains a very substantial number of bank customers (and probably most of the customers) who could be injured if the degree of competition among banks in DeKalb were lessened. Competition among banks in Fulton County affords some protection to such customers, but only with a time lag, and even then, the protection would be less thorough than that derived from vigorous competition within DeKalb County. In the presence of active competition among DeKalb banks we might imagine a move by those banks that benefits DeKalb customers. We have already hypothesized that Fulton County banks would be unlikely to respond quickly. Consequently, the beneficiaries of that policy change would be DeKalb County banking customers. If the possibility of the development of such a competitive environment is made smaller or is foreclosed, then the losers are, again, DeKalb residents.

The data for Fulton County lend even stronger support to the hypothesis that it also encompasses at least one banking market. We have seen that 82 percent of Fulton County residents who reported place of employment were employed within the County. It is not surprising, therefore, that 96 percent of the small checking accounts of Fulton County residents in Fulton or DeKalb County banking offices are in Fulton County banking offices. 8/ In short, the tests that suggest the presence of at least one banking market in DeKalb County, suggest the same conclusion for Fulton County, even more strongly.

There remains the question of whether, even though Fulton and DeKalb contain separate banking markets, their combined area has any relevance to analysis of the competitive

---

8/ See Table 5 for data used in making this calculation.

effects of the proposed mergers. As I noted earlier, there is some interaction between banks in Fulton and DeKalb. There is considerable economic integration between the two counties. These facts are sufficient to warrant further analysis.

Certain facts are of particular importance. First, all the banks involved in the proposed mergers are located in, and do the vast majority of their business in, Fulton and DeKalb. Second, the branching laws allow the larger banks to branch throughout Fulton and DeKalb, while the other banks are limited to their home county.

To assess the interaction between markets, time must be introduced explicitly. The theoretical apparatus I have used in this analysis permits some interaction between two or more geographic markets even though the markets, as defined, are neither too small nor too large to be reasonable approximations. Thus, for example, if banks in say, market A adopt a policy favorable to its customers, a few customers in market B may be induced into A. If these customers are not quantitatively important in B, no response would be expected from the banks in B.

Through time, however, the flow of customers from B to A may increase. Eventually, banks on the periphery of B may be induced to respond. This, in turn, may induce customers to move from other banks to these banks on the periphery. This process can conceivably proceed through time until virtually the entire area of the two small markets has been affected. In fact, if enough time is allowed one can imagine the effect being spread throughout a state. Therefore, for purposes of assessing the impact of a specific change in market structure,

it is important to recognize the influence of time on the size of the customer group that will be affected. If I were asked to point to one area within which all the proposed mergers might have a reasonably prompt competitive effect, that area would be Fulton and DeKalb Counties combined. In my opinion, such an area would be one relevant geographic area within which to analyze the competitive effects of the proposed mergers which are the subject of this litigation.

Up to this point, I have argued that the Atlanta SMSA is too big to be considered a single economic market for the commercial banking services consumed by most customers. I have argued further that DeKalb and Fulton Counties separately are, at least, not too small to be considered reasonable approximations of markets, and that the interaction between them is sufficient to justify concern for the implications of events in one for customers in the other. There remains, finally, the question of whether these areas may be too large for each to represent a single market.

My analysis of available data, combined with my familiarity with the area, interviews with bankers, and a modicum of professional judgment, lead me to conclude that they are technically too big, when my focus is on the geographic boundaries of the customers' side of the market. It is my impression that DeKalb County contains at least two market groups of banking customers outside of what one might consider the metropolitan portion of DeKalb County. Specifically, I believe there may be banking markets in and around Lithonia in Southeast DeKalb and Stone Mountain in East DeKalb.

In Fulton County, it seems likely that there is one (or possibly two) customer markets in the northern end of the county around Alpharetta-Roswell-Sandy Springs, and one or

more markets in the south-southwest section of the county around the East Point-Hapeville-Airport area and in the Union City-Fairburn-Palmetto area.

These small markets, however, are in areas containing a relatively small proportion of the population of the respective counties. In DeKalb, they contain approximately 10 percent of the county's population, and in Fulton about 9 percent. Consequently, while including them in single-county market areas is probably not formally valid, it is not likely to change significantly the results for the entire county. Also, developments in one area are likely to be communicated quickly to the others. Patterns of commuting seem certain to connect most areas of the counties in relay style, and all the banks in each county are able, under existing branching laws to enter any market in the county in which they are located by opening additional branches. Therefore my conclusion is that the counties are reasonable geographic areas within which it is appropriate to analyze the competitive effects of the proposed mergers.

The presence of these small markets does become important, however, when a change in the structure of one of these markets is under consideration. For example, the merger of three of the banking offices now located north of the City of Atlanta in Fulton County would have its effect primarily on customers who live in that area. From north to south in Fulton County above

the city limits, the ZIP codes in this area are 30201, 30075, 30338, and 30328. The southern extremity of the area is found at the perimeter highway (I-285) just south of Sandy Springs and a few miles north of the city limits of Atlanta.

The total number of banking customers in this area can be estinated using the procedure I have used earlier. Census data show that, in the census tracts that approximately coincide with this area, there were 20,570 employed persons. If for each person, there are 0.93 small checking accounts, this area has a total of 19,130 such accounts.

About two-thirds of the residents of this area live south of the Chattahoochee River and one-third live north of the river. The percentages in Table 7 result from assigning 65 percent of these accounts in North Fulton to the Sandy Springs area (south of the river) and 35 percent to the northern-most area. The area between the northern-most section of the county (Roswell and Alpharetta) and Sandy Springs is one that displays considerable physical evidence of growth. Banks in the area apparently recognize the growth potential of the entire area. The Roswell Bank, for example, has recently opened a branch in the North Sandy Springs area.

Table 7 shows the deposits held in the banking offices of the 9 banks that are located in the area and the proportion each bank holds of all small checking accounts in the North Fulton County Area. Area codes 30201 and 30075 are the northern-most ZIP codes in Fulton County and ZIP codes 30338 and 30328 represent the Sandy Springs area.

Table 7

Banking Customers and Banking Offices In North Fulton County Areas

	Accounts Originating* In ZIP Codes			Percentage Held By Each Bank of Estimated Total Small Accounts Originating In		
	30201 and 30075	30338 and 30328	Both Areas Combined	Northern Area	Sandy Springs Area	Both Areas Combined
First National	23	226	249	0.3	1.8	1.3
Trust Company	55	849	904	0.8	6.8	4.7
Fulton National	9	137	146	0.1	1.1	0.8
National Bank of Georgia	23	248	271	0.3	2.0	1.4
C&S East Point	22	396	418	0.3	3.2	2.2
C&S Sandy Springs	148	2,566	2,714	2.2	20.6	14.2
C&S North Fulton	1,134	118	1,252	16.9	0.9	6.5
Roswell Bank	2,694	425	3,119	40.2	3.4	16.3
Fulton Exchange Bank	2,363	40	2,403	35.3	0.3	12.6
				Percentage of Total Estimated Small Accounts From Each Area Held by All Banking Offices Located In Each Area		
Total	6,471	5,005	11,476	North Area (3 Banks)	Sandy Springs (8 Banks)	Total Area (9 Banks)
				92%	40%	60%
Estimated Total No. of Small Accounts Originating in Each Area	6,696	12,434	19,130			

*Includes only banking offices physically located in the 4 ZIP code area of North Fulton County. ZIP code 30338 includes part of DeKalb County that is not clearly convenient to Fulton County. Data in this table, except where otherwise indicated in the text, were compiled from ZIP code data on mailing addresses of accounts, supplied by the banks included in the table.

E-85

These data make it clear that residents of the northernmost section of North Fulton County bank predominantly in the area in which they reside. The three banks in that area hold 92 percent of all small deposits originating in the area. Moreover, these three banks draw the vast majority of their accounts from those two ZIP code areas.

Two of these three banks, however, also draw a substantial number of accounts from other ZIP code areas. The Roswell Bank and C&S North Fulton derive 40 percent and 35 percent of their accounts, respectively, from outside of the two northernmost ZIP code areas. Much of this remainder for the Roswell Bank is drawn from the Sandy Springs area. Moreover, the growth these banks anticipate must come largely from deposits drawn from customers who reside in areas south of their locations. For example. Roswell Bank has a newly opened branch in North Sandy Springs which will compete directly with the C&S East Point branch, and other Sandy Springs banking offices.

In the Sandy Springs area, only 40 percent of the estimated total of all accounts from the area are in banking offices located in the area. About 47 percent of the workers residing in the Sandy Springs area are employed in the City of Atlanta, and it appears that most of those have accounts in Atlanta banks. Thus it appears that the vast majority of such workers have chosen to bank near where they work.

However, it should be noted that until the recent change in Georgia branch banking law, the major Atlanta banks were not permitted to branch in the area. Prior to 1969, C&S Sandy Springs was the only bank located in the area. Thus, for the persons residing in the area and working in Atlanta, the major Atlanta banks represented the only convenient alternative.

In 1969, Trust Company of Georgia Bank of Sandy Springs was formed and since has been merged into Trust Company. Subsequent to the change in the branching law (January 1, 1971), First National, Fulton National and National Bank of Georgia have opened offices in the area. This indicates that they consider it necessary, in order to compete effectively for residents who live in the area, particularly those who do not have convenient banking alternatives near where they work, to be physically present in the market. It also suggests that there are sufficient actual and potential customers in the area to constitute a banking market. And, as the area continues to grow, the market can be expected to grow.

The data and my analysis lead me to conclude that it is likely that the banks in the northern-most section of the North Fulton area are somewhat influenced by the major downtown bank offices but not to a significant degree. The three banks located in the northern area have an estimated 92 percent of all accounts originating in the area. This strongly suggests that the residents of the area do not have convenient alternatives. Thus the sellers in this area are largely insulated from sellers in other areas.

In the Sandy Springs area, the downtown offices of the major banks have already captured a majority of the accounts of residents of Sandy Springs who work in the city. Thus, if Sandy Springs banks adopted a policy injurious to their customers, one would expect few of the customers to be able conveniently to move to other banks. On the other hand, if they adopted a policy of vigorous competition in an effort to capture the business of some of the residents who now bank downtown, it is highly unlikely that the downtown offices of the major

banks would respond. Sandy Springs residents are simply not of great importance to them.

As I have indicated, at the present time, it appears that the North Fulton area contains two reasonable approximations of banking markets. However, growth patterns are rapidly tying them together. Also, it can be expected that the most logical places for the banks to branch would be south for the banks in the northern area and north for the banks in the south. Thus, I believe the distinctions between the two markets will disappear in the near future. Consequently, an area within which the proposed mergers would be likely to have immediate and substantial adverse consequence would be in the area encompassing the entire 4 ZIP code area.

Samuel L. Skogstad
SAMUEL L. SKOGSTAD

Sworn to and subscribed before
me this 18th day of August, 1972.

Joanna J. DuVall
Notary Public

Notary Public, Georgia, State at Large
My Commission Expires May 19, 1975

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF GEORGIA

GX-105

UNITED STATES OF AMERICA, Plaintiff, v. CITIZENS AND SOUTHERN NATIONAL BANK, et al., Defendants.	)	Civil Action No. 15823 Filed: November 2, 1971

SECOND AFFIDAVIT OF DR. SAMUEL L. SKOGSTAD

Comes now Samuel L. Skogstad who on his oath deposes and states as follows:

I have been asked by Plaintiff to comment on the Economic Report prepared by Baxter & Co. on behalf of the Defendants. The report is voluminous and addresses many issues relative to the present litigation. I believe that my training and experience qualify me to comment on the economic issues of banking and banking markets. Thus my assessment of the report is confined to the sections that address those issues. 1/ Moreover, in the sections of the report that deal with economic issues, I find many areas of agreement with its author(s). Thus I have further limited my comments to the points at which I believe there is substantive disagreement between my own views and those expressed by the author(s) of the report. It would be incorrect to interpret this emphasis as a judgment that the entire report is without merit.

1/ For example, I know of no way of testing the declaration that C&S was the first to recognize "the fact that local independent banks could not adequately meet the needs of a growing number of metropolitan suburban customers" (p. 41). Moreover, I am not even aware that this is a fact. Since I cannot test such assertions with objective information, I cannot judge whether the praise lavished on C&S is deserved.

In evaluating the Defendants' Economic Report it is important to keep in mind the problem with respect to which it is offered. That problem, as I understand it, is to determine whether the proposed mergers, if consummated, might substantially lessen competition and thereby adversely affect any identifiable group of customers, in violation of Section 7 of the Clayton Act. One dimension of such possible adverse effects is an economic dimension. It is this dimension that is susceptible to evaluation with the analytical tools of the professional economist.

Much of the language of Section 7 of the Clayton Act is not part of the jargon of economics. One problem phrase, from an economist's point of view, is "section of the country." An "acquisition", the effect of which "may be substantially to lessen competition, or to tend to create a monopoly," is a relatively straight-forward concept. However, to give the concept empirical content, the economic dimensions of "section of the country" must be specified.

From an economist's point of view, the "section of the country" in which a lessening of competition would be felt by consumers would be (a) the geographic boundaries of the "market" in which the lessening of competition occurred, and (b) any physically proximate market to which the lessening of competition would be quickly and substantially transmitted.

The primary aim of my own study of Atlanta area banking was to identify the section(s) of the country in which to assess the economic implications of the proposed mergers and to determine which customers, if any, would be likely to feel the effects of the mergers. My assessment of the Baxter & Co. paper is based upon my work in the area of the economics of banking markets and the results of my own study of Atlanta area banking.

E- 90

Key conclusions reached in Defendants' Economic Report were that failure to consummate the proposed mergers would be detrimental to Atlanta area banking customers, and approval of the mergers would adversely affect no group of customers, and would speed the conversion of Atlanta area banking from an irrational to a rational structure.

Findings reported in Economic Report, and interpreted as supporting the conclusions include:

1. Atlanta banking markets are highly localized, and each bank involved in the proposed mergers is in a separate localized market. Therefore these banks do not now compete with one another and their merger can not reduce the extent to which they compete with one another.

2. A questionnaire survey of C&S customers revealed that many of them consider correspondent associates to be branches of C&S National Bank. The survey also revealed that many C&S customers use more than one office of C&S or more than one C&S bank. Therefore it is argued that the mergers would formalize relationships that these customers believe already exist, and that, in effect, do now exist.

3. Branch banking serves the convenience and needs of customers in a metropolitan area, and increases the number of competitive alternatives available to local customers.

4. The Atlanta SMSA is not highly concentrated relative to other SMSAs in which limited branch banking is permitted. Moreover, the Atlanta SMSA is becoming less concentrated.

5. Branch banking produces a better allocation of credit than does unit banking.

6. Concentration ratios in banking markets do not measure performance in these markets. A good measure of performance is convenience, for which the number of banking offices serves as an indication. There are many banking offices in the Atlanta SMSA, therefore the performance of banks in Atlanta is good relative to other SMSAs.

7. Economies of scale in banking may not be realized if policy promotes the maximization of the number of banks.

8. If the mergers are blocked, the banks involved would lose their relationship with C&S and would be unlikely to be able to become "meaningful competitors with each other or with C&S National and its affiliates in the foreseeable future."

9. The relevant "section of the country" in which to assess the convenience and needs aspects of the proposed mergers is the Atlanta SMSA because "the requirements for banking services arise in the context of an economically integrated metropolitan market." (p. 3)

This list of findings is by no means exhaustive. However, it does include the arguments that are, as I interpret the

report, most crucial to the conclusion that the proposed mergers are desirable from a social point of view. I will address myself to these arguments in the order in which they are presented above.

1. Atlanta Banking Markets

Economic Report is somewhat ambiguous on the concept of market. On page 33, for example, one reads that "the only meaningful market for banking that can be defined from initial investigations is the entire Atlanta metropolitan area" (presumably, the SMSA) "and this is meaningful only for a small number of banking customers." Yet at other points in the report one finds references to the markets served by the correspondent associates, (p. xiv, p. 3, p. 56), and to "overlap" of markets, (p. 57) and to "market spillover" (p. 59). Thus it is not surprising that the author(s) of Economic Report find that "the definition of a geographic market (section of the country) within which to measure concentration, is, as indicated, somewhat arbitrary" (p. 26).

I certainly agree that precise geographic lines can not be drawn around banking markets. In fact, I took that position in my own direct testimony. However, as I also argued in my testimony, I believe reasonable approximations can be found that do not grievously over-state or under-state the dimensions of a market. Even after only an "initial investigation," for example, it seems to me that one can find a less arbitrary approximation of a "meaningful market for banking," than the entire Atlanta SMSA. Several factors suggest that this is a logical implication not only of my own study of the area, but of the Baxter & Co. findings as well.

First, as Economic Report points out, this broad area is meaningful to relatively few customers. Moreover, data in Table 4 of my own testimony reveal that customers in each of Clayton, Cobb, and Gwinnett Counties represent a very minor proportion of the customers served by Fulton and DeKalb County banks. Finally, there appears to be little interaction among Clayton, Cobb, and Gwinnett banks and bank customers.

Another factor that militates against the entire area of the SMSA as a banking market is the fact that by Georgia branch banking law, banks in Fulton and DeKalb Counties cannot branch into Clayton, Cobb, and Gwinnett Counties, nor can banks in those counties branch into Fulton and DeKalb or into each other's counties. The large Atlanta banks can, on the other hand, branch throughout both Fulton and DeKalb Counties. The banking market literature with which I am acquainted, my own professional judgment and experience, and, I believe, sections of the Baxter & Co. report as well, 2/ suggest that laws governing branch banking influence the geographic dimensions of local banking markets. Georgia branch banking law allows a pattern that establishes a connection between Fulton and DeKalb Counties, but not between these counties and the three peripheral counties of the SMSA.

2/ The report explicitly relates industry structure to the legal environment (p. 39). On page 47 the author(s) write:

> "One item of evidence that suggests the greater convenience of banking structures in metropolitan areas is the fact that in unit banking states, deposits tend to be more concentrated in the city center as opposed to suburban areas. This implies that since the specialized services and credit resources of large banks cannot be made conveniently available in suburban areas, more banking must be done in the city center." (My underlining.)

Another way of saying essentially the same thing is that permissive branch banking policy effectively expands the geographic boundaries of banking markets. In Atlanta, branching is permitted throughout Fulton and DeKalb Counties for the largest banks, but not throughout the entire SMSA.

On the basis of the foregoing and other considerations, I concluded that the two-county Fulton and DeKalb area--not the five-county SMSA area--is a meaningful geographic area within which to assess the impact of the proposed mergers. The arguments offered in Economic Report in support of the SMSA area are:

1. "Common sense would appear to indicate a rather broad geographic area" (p. 3).

and

2. "the requirements for banking services arise in the context of an economically integrated metropolitan market" (p. 3).

The failure of Economic Report explicitly to reach the conclusion that the Fulton-DeKalb area is relevant, may be explained by the fact that data for these counties separately were not considered. The author(s) dismiss them by simply asserting that they are "basically irrelevant" (p. 33). In my judgment such an assertion has not offset the evidence in favor of the Fulton-DeKalb area as the relevant "rather broad geographic area."

The Baxter & Co. report contends that local banking markets "tend to be relatively concentrated as a matter of statistical definition." (p. 26) I believe the idea underlying this statement is that most banking customers are found to bank at a location relatively close to their residence or to their place of employment, a phenomenon that has been affirmed in numerous studies. I would characterize this, however, as a statistical obervation rather than a definition. The difference, I believe, is that concentration may have a statistical definition, but local banking markets are defined

in terms of the groups of customers and banks who interact and respond to one another. Whether a given market so defined is or is not statistically concentrated is an empirical question and not a question of definition. I am acquainted with bank market studies that attempt to measure concentration in local banking markets, but I do not know of any that define local banking markets in terms of concentration ratios.

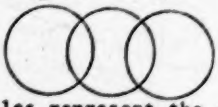
Whether local banking markets are concentrated by definition may be only a semantic question, and I do not wish to belabor the point. There is a much more important substantive issue to be considered. The Baxter & Co. report provides data on the ZIP code addresses of certain customers of the C&S banks proposing to merge. On the basis of these data, the report concludes that these banks do in fact serve separate, highly localized markets. The author(s) further conclude that this finding precludes the possibility that any adverse competitive effects would attend the proposed mergers.

I agree fully that banking markets are essentially local in character. However, I believe that errors of analysis in interpreting the data have led the author(s) of the Baxter & Co. report to a geographic delineation of markets that is unreasonably small, and to an inaccurate assessment of the influence of competitive conditions in one small area on banking performance in a similar, neighboring area.

In economic analysis, the term market is used to refer to the group of buyers and the group of sellers of a particular good or service whose interactions determine the terms upon which the good or service is sold and the quantity sold. There is room for some quibbling about this definition, but the essential point is that when a given geographic area is denominated a

market, then all the sellers who are contained in that area and who sell in that area are members of that market. 3/ This point is easily illustrated.

Consider the diagram below:



Let the outer circles represent the areas from which two banks draw most of their customers. The center circle represents, say, a branch of a third bank. The center circle bank competes with both outer circle banks for customers. In the absence of the center circle, one of the outer circle banks might ignore a competitive policy adopted by the other. Given the presence of the center circle bank, however, the policy would be more likely to be adopted quickly by all three banks. Customers in any one of the three areas are affected by what happens in either of the other two. It certainly would make no sense to conclude after examining only the two outer circle banks, that they are in separate markets. Using this criteria, one might easily find that banks on one edge of a suburban neighborhood are not in the same market as banks on the opposite edge.

In Economic Report, an example used to demonstrate the highly localized nature of banking markets does, in fact, ignore the relevance of other banks in determining the market. (p. 81) The author(s) consider those customers of C&S Emory and of C&S DeKalb who have 30030 ZIP code addresses. It was found that most of C&S Emory's 30030 customers came from the side of the area in which it is located, and that the same was true of

---

3/ There may be sellers or buyers located outside the area who also sell or buy in that market. (Assuming sellers have delivery service or buyers are geographically mobile.) Also, the buyers and sellers in the area may buy and sell in other geographic markets.

C&S DeKalb's 30030 customers. The author(s) interpret the boundary between the two sides as providing "a very clear distinction between the two market areas." (p. 81)

The author(s) failed to observe, however, that there are at least two other banks with branches between C&S Emory's main office and that of C&S DeKalb. Data supplied by these banks show the following small (under $1,000) checking accounts drawn from ZIP code area 30030:

C&S Emory (all offices) -	833
C&S DeKalb (both offices) -	894
Fulton National Bank (Decatur offices) -	1,569
First National Bank (Decatur branch) -	1,846

There are other offices of other banks that draw customers from this area as well. The point of these data is simply to illustrate that ZIP code 30030 is served by many banking offices. Consequently, it does not seem reasonable to conclude that the entire ZIP code, much less one or both sides of the boundary drawn through it by Baxter & Co., is a reasonable approximation of a market. Two banks simply do not afford sufficient data to draw such a conclusion.

It should be noted that the author(s) define the market area of each of the Fulton and DeKalb affiliates and correspondent associates, for non-corporate demand deposit business, in terms of ZIP code areas. (Exhibit 35) For example, the market defined for C&S DeKalb includes ZIP code 30030 and six others. The reference on page 81 to the boundary through 30030 as a distinction between two "market areas" is intended to mean that the boundary identifies that part of 30030 from which each bank (C&S DeKalb and C&S Emory) currently draws a substantial number of customers.

From the point of view of a C&S official, in fact, one can readily imagine this boundary being thought of as a boundary of "our market." However, in considering the economic implications of the proposed mergers, it is not reasonable to define markets by confining our attention to the C&S banks and the customers who currently bank at C&S banks. Rather, attention must be directed to all banks who are important suppliers of banking services in this ZIP code and to all customers in this ZIP code area, and any other ZIP code area, who are quantitatively important in determining the conditions on which banking services are supplied. As I have shown, Fulton National Bank and First National Bank of Atlanta both have offices that serve more customers from this ZIP code area than either C&S Emory or C&S DeKalb. Therefore, they are certainly sellers in the market that includes ZIP code 30030. The Baxter & Co. report argues that this ZIP code is also in the "markets" of offices of First National Bank of Glenwood, Trust Company of Georgia, and the North DeKalb branch of First National Bank of Atlanta. Therefore, since the customers of these banks have been ignored, the division of this ZIP code area into two markets is, at best, premature on the basis of the data presented.

In defining the "market" served by C&S Emory, the Economic Report includes ZIP code area 30030 and seven other ZIP code areas. The two from which C&S Emory draws the largest number of customers are 30033, directly north of 30030, and ZIP code 30329, northwest of 30030. Exhibit 40 compares C&S Emory and C&S Tucker in this area (30030) and shows that most of the accounts from the Emory side of the ZIP code are in C&S Emory, and almost half the accounts from the Tucker side are in C&S Emory.

I do not know what this result implies with respect to geographic markets, if anything. However, I found from a quick sampling of data supplied by the Fulton and DeKalb County banks, that C&S Emory has numerous competitors for the small checking account customers in this ZIP code area. A partial listing of banks with accounts from ZIP code 30033 and the number of accounts in each, illustrates the point:

Bank	No. of Small Checking Accounts 4/
C&S Emory (all offices)	2,633
C&S National (all offices)	916
Fulton National Bank (all offices)	942
First National Bank of Atlanta (all offices)	2,000
Trust Company of Georgia (all offices)	1,212
National Bank of Georgia (all offices)	407

Economic Report also identifies, in addition to C&S Tucker, C&S DeKalb and C&S Park National (Exhibit 35), as banks in whose "markets" ZIP code 30033 is included.

4/ Many of these accounts are carried at the downtown offices of the Atlanta banks. The Baxter & Co. report classifies such accounts as "spillover", but does not explicitly define this term. However, it appears to refer to customers who reside in one geographic place and who have banking relationships with banks other than those whose customer's addresses are being examined. The schematic sketch of "spillover" in Defendants' Exhibit 72 suggests that specific geographic markets must be identified before spillover is measured. Therefore, it does not seem to be a concept that would assist in the process of identifying geographic markets.

If "spillover" refers simply to customers who bank in, say, downtown Atlanta and live in, say, Buckhead, it certainly does not follow that these customers or banks in Atlanta are of no competitive significance in Buckhead. Clearly, because the customers may opt to bank downtown or in Buckhead, both groups of banks are competing for Buckhead customers. The "spillover" customers and the banks among which they may choose are of competitive significance.

In ZIP code area 30329, Economic Report, (Exhibit 40), pairs C&S Park National and C&S Chamblee. Thirty-three percent of Park National's non-corporate demand deposit accounts originate in the area (Exhibit 35d), but C&S Chamblee draws only 2.8 percent from this ZIP code (Exhibit 35f). C&S Emory, on the other hand, draws 14 percent from this ZIP code area (Exhibit 35c). Moreover, the absolute number of such accounts in C&S Emory exceeds the number in C&S Park National. Thus there would appear to be competition between C&S Emory and C&S Park National for accounts in this area. Again, various offices of C&S National, Fulton National, First National, Trust Company, and National Bank of Georgia are major competitors for the accounts originating in this ZIP code area. Moreover, as Defendants' Exhibits 38 and 39 demonstrate, DeKalb County Bank and Northeast Commercial Bank are also competitors for accounts from this area.

This analysis could continue for each of the pair-wise comparisons presented in Defendants' Exhibit 40. However, I believe that it is clear that what Economic Report defines as markets are in reality mere descriptions of the areas in which many of the customers of selected banking offices reside. And, the pattern that emerges is neither surprising nor informative. Therefore, I do not believe that the Economic Report has presented any evidence whatsoever that any meaningful market has as one of its geographical boundaries any line drawn through any of the ZIP code areas discussed.

More importantly, the foregoing observations and Defendants' Exhibits 35 through 40, present a description of the process by which banks that draw customers from different areas within an

essentially homogeneous community, are linked through other banks and the customers of those banks, in a single market.

The phenomenon referred to in Economic Report as "market overlap" is the phenomenon that establishes the connection, when it is recognized that a geographic market area may--and usually does--include more than two of the sellers located in the area. The phenomenon referred to in Economic Report as "spillover," may also, under some circumstances, assist in the establishment of the connection. Suppose the "spillover" customers of a given group of banks is relatively large in comparison to all their customers. Then those banks may be expected to respond to competitive measures of banks located in the area in which those customers reside. The banks in that area will respond to the other banks, if the actual or potential "spillover" customers are relatively numerous in comparison with all customers of the former banks. Thus, even if these areas represent in some sense separate markets, each will be influenced by developments in the other. Furthermore, the area encompassing both "markets" will be a relevant area in which to assess the competitive impact of changes in the structure of either.

I believe there is sufficient difference between the treatment in Economic Report of the phenomenon referred to there as "spillover" and my own treatment of that phenomenon, to warrant a special digression. I believe such a digression can serve to bring that difference into clear focus.

Economic Report seems to contend that a bank office in, say, downtown Atlanta, that has a customer with a DeKalb County ZIP code address, has a "spillover" customer. Economic Report asserts, without substantiation, that such a bank is of no competitive significance in the ZIP code area in which that customer resides.

In the language of my analytical framework, the same phenomenon would be described more precisely as a case in which either (1) the DeKalb resident has convenient access to banks in two markets; or (2) the market in which the DeKalb resident buys banking services includes downtown Atlanta. The question of which of these statements is to be used can only be answered by determining whether such a customer (1) resides in an area in which there are sufficient banking customers and banking offices, who deal primarily with each other, to constitute a market, or (2) resides in an area in which there are so few banking offices that most of the residents bank outside the area. In the former case, he chooses between markets. In the latter case, Atlanta is in the market in which he buys banking services.

In either case, the Atlanta bank is of competitive significance since it constitutes one of the options among which he can choose. Only if the customer is one of so few such customers that no banks consciously compete for their business could the Atlanta bank be regarded as of no competitive significance.

In conclusion, in treating the problem of delineating the markets in which the impact of the proposed C&S mergers would be felt, the Baxter & Co. report ignores banks that compete with C&S banks and the customers of those banks, dismisses Fulton and DeKalb Counties by assertion, and overlooks completely the connections between markets that can be established, in part, by the phenomena its author(s) refer to as "spillover" and "overlap". The result is that the report establishes no markets at all and no useful criteria for determining the boundaries of banking markets.

E-103

c. The Questionnaire

The results of the questionnaire survey directed by Baxter & Co. must be interpreted carefully if they are to provide useful evidence relative to the present litigation.

An example of the pitfalls is given by the interpretation of results presented on pages 95 and 96 of Economic Report. The survey results are interpreted to show that 27.2 percent of C&S main office customers consider banking near home an important factor. The report then assumes that the main office is near no one's home, and therefore that many customers do not actually bank at the office in which their accounts are lodged but at one of the other C&S offices. In fact, a study I conducted in 1969 (using 1967 population estimates of the Atlanta Regional Metropolitan Planning Commission) showed that about 40 percent of the population of the City of Atlanta resided within a square area extending 3 miles in each direction from Five Points (the principal intersection of downtown Atlanta). Therefore, the 27.2 percent may very well represent customers who do in fact bank near their homes.

Much of the survey is devoted to assessing the importance of convenience to bank customers. The results are interpreted by the author(s) of Economic Report as demonstrating that convenience is quite important. I do not for a moment doubt that banking customers would prefer to find it convenient to conduct their banking business rather than inconvenient. However, since (1) it is possible right now for most banking customers in most locations in Fulton and DeKalb Counties to choose a bank with branches, and (2) the Baxter and Co. report asserts that C&S will open de novo branches if the mergers are blocked, and (3) many of the results defy interpretation,

it is not clear to me that these results of the survey offer any economic evidence in favor of the mergers.

On page 103, the author(s) report that 25 percent of the respondents found it important to maintain a C&S relationship and 40 percent found it important to bank at the nearest C&S bank. These results are mildly surprising since the questionnaires were sent only to people who are currently customers of C&S. I would have expected higher percentages.

The questionnaires were mailed to 17,334 personal checking account customers. Responses were received from less than one-fourth of these customers. Nevertheless, a sample of 4,000 should be quite adequate if those who respond are representative of the attitudes of all customers. If, however, the respondents represent principally those whose attitudes toward C&S are favorable, then the 25 percent and 40 percent results cited above would be very poor proxies for all C&S customers.

In the section of Economic Report dealing with the survey results and elsewhere, the author(s) suggest that independent banks are not viable in a metropolitan community. Much compelling evidence to the contrary is available. For example, in studying the effects of mergers on competition, Horvitz found:

> "When branching results in a de novo branch competing with a unit bank above minimum size (say, $5 million), the well-managed unit bank can hold its own. This is not to say that the unit bank is not hurt by entry of the branch, but the damage to the unit bank is done by loss of its monopoly position rather than by cost advantages of the branch." 5/

5/ Paul M. Horvitz, "Branch Banking, Mergers, and Competition." In Banking and Monetary Studies, U. S. Comptroller of the Currency, 1963, p. 315.

On the same subject Roland Robinson concluded:

> "... even in the areas of widespread branch banking, some unit banks have not only survived but have prospered. In other words, a well run unit bank can not only survive the competition of branch banks, it can fight them on their own grounds and win." 6/

In my own study in the area of banking markets and competition, I have come across no evidence that suggests that banks of the size of those involved in the proposed mergers can not succeed. Moreover, my interviews with the chief executive officers of several of the many independent banks which do now exist in the area revealed that they expect to survive and to compete effectively.

My assessment of the survey results can be summarized succinctly, as follows:

1. The survey questionnaires were mailed only to current C&S customers, thereby severely limiting the applicability of the results to the question of attitudes of all Atlanta area banking customers.

2. It is not possible to determine the extent of departure of the sample produced by the returned questionnaires from a random sample.

3. The structure of the questions asked was such that the results lend themselves to numerous plausible interpretations.

6/ Roland I. Robinson, "Unit Banking Evaluated," in Banking and Monetary Studies, U. S. Comptroller of the Currency, 1963, p. 2[illegible].

4. In general the arguments the author(s) base on the survey results appear to be arguments favoring de novo branch banking rather than branching by mergers.

3. Convenience and Needs

In discussing the point relative to markets, I pointed out that available evidence, as I read it, flatly rejects the SMSA as a relevant area in terms of the competitive impact of the proposed mergers. Moreover, even if it were the relevant area, there is no evidence that suggests the convenience and needs of customers would be better served if the mergers were consummated than they could be by some alternate approach--de novo branching, for example.

Economic Report also suggests that the banks proposing to merge now receive, and can in the future receive if the mergers are permitted, important services from C&S National. If the mergers are blocked, it is argued, the banks will lose these services. Thus, their customers would be inconvenienced.

However, my interviews with independent bankers revealed that most of the services referred to are available through correspondent relationships. Moreover, other large Atlanta banks are readily accessible in the areas of the proposed mergers so that those customers who require or prefer large bank services would have access to them from those sources. Finally, Economic Report asserts that de novo branches of C&S will be opened in these areas if the mergers are blocked.

Consequently, I would not predict any significant adverse effect on convenience and needs of customers as a result of the mergers being blocked.

4. Concentration of Banking in The SMSA

Again, since I do not consider the SMSA a relevant section of the country in which to assess the competitive implications of the proposed mergers, I see no significance in concentration ratios in the area.

It might be noted, however, that the fact that most SMSAs are relatively highly concentrated does not, in my judgment, lead logically to the conclusion that concentration must be good for SMSAs. Moreover, concentration ratios of the two largest banks do not confirm the view that the Atlanta SMSA is relatively unconcentrated.

5. Credit Allocation

I find the results of statistical studies on the implications of branching structure for the quality of credit allocation, mixed and somewhat ambiguous. Nonetheless, on purely economic grounds I believe that within fairly broad limits legislation that permits branch banks has much to commend it. However, I know of no evidence whatsoever that supports a view that branching by merger in an urban area in which branching de novo is permitted, is necessary to improve credit allocation.

6. Concentration Ratios

I agree that concentration ratios do not directly measure performance of a banking system. However, numerous studies have found a statistical relationship between various measures of concentration and measures of performance. The higher the concentration, the less satisfactory the performance. There are also studies that did not find such a relationship, at least between concentration and rates charged to business customers.

In terms of the present case, concentration ratios may be the best of available measures. I certainly cannot accept the contention in Economic Report that number of banking offices is a suitable measure. If that were the case, one could conclude that a single bank with 200 offices would represent "good" performance in Atlanta banking. This conclusion is incompatible with the traditional suspicion that monopoly generates "bad" performance.

The number of banks is also an imperfect measure, as the author(s) of Economic Report correctly point out. However, in a contradictory statement they argue that the Atlanta SMSA has an "adequate" number of competitive banking alternatives, and that these suggest "the presence of vigorous competition." (p. 52) However, to interpret the degree of competition between a given number of banks it is important to have some indication of the relative importance of the various banks. Concentration ratios are used precisely because they give a more refined measure of competition than one that is found by simply summing participants of widely disparate importance.

In the face of actual current concentration, the only plausible means of relieving that concentration are through the growth of existing small competitors or through entry by new competitors. This is far from suggesting "proliferation of banks" or "maximizing the number of banks," as Economic Report suggests. It simply suggests that to merge several of the potentially deconcentrating banks into the area's largest bank diminishes the possibility of developing more vigorous banking competition.

7. Economies of Scale

Many studies have been conducted in an effort to measure any scale economies that might be present in banking.

Meltzer, after reviewing many of these studies, concluded:

> "If there are important economies of scale in banking, they are hard to detect and to realize." 7/

Horvitz, in the paper cited in point 6, reports that:

> "Most studies of bank costs have found that there are substantial economies as banks increase in size from very small to moderate size, but that the average cost of a $5 million bank are not significantly higher than those of a $500 million bank."

Horvitz and others are in essential agreement that scale economies may be present for banks up to the $5 million size and that beyond that size no economies are realizable until the $500 million size class. He has also argued that four $15 million unit banks can be operated at a lower unit cost than a $60 million branch bank.

All the banks involved in the proposed mergers have $5 million or more in deposits, and since C&S National is now far beyond $500 million, the addition of the merged banks would be unlikely to generate significant scale economies, if indeed any exist. Therefore, it seems unlikely that scale economies, if any exist, have any economic relevance to the mergers that are the subject of this litigation.

I have treated point 8 to the extent that I feel my competence permits, in commenting on the earlier points. I do not feel that it is within my competence to assess the nature of present or past relationships between the various banks.

Point 9 has also been treated in the course of my earlier comments. I should like to turn now to a summary of my reactions to the Baxter & Co. paper.

7/ Allen H. Meltzer, "Major Issues in the Regulation of Financial Institutions," Journal of Political Economy, Supplement, August 1967.

As my earlier observations imply, I consider the sections dealing with banking markets the most important sections in terms of the economic implications of the proposed mergers. By failing to examine aggregated data for Fulton and DeKalb Counties, and by concentrating on areas from which selected pairs of C&S banks only, draw customers, I believe the study missed the opportunity to discover meaningful dimensions of Atlanta area banking markets.

For the reasons given above, I cannot criticize Economic Report's geographic delineation of markets, because it gives none. The remainder of the relevant sections of Economic Report treat "attitudes" of some C&S customers, the relative merits of branch versus unit banking, banking concentration in the Atlanta SMSA, and economies of scale.

The attitude survey, which was conducted by questionnaire, is of limited value because the questions do not elicit answers that lend themselves to clear interpretation, we do not know who responded, and the questions were asked of current C&S customers only. Branch banking versus unit banking is not the question involved in the litigation. The question deals with specific proposed mergers in specific places. Descriptions of banking in the SMSA are not relevant since the SMSA overstates the "section of the country" in which the economic consequences of the mergers would be felt. Economies of scale are not likely to be gained or lost as a consequence of the proposed mergers.

In conclusion, it is my judgment that Economic Report offers no economic support for the mergers and, moreover,

fails to provide useful criteria for an assessment of the economic implications of those mergers.

SAMUEL L. SKOGSTAD

Sworn to and subscribed before me this 25th day of August, 1972.

Notary Public

Public, Georgia, State at Large
My Commission Expires May 10, 1975

GX-106 A

MEMORANDUM IN SUPPORT OF APPLICATION
OF TRUST COMPANY OF GEORGIA TO MERGE WITH
TRUST COMPANY OF GEORGIA BANK OF SANDY SPRINGS
AND
PEACHTREE BANK AND TRUST COMPANY

This memorandum accompanies an application before the Board of Governors pursuant to the Bank Merger Act (12 U.S.C. § 1828(c) (1964)), by Trust Company of Georgia, Atlanta, Georgia, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of (a) Trust Company of Georgia Bank of Sandy Springs, and (b) Peachtree Bank and Trust Company, into Trust Company of Georgia under the charter and title of Trust Company of Georgia.

STATEMENT OF FACTS

Trust Company of Georgia, Atlanta, Georgia ("Applicant") with total deposits of $463 million, has applied, pursuant to the Bank Merger Act (12 U.S.C. § 1828(c) (1964)), for the Board's prior approval of the merger into that bank of Trust Company of Georgia Bank of Sandy Springs ("Sandy Springs") which has total deposits of $3.4 million and Peachtree Bank and Trust Company ("Peachtree"), which has total deposits of $14.4 million.[1] The banks would merge under the charter and name of Applicant which is a member of the Federal

[1] Deposit figures are as of December 31, 1969.

COMPETITION

Applicant's central contention is that neither Sandy Springs nor Peachtree actually compete with Applicant now nor is there any likelihood they will be in competition in the future. First, both Sandy Springs and Peachtree are banks which were sponsored by Applicant and have, since beginning business, been closely affiliated with Applicant. Second, the enactment of the branch banking bill has created a vigorous competitive climate in the Atlanta SMSA in general, and in particular in the service areas of Sandy Springs and Peachtree where there presently exists a significant number of banking alternatives, and this number will in both instances be substartially increased when existing branch applications of other banks are approved. Third, the size of both banks really preclude either from being an effective competitor of Applicant, and although there is some overlap of their service areas, neither bank in any meaningful sense competes with Applicant.

A. Sponsored Affiliation Between Applicant and Sandy Springs and Peachtree. Applicant sponsored the organization of both Sandy Springs and Peachtree, because population and business in the northern most part of the SMSA was expanding rapidly, and consequently there was a serious need in that area for convenient banking service. Since Georgia law prohibited branching in this area, Applicant chose to sponsor the organization of affiliated

banks in those areas now served by Sandy Springs and Peachtree.

The Federal Reserve Board has recognized the principle that a sponsor's acquisition of sponsored affiliate banks is not actually anticompetitive with respect to either existing or potential competition. See, e.g., American Bancorp., Inc., 1970, FED. RES. BULL. 391; Citizens Bancorporation, 1970 FED. RES. BULL. 81; Broward Bancshares, Inc., 1970 FED. RES. BULL. 84. The Board reasons that there is no real competition between the sponsored affiliated banks, and that there is, in that situation, no likelihood of disaffiliation. See City National Bank Corporation, 1970 FED. RES. BULL. 367, 369

(i) Peachtree - Peachtree, chartered in March of 1960, was organized primarily by directors, officers and customers of Applicant. Peachtree has been affiliated with Applicant since that time through common ownership and shareholders. Applicant has provided Peachtree with various officers and employees, including three chief executive officers, and Applicant has assisted Peachtree by periodically providing credit surveys, credit memorandum review and advice on large or unusual loans, audit services, accounting systems and automated bookkeeping services. Peachtree has always enjoyed a close relationship with Applicant, which has,

since its inception consulted with Applicant on various matters of operations, policy and investments. Applicant has always been the sole local correspondent of Peachtree. At the same time, Applicant has always recognized the independent nature of Peachtree and has not managed or controlled Peachtree. There is no indication that the close relationship which exists between Applicant and Peachtree is likely to change in the foreseeable future, regardless of the Bank's action with respect to the present operation.

(ii) Sandy Springs - Sandy Springs was chartered in November of 1966 and began business in April of 1967. From its inception to the present time, there has always been a close relationship between Sandy Springs and Applicant, including a close similarity of names. The organization of Sandy Springs was guided by Applicant, and Sandy Springs was actually organized by several of the outside directors of Applicant who were and remain its principal stockholders. Applicant and Sandy Springs have been affiliated through common ownership and shareholders since the inception of Sandy Springs. Applicant has provided Sandy Springs with various officers and employees, including two chief executive officers and has offered credit review and advice, auditing and automated bookkeeping since it opened. As with Peachtree, Sandy Springs has always maintained a close relationship with Applicant and Sandy Springs has sought the advice of Applicant on matters of operation, policy and investments. Applicant

is Sandy Springs' sole correspondent bank. Nevertheless, Applicant has always recognized the independent nature of Sandy Springs and does not manage nor control Sandy Springs.

From the outset the purpose of the organizers of both Sandy Springs and Peachtree was clear: To develop the substantial new banking market opening up in suburban Atlanta north of its city limits, so that when the Georgia branch banking law permitted, Applicant could apply to the supervisory authorities for permission for the two banks to merge into and become offices of Applicant. Thus, while neither bank has been managed or controlled by Applicant, both banks have benefitted from the sponsored affiliation with Applicant.

In view of the close relationship which has existed between Applicant and Sandy Springs and Peachtree, it may be reasonably concluded that neither present nor potential competition would be foreclosed by this merger of the application.

This application is, from the standpoint of competition, substantially identical to two merger applications approved by the Board on October 27, 1970. See Georgia Railroad Bank & Trust Company, Federal Reserve Board Press Release, October 27, 1970, (two opinions both not yet reported in the Federal Reserve Bulletin). Those two applications arose, as does Applicant's, from the change in the Georgia branch banking law.

The Georgia Railroad Bank & Trust Company, which controls about 49% of the deposits in Richmond County, Georgia, and maintains six offices in Augusta and in Richmond County, Georgia, sought approval to merge with one bank which had 1.5% of the deposits of Richmond County, Georgia, and another which had 2% of the deposits of Richmond County, Georgia. The Board approved both applications, noting that in both instances the small banks were sponsored affiliates of the large bank. The Board stated in both cases that the sponsored banks had been closely affiliated since their inception by common ownership and common shareholders, that the large bank had provided both sponsored banks with offices, employees and chief executive officers, that the sponsored banks had relied to a substantial extent on the large bank in their operations and that the large bank was the principal correspondent bank for the two small banks and assisted both of them with investments, advice on loan applications, handling of money supply, computer operations and solicited customers for the small banks' credit card program.

In the present case, Applicant's share of the relevant market, 15.34%, is substantially smaller than the Georgia Railroad Bank & Trust Company's 49% share of its relevant market. Moreover, Applicant's two sponsored affiliates have a much smaller share of their relevant market deposits than the two affiliates involved in the Georgia Railroad Bank & Trust Company merger. Sandy Springs has .11% of the market and Peachtree has .48% of the market, whereas

in the Augusta situation, one of the sponsored affiliates had 1.5% of the market and the other had 2% of the market.

Under the ruling in the Georgia Railroad Bank & Trust Company case, neither potential nor actual competition would be foreclosed by Applicant's acquisition of Sandy Springs and Peachtree.

Major Georgia banks developed the concept of sponsored affiliation because market demands could not be adequately satisfied within the framework of existing branch banking laws.

Early in the nineteen sixties Atlanta banks realized that the rapidly expanding population in the Atlanta SMSA combined with population shifts to suburban areas required substantially increased banking services in those suburban areas.

Since 1927 Georgia enacted a series of statutes prohibiting the establishment of additional branch bank offices outside of the incorporated area where the main office or an existing branch of a bank was located. Furthermore, in 1956, bank holding companies were prohibited by Georgia law from acquiring more than 15% of the voting stock of more than one bank and this percentage was reduced in 1960 to 5%. Since 1964, there has been continuous and substantial efforts made by Georgia banks to liberalize the restrictive branch banking laws. Finally in 1970, a county-wide branch banking bill was enacted and this statute, which will become effective on January 1, 1970, will allow branching throughout

Fulton and DeKalb counties, which comprise the heart of the Atlanta SMSA.

B. The Georgia Branch Banking Bill of 1970 Will Greatly Increase Competition in the Service Areas of Both Sandy Springs and Peachtree.

The enactment of the Georgia branch banking bill of 1970 means that in addition to plentiful banking alternatives presently afforded to the service areas of both Sandy Springs and Peachtree, those service areas will be flooded by branches of the major Atlanta banks.

(i) Sandy Springs - There are presently four competing bank ofrices within a three-mile radius of Sandy Springs. Three of these are branch offices of major Atlanta banks and one is a bank affiliated witn a major Atlanta bank. Furthermore, in addition to the existing four bank offices, there are presently pending eight applications for bank offices within a three-mile radius of Sandy Springs. Seven of these eight new bank offices would be branches or predominantly owned affiliates of major downtown Atlanta banks. This means that within a three-mile radius of Sandy Springs, there will be twelve offices competing to some degree with Sandy Springs.

(ii) Peachtree - In the Peachtree service area there are presently five bank offices within a four-mile radius. Four of

Customer Service Comes First

GX-107

Date: June 5, 1972

To: Bank Managers - National Bank
Presidents - Affiliate Banks
Presidents - Correspondent Associate Banks

For some time we have encouraged all lending personnel to handle as many small time loans as possible on CAS, particularly those under $600. In most instances this is more economical for the customer and much less costly for the bank. In such cases where this is entirely unacceptable to the customer, we for several years have had a policy of assessing a $10 base charge plus interest on all time notes under $5,000 in an effort to partially offset our costs. During the first five months of this year we collected $312,530 in base charges systemwide, however, in cases where we waived the $10 base or used some other figure we missed an income opportunity of almost $150,000.

As the Bank Examiners have questioned our $10 base charge on small L&D notes, it becomes more important than ever that we use CAS wherever possible - as you will see.

Going ahead we will in certain instances operate under the Georgia Industrial Loan Act which will necessitate a flat charge instead of a base plus interest. Loans renewed for six months or less cannot be charged a second base charge, and new loans made to a customer less than fifteen days after a loan pays out will be exempt from the charge. Thus the use of realistic final maturity dates at the inception of the loan is most important. A complete schedule of new charges and rate charts, effective immediately, are attached.

We are trying to devise a system of billing small 30-, 60-, 90-day notes through CAS so the customer will get a bill for principal and charges just prior to maturity date, without involving monthly statements or minimum payments - but this will take a few minutes.

If you have any questions, call Howard Starks at 588-2341 or Enoch Prow at 588-3787.

Dan

R. Dan Handley, Jr.
Executive Vice President

Interoffice Memorandum

E- 121

GX-108

Customer Service Comes First

Date: May 11, 1972

To: Branch Managers, National Bank
Presidents, Affiliates & Correspondent Associates

As previously announced, the best rate is 5% as of May 3, 1972. Unless you are notified otherwise, please continue to use the Commercial Loan Rate Chart dated April 17, 1972.

Charlie (JJ)

Charles A. Pfaff
Branch Supervision
2 Main

CAP/ww

E-122

Interoffice Memorandum

GX-109

Customer Service Center Mail

Date: May 4, 1972

To: Billy Dallas
Ed Johnson
Merriell Autry

As you know, we have a legal holiday scheduled for Monday, May 29th. In order to provide our folks with a long weekend, let's plan to keep our banks open Wednesday, May 24th and closed Saturday, May 27th. This will require action by your Board, authorizing the changing of the permissive closing day during this week.

Let's be sure that we notify ahead of time all merchants in our community that are dependent upon Saturday banking, and also publicize at least one week in advance that we will be closed on Saturday, May 27th.

If you have any questions, please give me a call.

John F. Ingram, Jr.
Vice President

JFI/fsh

cc: Mickey Newbury
Mike Moye
Charlie Pfaff

GX 109 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

Mickey,
A memo also sent to Scott Fuller, Henry County & College Park + North Georgia.

E- 123

Interoffice Memorandum

GX-110

Gustave or Carville Comes First

Date: April 18, 1972

To: Branch Managers
Presidents of Affiliates
Presidents of Correspondent Associates

Effective April 17, 1972, our "Best Rate" is 5-1/4%.

A new Rate Chart will be coming out.

Charles A. Pfaff
Vice President

CAP/fsh

GX	110 for
IDENTIFICATION	
OFFERED	
RECEIVED	
EXCLUDED	
WITHDRAWN	

E-124

Interoffice Memorandum

GX-111

Customer Service Comes First

Date: March 29, 1972

To: Branch Managers, National Bank
Presidents, Affiliates

The C&S "Best Rate" was increased from 4 3/4% to 5% as of March 28, 1972.

This increase is indicative of a trend in interest rates which I think we all need to be aware of. The downward pressure on rates appears to have eased and in our judgment rates have bottomed out and will trend upward throughout the remainder of the year. Our best guess is that the C&S "Best Rate" will reach 5½% within the next six months.

One of the best ways to maximize our yield during a period of rising interest rates is to keep time loans on relatively short maturities. At the same time in negotating a fixed rate for term loans we need to keep these trends in mind and aim for a rate higher than if it were floating with the "Best Rate".

We continue to have plenty of money to lend and our rate structure is competitive. Let's be sure that we continue to take into consideration our over-all relationship with the customer before arriving at a rate which is fair both to the customer and to the bank.

Some caution is advisable in the area of real estate loans and commitments where we are lending on an interim basis without the protection of a firm take-out. If we feel that short term rates are firming up there is no reason to believe that the long term rates will get any softer. We should encourage all customers who are attempting to arrange long term financing to do so as soon as possible.

We will try to keep you informed of changes in rates and trends as they develop.

Charles A. Pfaff
Branch Supervision
2 Main

CAP/ww
c: Presidents of Correspondent Associates (for information)

Interoffice Memorandum

E- 125

GX-112

Customer Service Comes First

Date: February 18, 1972

To: Branch Managers, National Bank
Presidents and Managers, Affiliates and
Correspondent Associates.

Re: C&S Best Rate

As of Thursday, February 17, 1972, the C&S Best Rate is 4 3/4%. Other rates remain as stated in the commercial loan rate chart dated 1/17/72.

Residential construction loan rates have been lowered by our Real Estate Department from 8½% to 8% plus a 1% fee. Their rate to prime volume builders where we get all permanent loans is 7½% plus 1%, so let's be guided accordingly.

Many of our customers continue to be extremely rate conscious, and we do not want to lose good loans or customers because of rate. Please give me a call if you have any questions.

Many thanks.

Charles A. Pfaff
Branch Supervision
Main - 2

CAP/pm: 2447

GX 112 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

E-126

Interoffice Memorandum

GX-113

Customer Service Comes First

Date: February 1, 1

To: Branch Manage . National Bank
Presidents a... Managers, Affiliates and Correspondent Associates

Re: Commercial Loan Rate Chart

Enclosed are copies of the revised commercial loan rate chart which we discussed at our meeting at C-S-ta. Copies should be distributed to all lending officers in your office.

I think Gordon Trulock's memorandum, which is enclosed, is self-explanatory. We have money to lend, but we want good loans with a proper return. At the present time we're shooting for a minimum yield on short term loans to our best commercial customers of 7¼%. We feel we can be competitive in the Atlata money market with this target; however, we certainly don't want to miss opportunities to make good loans by not giving a little when our relationship with a customer justifies it.

Please call if you have any questions.

Charles A. Pfaff
Branch Supervision, Main - 2

CAP/pm: 2447

GX	113 for
IDENTIFICATION	
OFFERED	
RECEIVED	
EXCLUDED	
WITHDRAWN	

E- 127

Interoffice Memorandum

GX-114

Customer Service Comes First

Date: September 28, 1971

To: Branch Managers, National Bank
Presidents, Affiliates and Correspondent Associates

Attached are some very good guidelines for term loans that were worked up by Gordon Oliver. Let's make sure that everyone making this type loan has an opportunity to read Gordon's suggestions. In fact, the attached should be required reading for all lending personnel. Our loan portfolio will certainly improve by adhering to his advice.

John L. Hungerbuhler
Assistant Commercial Credit Officer

pm

cc. Don Ingram
Mike Moye
Gordon Oliver

GX 114 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

E-128

September 17, 1971

GUIDE LINES FOR SMALL BUSINESS TERM LOANS

These standards are written as guidelines only to help in understanding what are considered to be good lending practice at C&S. Exceptions to any of these guidelines are expected from time to time, but it also follows that they would be recognized as exceptions which should be explained in the memo to file and should be off set by other strengths in the credit.

(1) Maturities - monthly repayment should be required with a maximum maturity of sixty months. Normally, maturities on loans to finance equipment and rolling stock should not exceed 36 months. Quarterly payments are acceptable if it really best suits the source of repayment.

(2) Collateral - because of the extended maturity (more than one year) loans should be secured to the extent possible, preferably fully secured. An alternate method of repayment should be explored in case earnings do not materialize as expected to repay the loan. Look for collateral outside the business (stocks, real estate, etc. of principals.)

(3) Down payment requirement - if we are relying on the collateral, the depreciated value of the collateral should always exceed the outstanding principal balance of the loan. This is particularly true in rolling stock and equipment financing so the actual minimum cash payment requirement would range from 10% to 25% of the cash purchase price of the equipment or rolling stock.

(4) Endorsement of principals - In closely held Corporations, the principals should always be required to endorse to ensure their continuing interest in the company.

(5) New business venture - one-half of the capital requirements should be in the form of equity. In other words, we would not want to lend more than the owners have in the business. There will be many exceptions to this guideline, however, other factors such as personal assets of owners or outstanding chance of success coupled with good management expertise and proven individual performance and character should off set the deficiency in equity capital.

(6) Cash flow adequacy - net income plus non-cash charges should equal 1½ times the total term debt payment requirement. In this, term debt to others should be considered as well as our loans. If the loan is in an individual name then the individual's net income less expenses should be 1½ times the debt service requirement.

(7) Thorough Credit Investigation - On all company names, current D&B reports should be required and on each individual (including principals in closely held Corporations), credit bureau reports, or equivalent information in each case, plus other credit background information, such as bank reports on previous experience and/or direct verification with creditors, where necessary.

(8) Financial statements - financial statements should be obtained which are adequate to support the credit requested. As a rule of thumb, statements should be obtained on any borrower whose debt exceeds $2,500 (whether it is secured or unsecured), and as a general rule in term lending, statements should be reviewed as far back as the maturity of the loan is in the future; that is, in considering a three year loan, three previous years statements should be analyzed to denote trends, progress, etc.

(9) Statement follow-up - Statements should be required annually on all loans that exceed $25,000 initially. Actually, quarterly statements are preferred on term loans because of the additional risk generally inherent with this type loan. Quarterly statements are required on any loans rated three or four and on any loans that exceed $15,000 if any part of the loan is unsecured or for working capital purposes.

(10) Key-Man Insurance - In small one or two man operations, life insurance pledged to the Bank should be required on loans if over $25,000.

(11) Documentation - documentation should be completed before proceeds of the loan are disbursed.

(12) Required information for analysis - this information should always be obtained before decision is made and before proceeds are disbursed.

(13) Term Loan Agreement - A Term Loan Agreement should be considered in any case where the loan is (1) for working capital purposes, or (2) where any portion is unsecured or (3) cash flow does not exceed debt retirement by 1½ times, and

the amount financed is over $25,000 (coupled with any one of the first three conditions). Specific requirements and controls in the Term Loan Agreement should be considered such as restrictions on officers' salaries, dividends, control of purchase and sale of fixed assets, etc., rather than just have the customer sign another form.

(14) Information in the file - A memorandum should always be placed in file (the reverse of the Commercial Discount Sheet - Business may be used) stating the purpose of the loan, the source of repayment, the collateral and value, brief financial analysis including an analysis of the cash flow adequacy, collateral benefits and any exceptions to normal policy such as those indicated in these guidelines.

(15) Ask for assistance - lending personnel are expected to know when they need assistance and ask for it, whether in the area of policy guidelines, documentation, analysis, or otherwise.

Gordon

A. Gordon Oliver
Vice President

Additional sources of information on terms, policies and general discussion of term loans:

(1) Term Loan Checklist - ILD Operating Guide, O.T.C., CSC page 8 of 8.

(2) Loan Administration Manual - Chapter 11 "Term Loan."

GX-115

Customer Service Comes First

Date: July 28, 1971

To: Branch Managers
Presidents of Affiliates
Presidents of Correspondent Associates

The discount rate increased from 4-3/4% to 5% effective July 19th. The commercial loan rate chart distributed to you last week carried the old rate of 4-3/4%.

Let's also remember that this rate chart reflects minimum rates, and there really should not be a reason for handling any loan below this minimum.

John F. Ingram, Jr.
Vice President

GX	115 for
IDENTIFICATION	
OFFERED	
RECEIVED	
EXCLUDED	
WITHDRAWN	

E-132

Interoffice Memorandum

GX-116

Customer Service Comes First

Date: July 26, 1971

To: Branch Managers, National Bank
Presidents, Affiliates and Correspondent Associates

We're still having too many loans put on at an interest rate below the rates suggested by the new rate chart. Remember, the rate chart indicates the minimum we should be charging.

Let's take a real hard look at what we're charging and get the rates up where they belong.

Many thanks.

John L. Hungerbuhler
Assistant Commercial Credit Officer

pm

GX 116
IDENTIFICATION for
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

E- 133

Interoffice Memorandum

GX-117

Customer Service Comes First

Date: June 17, 1971

To: Branch Managers, National Bank
Presidents, Affiliates and Correspondent Associates

Re: Committee Items

It is your responsibility to ensure that on a weekly basis all new loans, lines, or commitments of $25,000 or more are reported to the Credit Committee. This should also include any borrower whose total related debt to the bank amounts to or exceeds $25,000. The Credit Department analysts will continue to screen daily loan Reports for loans that should be reported; however, this is to serve only as a double-check, and it should not be necessary for them to remind you to report your loans and commitments each week.

When reporting a loan or commitment, the following points must be covered in order for the minutes to be complete:

1) Name of the borrower (brief description of business)
2) Amount of loan or commitment
3) Purpose
4) Collateral and/or endorsers
5) Terms
6) Source of repayment
7) Rate
8) Total related debt

If possible, the credit file copy of your memorandum or new loan report covering your loan or commitment should be brought to the Committee meeting. Your memorandum will enable the management associate serving as secretary for the Committee to be much more accurate in his preparation of the minutes.

I have been quite disappointed recently in the lack of preparation and participation that is evident in our credit meetings. At a time when problem loans and losses are on the increase in practically every branch, we cannot afford a lackadaisical approach to credit review and administration. I challenge you to do a better job of credit administration, not only within your own office, but also in your contribution to your fellow managers and the bank as a whole. I would certainly welcome any ideas or suggestions that you may have, which would make our Committee meetings more effective.

Many thanks.

Charles A. Pfaff
Vice President

pm

E- 134

Interoffice Memorandum

GX-118

Customer Service Comes First

Date: February 11, 1971

To: Branch Managers, National Bank
Presidents, Affiliates and Correspondent Associates

Following our discussion of interest rates at our meeting at C-S-ta, the Commercial Loan Rate Chart has been completed, reflecting a 6% prime rate. The new rate chart is attached.

In general, the suggested rates are those which we feel are proper for the various categories. For financially sound, local companies on short term seasonal loans, we should strive for a yield of 9%, taking into consideration earnings from balances and fees on other bank services used.

In some cases, the value of the relationship and the relatively nominal risk will warrant a rate lower than those listed. On the other hand, where the full service relationship does not exist, and the risk is greater, you will want to charge a rate somewhat higher than those listed.

Charles A. Pfaff
Vice President

pm

E-135

Interoffice Memorandum

COMMERCIAL LOANS - RATE CHART

January 25, 19[illegible]

	Less Than $10,000	$10,000 To 50,000	$50,000 and Over
A. Collateral Loans - (a)			
1. Government & Municipals	7 3/4	7 1/2	7 1/4
2. Listed Securities and other marketable bonds	7 3/4	7 1/2	7 1/4
3. Cash Surrender Value	7 3/4	7 1/2	7 1/4
4. Unlisted readily marketable Securities	8	7 3/4	7 1/2
5. Unlisted - not readily marketable securities	9	9	9

	Less than $10,000	$10,000 to 25,000	$25,000 to 50,000	$50,000 and Over
B. Unsecured				
1. Commercial - (c)	8	7 3/4	7 3/4	7 1/2
2. Individual - (e)	8	7 3/4	7 3/4	7 1/2

C. Banks - Member and Non-member
1. U. S. Gov't - Atlanta Federal Rediscount Rate - 5% *
2. Municipal Bonds - 5% - or New York rate if available to bank.*

D. Special Loans
1. Secured by accounts receivable - 13% minimum
2. Security Dealers - New York rate 6% on New York Stock Exchange collateral, including "A" and better corporate bonds and "BAA" and better Municipals. Other collateral - 6½% (a)
3. On own savings account - 6%. On own savings certificates - 2% above certificate rate - 7%.
4. Loans to S&L Associations on Government Bonds - 6%. Unsecured - 6 1/4%.
5. Savings and Loan shares 7 1/2%.
6. Mortgage notes in process of sale - 6 1/4% (b)

FOOTNOTES:
(a) Preponderance of collateral by value governs.
(b) Rate not to be less than mortgage commitment rate.
(c) Prime names - 6%.
(d) Notes less than $2,000 - 8% also require life insurance.

$10.00 Service Charge plus 8% interest on all notes of $5,000 and under.

NOTE: Above 8% must be a Corporation borrowing $2,500 or more - or any loans $100,000 or more.

*Loans for a maximum period of 2 weeks related to reserve requirements. Loans in excess of 2 weeks 6%.

Employee rate - 4½%

January 25, 1971

E-136

GX-119

Customer Service Comes First

Date: February 2, 1971

To: Executive Vice Presidents - National Bank
Presidents - Affiliate and Correspondent
Associate Banks

As you know, in addition to several prime rate changes recently, a few banks have made minor adjustments in consumer rates and some have even reduced savings and certificate rates.

At this time we plan no overall adjustments in either our over-the-counter or sales finance rate structure, as the cost of money is a relatively small part of the overall cost of doing business in this area. In addition we made few if any adjustments on the up side when money was tight, primarily because we were already at the legal ceilings. In some cases where wholesale rates are tied to the prime or where the competitive situation dictates it we may make some adjustments, but they will be relatively few. If you have a specific situation you would like to discuss, please feel free to call Keith Weikle or me.

We have no objection to your looking at new quality dealers who generate desirable retail and whose wholesale requirements are reasonable, provided it means a profitable overall relationship for the bank and where the dealer is in your normal trade area. We certainly want to expand our over-the-counter business on a quality basis, not only as to dollar volume but so that we can serve more people.

GX 119 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

E-137

Interoffice Memorandum

On the time deposit side, we are willing to take 5½% one-year or 5 3/4 two-year certificate money from customers or prospects in your trade area, but we are not at all interested in attracting or accepting hot money from out of territory. Rates on CD's $100,000 and over change day to day but currently are a little less than 5%.

Holler if you have any questions.

Howard S. Starks

c: Mr. Lane
Joe Hall
Rountree Youmans
Leo Rainey
Eleanor Thornton
Retail Banking Officers

GX-120

Customer Service Comes First

December 15, 1970

Managers, National Bank
Presidents, Affiliates
Presidents, Correspondent Associates

Residential Construction Loan Rates

With the recent reductions in the prime rate, some of you with Residential Builder customers have experienced some pressure from your builders regarding constructions loan rates.

The Real Estate Department has recently lowered their residential construction rate for corporate builders to 9½% + 1% fee. For individual builders the rate remains the same as before but the fee has been increased to approximate the yield to corporate customers. The residential construction rate to individuals is now 9% + 1½% fee.

There could be exceptions to these guidelines and if so, they should be cleared through Branch Supervision.

In the case of Commercial Construction Loans please check with the Real Estate Department for the going rate.

Charles A. Pfaff
Assistant Vice President
Branch Supervision - Atlanta

CAP/pes

GX	120 for
IDENTIFICATION	
OFFERED	
RECEIVED	
EXCLUDED	
WITHDRAWN	

E- 139

GX-121

Courtesy Copy to Client

Date: November 16, 1970

To: Managers, National Bank
Presidents, Affiliates
Presidents, Correspondent Associates

From: Charles A. Pfaff
Assistant Vice President
Branch Supervision - Atlanta

Re: Prime Rate

Effective November 12 the C&S National Bank lowered its prime rate to 7½%. For the time being this will affect only those rates that are tied to the prime. All other rates will remain the same until further notice. If you should have any questions, please give me a call.

CAP/pcs

GX 121 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

E- 140

GX-122

Date: September 22, 1970

To: Managers, National Bank
Presidents, Affiliates
Presidents, Correspondent Associates

From: Charles A. Pfaff
Assistant Vice Presi[illegible]
Branch Supervision -
Atlanta

Effective today we have reduced our minimum rate to prime commercial customers to 7-1/2%.

Even though we have reduced our prime rate, we have seen no real change in either the supply of or the demand for money. Therefore we expect this reduction in the prime to affect only our prime rate customers and those loans whose rates are tied to the prime.

Other commercial loan rates are just now beginning to reach a level commensurate with today's money market. An overall yield of 10% on short term loans to local businesses should still be our minimum goal.

Certainly we can anticipate a lot of conversation about and requests for reductions in rates we are charging. Our suggestion is that all rates be carefully reviewed and where a reduction is warranted, then do it graciously. On the other hand we still have quite a few rates which still do not measure up and need to be increased.

The reduction in the prime rate should have no effect on our objective of eliminating our evergreen borrowers in L&D and reducing our exposure by tightening our controls over rated loans.

CAP:pes

GX 122 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

E- 141

GX-123

CITIZENS AND SOUTHERN SYSTEM

INTER-OFFICE CORRESPONDENCE

BRANCH SUPERVISION - ATLANTA

November 17, 1969

MEMORANDUM TO: Bank Managers, National Bank
Presidents, Affiliates

RE: Drive-In Banking Hours

Banking hours will probably always need to be flexible with variations depending upon the community and the area in which the bank is located. We have been experimenting for some time at several offices with keeping our drive-in windows open until four o'clock. Those offices that have tried this procedure report good results, particularly on heavy days when it reduces the amount of inside traffic to a considerable degree.

Let's plan to start keeping our drive-in windows open until four o'clock at every location just as quickly as this can be arranged. If this presents any special problems to any of you, please do talk to us and we will work with you to come up with a solution.

Many thanks.

Bill Dan

William L. Mathis
Vice President

John F. Ingram, Jr.
Vice President

cc: Presidents, Correspondent Associates - FOR INFORMATION ONLY

E-142

CITIZENS AND SOUTHERN SYSTEM

INTER-OFFICE CORRESPONDENCE

GX-124

BRANCH SUPERVISION - ATLANTA

September 3, 1969

MEMORANDUM TO: Bank Managers, National Bank
Presidents, Affiliates

With the present push to improve our liquidity and increase loan yields, some confusion has arisen regarding allowable interest ceilings under the present Georgia law. Briefly, here is a summary of what we can and cannot charge:

I. Individuals, Partnerships, Proprietorships, Associations

A. Loans Less Than $100,000

The maximum legal rate on time and demand loans less than $100,000 is 8% simple unless loan is secured by real estate when we can charge a maximum of 9%. All time and demand loans under $5,000 are subject to a $10 base charge. The maximum legal rate on installment loans is 6% add-on.

B. Loans $100,000 And Over

No legal maximum. We can charge any rate which borrower agrees to in writing. This applies to time, demand and installment loans.

II. Corporations

A. Loans Under $2,500

The maximum legal rate on time and demand loans is 8% and on term loans, 6% add-on. Time and demand loans are subject to a $10 base charge.

B. Loans Over $2,500

No legal maximum. We can charge any rate agreed upon by authorized officials of the corporation. This applies to time, demand and term loans, however, we should have a signed corporate resolution as proof of this agreement.

Generally, on local companies, we are shooting for a minimum yield on short-term funds employed of 2% over the current prime. Term loans carry more risk because of their nature and length of repayment and should therefore carry a higher yield. A current list of suggested yields for term loans is attached.

Please do let me know if I may be of help or if you have any questions.

Charles A. Pfaff
Assistant Vice President

cc: Presidents,
Correspondent Associates - FOR INFORMATION ONLY

E- 143

TERM LOANS - (Suggested Yields)

Amount & Terms	Secured	Unsecured
Under $25,000		
1 - 5 years	6 add-on	6 add-on
$25 - $50,000		
1 - 5 years	6 add-on	6 add-on
$50 - $100,000		
1 - 5 years	11.25	11.50
5 - 10 years	11.75	12.00
$100 - $250,000		
1 - 5 years	10.75	11.00
5 - 10 years	11.25	11.50
$250,000 and up		
1 - 5 years	10.50	10.75
5 - 10 years	11.00	11.25

The maximum legal rate to individuals, proprietorships and partnerships is 6% add-on plus insurance cost unless the principal amount exceeds $100,000.00. Loans to corporations in excess of $2,500.00 are not governed by this regulation provided the higher rate is agreed upon by authorized officials of the corporation.

Rev. 6/9/69

GX-125

CITIZENS AND SOUTHERN SYSTEM

INTER-OFFICE CORRESPONDENCE

BRANCH SUPERVISION - ATLANTA

June 24, 1969

MEMORANDUM TO: Bank Managers, National Bank
Presidents, Affiliates

Enclosed is a memorandum and revised rate chart from Gordon Trulock. As always, the chart reflects the minimum rate which should be charged. All of us are aware of the 8% ceiling on loans to individuals, partnerships, etc. of less than $100,000 and to corporations of less than $2,500. This means we need to continue our restrictions on new loans and put even more emphasis on converting individual L&D's to monthly or quarterly repayment with an add-on rate. Loans to local corporations should carry a rate of at least 10%.

All loan requests should be reviewed thoroughly and any which are not absolutely essential to normal operations of a customer should be discouraged or declined.

Please give me a call if you have any questions.

Charles A. Pfaff
Assistant Vice President

cc: Presidents, Correspondent Associates - FOR INFORMATION ONLY

E- 145

GX-126

CITIZENS AND SOUTHERN SYSTEM

INTER-OFFICE CORRESPONDENCE

BRANCH SUPERVISION - ATLANTA

June 9, 1969

MEMORANDUM TO: Bank Managers, National Bank
Presidents, Affiliate Banks

The recent prime rate increase has necessitated a speed-up of plans we had for L&D loans July 1, 1969, in line with Truth in Lending, Regulation Z.

Obviously, with the prime at 8½%, we should discourage L&D borrowings (at 8%) for the average borrower. We should attempt to place these loans on the quarterly reduction (6 add on) rate chart, or CAS Instant Money.

There may still be instances where a time note will still be to the benefit of the borrower. In these cases, and effective immediately, there will be interest at 8% charged, and a $10.00 service charge. Life insurance, if placed on the note, will be an additional 1.25%. However, 8% is the maximum rate that can be charged an individual as interest and shown on the note.

The same rates will apply to all renewals, also.

Dan

R. Dan Handley, Jr.
Executive Vice President

cc. Presidents, Correspondent Associate Banks, -- FOR INFORMATION ONLY

E- 146

CITIZENS AND SOUTHERN SYSTEM

INTER-OFFICE CORRESPONDENCE

BRANCH SUPERVISION - ATLANTA

March 18, 1969

MEMORANDUM TO: Bank Managers, National Bank
Presidents, Affiliates

With the increase in the prime rate to 7.5% and the maximum rate to individuals at 8%, we really find ourselves in a squeeze. Loan emphasis should be on liquidity and developing deposit relationships which increase our yield.

Rates on all L & D loans except prime customers should be adjusted to 8%. On loans to corporations where the amount borrowed exceeds $2,500, we can exceed 8% by agreement. This should be done where the risk and cost of servicing justify it, and we do not have profitable balances which increase our yield. Of course, any loans to companies not related to short-term or seasonal needs should be placed on an installment basis at an add-on rate.

Permanent or semi-permanent investment-type loans to individuals should be discouraged. Loans to individuals should be placed on monthly or quarterly installments with an add-on rate; except true short-term loans which will definitely be repaid in one lump sum within twelve months. L & D loans to individuals already on the books which are scheduled to be renewed with reductions should be placed on an installment basis..

The rate on real estate development and construction loans is now 9% plus 1% fee. This rate can be charged only to corporations by agreement since even under the new law, the maximum rate on real estate loans to individuals is 9% <u>including the fee</u>. This, in effect,means that we will be unable to extend construction loans to builders operating in their individual names or through partnerships. We are still not making speculative real estate and development loans.

If you have any questions, just give me a call. Many thanks.

Charles A. Pfaff
Credit Review Officer

cc: Presidents, Correspondent Associates - FOR INFORMATION ONLY
Gordon Trulock, Vice President

CITIZENS AND SOUTHERN SYSTEM

INTER-OFFICE CORRESPONDENCE

BRANCH SUPERVISION - ATLANTA

January 29, 1969

MEMORANDUM TO: Bank Managers - National Bank
Presidents - Affiliates
FOR INFORMATION ONLY TO Presidents - Correspondent Associates

Attached is a term loan suggested yield sheet, together with the converter to convert simple interest to add-on, and a memo from Jim Green discussing term rates in general.

All of you have a January 7, 1969 minimum rate chart. We should be firm in our relation with the customer and in all cases get the proper rate. Remember, of course, that the minimum rate chart is exactly what it says, and that is a minumum. Other factors may well cause you to charge a rate above the minimum. Our monthly yield should begin to move up.

Bill Mathis and Bruce Cowie are working on a quarterly add-on rate chart so that we can transfer a lot of our small 90-day simple interest L&D loans to a quarterly add-on basis. Until you receive their chart, you can get the proper rate from Bruce or Harold Malcolm. There is no reason why we should not begin to switch some of the loans that are currently coming due to the Installment Loan Department on this basis.

None of you should place any new construction loans on your books at a rate below 8% with a 1% fee. Many of you have corporate builders that you should be charging 8½% plus the 1%.

In general, the policy on rates is to take a firm stand and increase our yield.

John D. McIntyre
Vice President

William L. Mathis
Vice President

P.S. As of 1-30-69 L&D states that no Atlanta branches have increased their demand loan interest rates during January, 1969. Pershing Point increased theirs on December 31, and Peachtree Baker and Stewart Lakewood have each increased one rate. This should be done immediately.

CITIZENS AND SOUTHERN SYSTEM

INTER-OFFICE CORRESPONDENCE

ATLANTA MAIN OFFICE

JANUARY 23, 1969

MEMORANDUM TO: All Lending Officers

SUBJECT: Suggested Yields on Term Loans

Here is a revised chart of suggested rates for term loans. The smallest category of loans is expressed as an add-on rate and the others as simple interest equivalents. A chart showing the conversion of a simple interest rate to its add-on equivalent is also attached.

As you know, the maximum allowable rate to individuals is 8% simple interest or 6% add-on. We will need to charge our rates to individuals on an add-on basis. Loans to corporations in excess of $2,500.00 are not governed by this regulation provided the higher rate is agreed upon by the borrower. However, where we exceed these limits lending to a corporation, we should obtain a copy of the Board Resolution authorizing the payment of the particular rate.

Although these rates are higher than historical experience, they are not high in relation to today's conditions. Over the past three years, rates to the nation's prime borrowers have increased by 55%. Our term loan charges have increased at a considerably lower rate. Although we do have our banking competitors, our competition is often the commercial finance companies and our rates are below this group.

Certainly, we all have good customers who, because of balances on deposit or possibly other reasons, will warrant a lower rate. However, we should always be certain that the lower rate is in fact substantiated by these other factors. On the other hand, a higher rate is also warranted where the borrower does not offer other benefits or where the risk is above the normal standards.

James E. Green, Jr.
Vice President

JEG:EB

Enclosure

E-149

TERM LOANS - (Suggested Yields)

Amount & Terms	Secured	Unsecured
Under $25,000 1 - 5 years	6 add-on	6 add-on
$25 - $50,000 1 - 5 years	10.75	11.0
$50 - $100,000 1 - 5 years 5 - 10 years	9.75 10.25	10.0 10.5
$100 - $250,000 1 - 5 years 5 - 10 years	9.25 9.75	9.5 10.0
$250,000 and up 1 - 5 years 5 - 10 years	8.75 9.25	9.0 9.5

The maximum legal rate to individuals, proprietorships and partnerships is 6% add-on plus insurance cost. Loans to corporations in excess of $2,500.00 are not governed by this regulation provided the higher rate is agreed upon by authorized officials of the corporation.

Rev. 1/21/69

ADD-ON EQUIVALENTS *of* ACTUARIAL RATES

The actuarial interest rate shown as the left hand index is applied to the outstanding balances from month to month. The body of the table shows the equivalent "add-on" rate which would be applied to the original amount for the full term.

Annual Actuarial Rate	TERM-months								
	3 mo.	6 mo.	9 mo.	12 mo.	15 mo.	18 mo.	24 mo.	30 mo.	36 mo.
4.50	4.47	2.24	2.23	2.16	2.15	2.13	2.11	2.10	2.10
4.75	2.84	2.49	2.37	2.32	2.19	2.27	2.24	2.23	2.23
4.50	3.00	2.63	2.51	2.45	2.42	2.40	2.38	2.37	2.36
4.75	3.17	2.78	2.65	2.59	2.56	2.53	2.51	2.50	2.50
5.00	3.34	2.93	2.79	2.73	2.69	2.67	2.65	2.64	2.63
5.25	3.51	3.07	2.93	2.87	2.83	2.81	2.78	2.77	2.77
5.50	3.67	3.22	3.07	3.00	2.96	2.94	2.91	2.90	2.90
5.75	3.84	3.37	3.21	3.14	3.10	3.08	3.05	3.04	3.04
6.00	4.01	3.51	3.36	3.28	3.24	3.21	3.18	3.17	3.17
6.25	4.17	3.66	3.50	3.42	3.37	3.35	3.32	3.31	3.31
6.50	4.34	3.81	3.64	3.56	3.51	3.48	3.46	3.45	3.45
6.75	4.51	3.96	3.78	3.69	3.65	3.62	3.59	3.58	3.58
7.00	4.68	4.10	3.92	3.83	3.78	3.76	3.73	3.72	3.72
7.25	4.84	4.25	4.06	3.97	3.92	3.89	3.86	3.85	3.86
7.50	5.01	4.40	4.20	4.11	4.06	4.03	4.00	3.99	3.99
7.75	5.18	4.55	4.34	4.25	4.20	4.16	4.14	4.13	4.13
8.00	5.35	4.69	4.48	4.39	4.33	4.30	4.27	4.27	4.27
8.25	5.51	4.84	4.62	4.52	4.47	4.44	4.41	4.40	4.41
8.50	5.68	4.99	4.77	4.66	4.61	4.58	4.55	4.54	4.55
8.75	5.85	5.14	4.91	4.80	4.75	4.71	4.68	4.68	4.69
9.00	6.01	5.28	5.05	4.94	4.88	4.85	4.82	4.82	4.83
9.25	6.17	5.43	5.19	5.08	5.02	4.99	4.96	4.96	4.97
9.50	6.35	5.58	5.33	5.22	5.16	5.13	5.10	5.10	5.11
9.75	6.54	5.73	5.48	5.36	5.30	5.26	5.24	5.23	5.25
10.00	6.69	5.87	5.62	5.50	5.44	5.40	5.37	5.37	5.39
10.25	7.02	6.17	5.90	5.78	5.71	5.68	5.65	5.65	5.67
10.50	7.36	6.47	6.19	6.06	5.99	5.96	5.93	5.93	5.95
10.75	7.69	6.76	6.47	6.34	6.27	6.23	6.21	6.22	6.24
11.00	8.03	7.06	6.76	6.62	6.55	6.51	6.49	6.50	6.52
11.25	8.36	7.35	7.04	6.90	6.83	6.79	6.77	6.78	6.81
11.50	8.70	7.65	7.33	7.18	7.11	7.07	7.05	7.07	7.10
11.75	9.03	7.95	7.61	7.46	7.39	7.35	7.33	7.35	7.39
12.00	9.37	8.25	7.90	7.74	7.67	7.63	7.62	7.64	7.68
12.25	9.71	8.54	8.18	8.03	7.95	7.91	7.90	7.93	7.97
12.50	10.04	8.84	8.47	8.31	8.23	8.20	8.18	8.21	8.27
12.75	10.38	9.14	8.76	8.59	8.51	8.48	8.47	8.50	8.56
13.00	10.71	9.44	9.05	8.88	8.80	8.76	8.76	8.79	8.86
13.25	11.05	9.73	9.33	9.16	9.08	9.04	9.04	9.09	9.15
13.50	11.39	10.03	9.62	9.45	9.36	9.33	9.33	9.38	9.45
13.75	11.72	10.33	9.91	9.73	9.65	9.61	9.62	9.67	9.75
14.00	12.06	10.63	10.20	10.02	9.93	9.90	9.91	9.97	10.05
14.25	12.40	10.93	10.49	10.30	10.22	10.19	10.20	10.26	10.35
14.50	12.73	11.23	10.78	10.59	10.50	10.47	10.49	10.56	10.65
14.75	13.07	11.53	11.07	10.89	10.79	10.76	10.78	10.86	10.96
15.00	13.41	11.83	11.36	11.18	11.08	11.05	11.07	11.16	11.26
15.25	13.74	12.13	11.65	11.46	11.36	11.34	11.37	11.46	11.57
15.50	14.08	12.43	11.94	11.75	11.65	11.63	11.66	11.76	11.88
15.75	14.42	12.73	12.23	12.03	11.94	11.92	11.96	12.06	12.19
16.00	14.76	13.03	12.52	12.31	12.23	12.21	12.25	12.36	12.50
16.25	15.09	13.33	13.10	12.89	12.81	12.79	12.85	12.97	13.12
16.50	15.11	13.23	12.89	12.67	12.59	12.58	12.65	12.78	12.95
16.75	15.76	13.83	13.27	13.05	12.97	12.96	13.05	13.20	13.38

ADD-ON EQUIVALENTS *of* ACTUARIAL RATES

The actuarial interest rate shown as the left hand index is applied to the outstanding balances from month to month. The body of the table shows the equivalent "add-on" rate which would be applied to the original amount for the full term.

Annual Actuarial Rate	TERM-months								
	42 mo.	48 mo.	54 mo.	60 mo.	72 mo.	84 mo.	96 mo.	108 mo.	120 mo.
4 00	2.09	2.09	2.10	2.10	2.11	2.12	2.13	2.14	2.15
4 25	2.23	2.23	2.23	2.24	2.26	2.26	2.27	2.28	2.29
4 50	2.36	2.36	2.37	2.37	2.38	2.39	2.41	2.42	2.44
4 75	2.50	2.50	2.50	2.51	2.52	2.53	2.55	2.57	2.58
5 00	2.63	2.64	2.64	2.65	2.66	2.67	2.69	2.71	2.73
5 25	2.77	2.77	2.78	2.78	2.80	2.82	2.84	2.85	2.88
5 50	2.90	2.91	2.91	2.92	2.94	2.96	2.98	3.00	3.02
5 75	3.04	3.04	3.05	3.06	3.08	3.10	3.12	3.15	3.17
6 00	3.18	3.18	3.19	3.20	3.22	3.24	3.27	3.30	3.32
6 25	3.31	3.32	3.33	3.34	3.36	3.39	3.42	3.44	3.47
6 50	3.45	3.46	3.47	3.48	3.51	3.53	3.56	3.59	3.63
6 75	3.59	3.60	3.61	3.62	3.65	3.68	3.71	3.74	3.78
7 00	3.73	3.74	3.75	3.76	3.79	3.83	3.86	3.90	3.93
7 25	3.86	3.87	3.89	3.90	3.94	3.97	4.01	4.05	4.09
7 50	4.00	4.01	4.03	4.05	4.08	4.12	4.16	4.20	4.24
7 75	4.14	4.15	4.17	4.19	4.23	4.27	4.31	4.36	4.40
8 00	4.28	4.30	4.31	4.33	4.37	4.42	4.46	4.51	4.56
8 25	4.42	4.44	4.46	4.48	4.52	4.57	4.62	4.67	4.72
8 50	4.56	4.58	4.60	4.62	4.67	4.72	4.77	4.82	4.88
8 75	4.70	4.72	4.74	4.76	4.82	4.87	4.93	4.98	5.04
9 00	4.84	4.86	4.89	4.91	4.96	5.02	5.08	5.14	5.20
9 25	4.98	5.00	5.03	5.06	5.11	5.17	5.24	5.30	5.36
9 50	5.12	5.15	5.17	5.20	5.26	5.33	5.39	5.46	5.53
9 75	5.27	5.29	5.32	5.35	5.41	5.48	5.55	5.62	5.69
10 00	5.41	5.44	5.46	5.50	5.56	5.64	5.71	5.78	5.86
10 50	5.69	5.72	5.76	5.79	5.87	5.95	6.03	6.11	6.19
11 00	5.98	6.01	6.05	6.09	6.17	6.26	6.35	6.44	6.53
11 50	6.27	6.31	6.35	6.39	6.48	6.58	6.68	6.77	6.87
12 00	6.56	6.60	6.65	6.69	6.79	6.90	7.00	7.11	7.22
12 50	6.85	6.90	6.95	7.00	7.11	7.22	7.33	7.45	7.57
13 00	7.14	7.19	7.25	7.30	7.42	7.54	7.67	7.79	7.92
13 50	7.44	7.49	7.55	7.61	7.74	7.87	8.01	8.14	8.27
14 00	7.73	7.79	7.86	7.92	8.06	8.20	8.35	8.49	8.63
14 50	8.03	8.09	8.16	8.23	8.38	8.54	8.69	8.84	8.99
15 00	8.33	8.40	8.47	8.55	8.71	8.87	9.03	9.20	9.36
15 50	8.63	8.70	8.78	8.86	9.03	9.21	9.38	9.56	9.73
16 00	8.93	9.01	9.01	9.18	9.36	9.55	9.73	9.92	10.10
16 50	9.23	9.32	9.41	9.50	9.70	9.89	10.09	10.28	10.48
17 00	9.53	9.63	9.72	9.82	10.03	10.24	10.45	10.65	10.86
17 50	9.84	9.94	10.04	10.15	10.36	10.59	10.81	11.02	11.24
18 00	10.15	10.25	10.36	10.47	10.70	10.94	11.17	11.40	11.62
18 50	10.45	10.56	10.68	10.80	11.04	11.29	11.53	11.77	12.01
19 00	10.76	10.88	11.00	11.13	11.39	11.64	11.90	12.15	12.40
19 50	11.07	11.20	11.33	11.46	11.73	12.00	12.27	12.54	12.79
20 00	11.39	11.52	11.65	11.79	12.08	12.36	12.64	12.92	13.19
20 50	11.70	11.84	11.98	12.13	12.43	12.72	13.02	13.31	13.59
21 00	12.01	12.16	12.31	12.46	12.78	13.09	13.40	13.70	13.99
21 50	12.33	12.48	12.64	12.80	13.13	13.46	13.78	14.09	14.40
22 00	12.65	12.81	12.97	13.14	13.48	13.83	14.16	14.49	14.80
22 50	12.97	13.14	13.30	13.48	13.83	14.20	14.57	14.92	15.29
23 00	13.29	13.46	13.64	13.82	14.19	14.57	14.93	15.29	15.63
23 50	13.62	13.79	13.98	14.17	14.55	14.93	15.32	15.72	16.08
24 00	13.94	14.12	14.32	14.52	14.93	15.33	15.72	16.08	16.46
24 50	14.28	14.79	15.00	15.22	15.66	16.09	16.51	16.91	17.30

GX-134

CITIZENS AND SOUTHERN SYSTEM

INTER-OFFICE CORRESPONDENCE

BRANCH SUPERVISION - ATLANTA

May 27, 1969

MEMORANDUM TO: Bank Managers, National Bank Presidents, Affiliates

RE: Current Loan Policy

Here is a little resume of the points we talked about in our Finance Committee meetings this week regarding tight money. The bank's liquidity level is critically low. Until further notice, we must be even more restrictive in our lending activities. This will include further implementation of the following measures:

1. Loan restrictions to include
   (a) the extension of no new lines or commitments
   (b) no increases in present lines or customer's present borrowing level
   (c) no investment or speculative loans
   (d) no portfolio real estate loans
   (e) no land development loans
   (f) no loan participations to be purchased from affiliates or correspondent associates which would be contrary to this new policy
   (g) construction loan guidelines to residential builders should be cut back to approximately one-half of their previous levels

2. We should concentrate on putting all loans on a reasonable liquidation schedule. Special emphasis should be placed on all number 3 and number 4 rated loans by doing whatever is necessary to see that they are paid or substantially improved.

3. Increased attention should be given to increasing our yield on all loans. There is continued upward pressure on the present prime of 7½%. More emphasis needs to be put on placing individual L&D's on a quarterly installment basis with a 6-seasonal add-on rate. The minimum rate to most local corporations should be 9%. All personal loans of $500 and under should be made as instant money advances on CAS.

We all need to recognize the seriousness of our present loan position and work together until it eases. At the same time, we must take care of our customer's legitimate credit needs, charging a fair rate relative to the prime. Remember, we're paying approximately 9% for the funds.

Until further notice, I would like to have a brief memorandum covering any loan requests of $50,000 or more that you either decline or temporarily discourage.

Until our position improves, we will be watching new loans and rates very closely.

Many thanks.

Charles A. Pfaff
Assistant Vice President

cc: Presidents, Correspondent Associates - FOR INFORMATION ONLY

CITIZENS AND SOUTHERN SYSTEM

INTER-OFFICE CORRESPONDENCE **GX-136**

BRANCH SUPERVISION - ATLANTA

October 24, 1969

MEMORANDUM TO: Bank Managers, National Bank
Presidents, Affiliates

RE: Demand Loans

Our review of demand loans has pointed out how easy it is to lose control of the loan when it does not have a definite maturity date. Very few valid reasons for putting a loan on a demand basis were evident. In addition, the vast majority of the loans we reviewed lacked definite repayment schedules and rates were below the minimums in todays money market.

Based on the results of our review, I believe we need to accomplish the following in the area of demand loans:

1) Place present demand loans, excluding officer loans, revolving accounts receivable lines, and GHEAC loans; on a time basis with a definite maturity date. This also involves putting all new loans on a time basis with a definite maturity instead of demand.

2) Establish a definite understanding with the borrower regarding some established plan of repayment within a reasonable time.

3) Attempt to increase our rate in order to give us a yield which is commensurate with todays money market. This is especially true on those loans that will be repaid out of income which we can place on a monthly or quarterly installment basis at an add-on rate.

Please let me know if you have any questions. Many thanks.

Charles A. Pfaff
Assistant Vice President

cc: Presidents, Correspondent Associates - FOR INFORMATION ONLY

E- 155

GX-138

Customer Service Comes First

GX 138 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

Date: March 30, 1971

To: Branch Managers - Atlanta
C&S Bond Tellers

Re: C&S Savings Bonds and Certificates

Amounts less than $100,000 - Non-negotiable, multiple maturity

Our "V" and "SS" Bonds are designed for the individual saver or investor. These rates are 5%, 5½%, and 5 3/4%, guaranteed for ten years. It is our desire to maintain these rates for individuals only. Please do not issue these bonds or offer these rates to corporations, savings and loans associations, or for public funds.

Amounts of less than $100,000 - Single maturity

Our certificates of deposit rates on "S" certificates to corporations, individuals, etc. regardless of the amount will be the rate presently being paid by Money Management for deposits of $100,000 or more.

These rates currently are as follows - but could change from day to day:

30 to 59 days	3½%
60 to 89 days	3 5/8%
90 to 179 days	3 7/8%
180 to 365 days	4½%

Interest should be figured manually on all certificates having a rate of less than 5%.

Amounts of $100,000 or more - Negotiable

Please continue to issue all CD's of $100,000 and over on the negotiable form. Please do not use the "V", "S", or "SS" forms for these amounts.

Emergency Withdrawals to be Acceptable:

Emergency provision for redeeming all our certificates and bonds is now available. A general operating guide for handling these is at the printers. This should add a real sales feature to our 5-percenter account as well as the bonds.

Please refer any unusual situations to the Executive Vice Presidents.

E- 156

Interoffice Memorandum

Other banks have withdrawn from the market their 5½% and 5 3/4% certificates. This makes our rates most attractive. We are interested in investment-type funds in our territory and not "hot money" from all over the country - So, let's get some now, investment time deposits.

Eleanor J. Thornton
Assistant Vice President

cc: Executive Vice Presidents
Presidents of Affiliates
Presidents of Correspondent Associates

Customer Service Comes First

Date: January 20, 1972

To: Branch Managers, National Bank
Presidents, Affiliates and Correspondent Associates

We've recently checked into our procedures for collecting interest on commercial and residential construction loans. We find a number of discrepancies between accepted practice in different departments and branches. In an effort to be more consistent, we want to adopt the following procedures.

Commercial Construction Loans

It is standard procedure in our Real Estate Department not to accrue interest until maturity on commercial construction loans. Rather, interest is adjusted monthly and collected monthly, similar to our procedure on demand loans. This facilitates the use of floating rates, which they use almost exclusively, and which we want to adopt. Our reasoning here is that most of these loans represent rather substantial principal amounts, with maturities in excess of one year, resulting in extremely large interest accumulations if accrued.

On all new commercial construction loans, whether or not the rate floats, we want to bill our customer as of the first of each month, due and payable by the tenth, for interest calculated on the previous month's outstandings.

The current best rate on commercial construction loans is 3½% above the C&S best short term commercial rate.

Residential Construction Loans

These loans normally represent smaller principal amounts and maturities of less than one year. The major risk here is when the house is not sold by the maturity of the loan and accrued interest begins to diminish our customer's equity in the house. We want to continue our procedure of accruing interest until maturity on residential construction loans. However, should the loan remain on our books past maturity, we want to collect all accrued interest at maturity and past due interest monthly thereafter. This will enable us to maintain our customer's equity in the house and protect our margin.

We would like to institute these procedures immediately on all new loans if they are not already being used. Please call me if you have any questions.

Many thanks.

Charles A. Pfaff
Vice President

pm

Customer Service Comes First

GX-140

Date: July 20, 1971

To: Branch Managers, National Bank
Presidents, Affiliates and Correspondent Associates

The prime rate increased to 6% effective July 8, 1971. We need to adjust our rates for those customers who are tied directly to the prime, if we haven't already done so.

Many thanks.

John L. Hungerbuhler
Assistant Commercial Credit Officer

pm

GX	140 for
IDENTIFICATION	
OFFERED	
RECEIVED	
EXCLUDED	
WITHDRAWN	

E- 160

CITIZENS AND SOUTHERN SYSTEM

INTER-OFFICE CORRESPONDENCE

BRANCH SUPERVISION - ATLANTA

GX-142

April 8, 1969

GX	142
IDENTIFICATION	
OFFERED	
RECEIVED	
EXCLUDED	
WITHDRAWN	

MEMORANDUM TO: Presidents, Affiliates

The Comptrollers Department is trying to prepare share of the market graphs for your banks. They propose to issue a semi-annual report showing the share of the market in checking accounts, savings accounts, certificates-U. S. Government deposits, state, county and minicipal deposits, deposits of banks and then graph total demand and total time deposits for the last five years.

It is very difficult to determine the market area for your banks. If you have any ideas or thoughts, please jot them down on the back of this memo and return them to us.

We would also like to know who each of you compete with for the market. It might be that we can total bank figures for all of the banks you feel are your competition and consider that the market.

Please give this some immediate thought and let us have your ideas.

John W. McIntyre
Vice President

William L. Mathis
Vice President

cc: Presidents, Correspondent Associates -FOR INFORMATION ONLY

FM - C&S Tucker,
C&S Atlanta Manager
1st Nat'l - Tucker -
C&S Emory - North Dekalb
Tucker Federal - Stonecrest Area -

Customer Service Comes First

GX-148

Date: August 27, 1970

To: Managers, National Bank
Presidents, Affiliates
Presidents, Correspondent Associates

From: Charles A. Pfaff
Assistant Vice President
Branch Supervision - Atlanta

Re: Report on New Loans

As part of our program to automate commercial loans, we have combined the E Report and loan memorandum that were previously required to be completed on commercial loans. A single and we hope more simplified new report has been devised and titled "Report on New Loans", a copy of which is attached. This new form (#15-3045) can now be ordered directly from the supply room.

Going ahead the Report on New Loans will be used in lieu of both the E Report and the credit memorandum. Its purpose will be to capture information on specific loans for your own credit files and on larger loans to relay that information to Branch Supervision and the Central Credit Files. Certainly your own credit files should contain information on every loan covering the purpose of the loan, source and terms of repayment. This new form may be used for that purpose.

A Report on New Loans is required to be completed on all new loans in your office of $5,000 and over where total related direct or indirect debt amounts to or exceeds $20,000. A copy should be sent to Branch Supervision and to any other interested parties within the bank. It is not necessary to send a copy to Central Credit Files, since the Branch Supervision copy will be sent there for permanent filing.

I'd be interested in your comments once you've had an opportunity to use the new form. If you have any questions, please give me a call on 2447. Many thanks.

Charles

CAP/pcs

enc.

GX 148 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

E- 162

REPORT ON NEW LOANS

Office	Department	Division	Loan Date
Name and Address			Average Collected Balance Past 30 Days: $
Principals			Rated Loan? Yes / No
Type Business			If Yes, Rating #
This report New Loan covers : Amount $	Maturity	Rate %	Unsecured / Partially Secured / Fully Secured / Endorsed or Gtd
Borrower's Total Liability to Bank $			
Net Worth of Borrower $	as of		Fiscal / Interim
Endorser	Net Worth	as of	
Endorser	Net Worth	as of	
If term loan or revolving credit, do we have formal agreement?			Yes / No

Written report to include: Purpose of Loan, Terms and Source of Repayment, Collateral and Value, Special Information or Conditions

Continued on back? Yes / No

Copies to:

Approved by _____

Title _____

15-3045 6-70

E- 163

GX-151

The Citizens and Southern National Bank, Atlanta, Georgia

June 8, 1979

Jim Lewis
South DeKalb

Jim, I realize you folks have been charging a $10.00 base charge on all of your notes regardless of size. This week you received a memorandum from Dan Handley which outlines the new charges for all L & D notes. I think the South DeKalb Bank should follow this letter of instructions to the tee.

Please call this to Dan's attention when he returns.

John F. Ingram, Jr.
Vice President

JFI/fsh

GX 151	for
IDENTIFICATION	
OFFERED	
RECEIVED	
EXCLUDED	
WITHDRAWN	

GX-153

COG: 4.

SECTION: Demand Deposits

OPERATING BULLETIN

TOPIC: Service Charge Exemptions

PAGE: 1 of 1 DATE: May 27, 1971

REPLACES COG 4.20 DATED JUNE 24, 1963; SAME SECTION: TOPIC: SERVICE CHARGES - EXEMPTIONS

This bulletin announces the extension of a service charge exemption to customers over 65 in Atlanta, establishes procedures for handling exemptions and reviews the policy. (Effective June 1, 1971)

Unless there is an agreement covering a local situation we should permit service charge exemptions (excepting those based on a balance requirement) only for the following:

United States Government
State, County and Municipal Accounts
Court Funds
Churches and charitable institutions
C&S Directors and Officers, and their spouses
C&S Employees and their spouses
Employees of the Federal Reserve Bank
Persons over 65 years of age

Some offices have indicated a tendency to exempt priests and ministers, civic clubs, scout troops, and others. It is not the bank's policy to do so. Individual offices of course have the authority to exempt specific accounts.

Please adhere to the "Over 65" policy. No exceptions are intended for persons who retire earlier than 65. If one party on a joint account qualifies for exemption the account should be exempt.

There is no intent to exempt persons "Over 65" from charges for fully personalized checks. Every effort should be made to sell checks to these customers.

The procedure to follow in exempting a new account is to record the exemption on the new account slip under special instructions, for example "SERVICE CHARGE EXEMPT, OVER 65." To exempt an existing account, just send a memo to the Bookkeeping Department giving the account title, number and reason for the exemption.

Each branch will be provided with a quarterly listing of all exempt accounts for review. Prompt and thorough review is essential to control this program and to prevent abuses.

Please give us a call if there are any questions.

GX 153 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

Robert F. Clayton
Staff Marketing Officer
16 North Avenue/2397

CC: Customer Service Representatives - Atlanta

GX-162

FEDERAL RESERVE BANK
OF ATLANTA
ATLANTA, GEORGIA 30303

OFFICE OF
VICE PRESIDENT

January 5, 1968

Mr. Joseph A. Hall, III, Executive
Vice President
The Citizens & Southern National Bank
Atlanta, Georgia

Dear Mr. Hall:

I am enclosing a series of questions prepared for the purpose of eliciting additional information with respect to the Citizens and Southern Holding Company's ownership (and possible control) of some 21 banks in the State of Georgia in which a 5 per cent interest in the voting stock is held by the Holding Company.

You should submit replies to the enclosed questions in duplicate to me for transmittal to the Board of Governors. Your responses will be reviewed as quickly as possible so that a determination can be made as to the extent of control exercised by the Citizens and Southern Holding Company in regard to its "5 per cent" banks.

Very truly yours,

R. M. Stephenson

R. M. Stephenson
Vice President

Enclosure

E-166

GX	162 for
IDENTIFICATION	
OFFERED	
RECEIVED	
EXCLUDED	
WITHDRAWN	

Additional Information Requested
Regarding Possible Control by C & S
of Certain Banks in the State of Georgia

Q. 1. Section 2(d) of the Bank Holding Company Act, as amended by Act of July 1, 1966, defines "subsidiary" as "(1) . . .; or (2) any company the election of a majority of whose directors is controlled in any manner by such bank holding company." The merger application recently filed with the Comptroller of the Currency involving C & S National Bank, Savannah, and Commercial and Savings Bank of Augusta, both in Georgia, contains numerous direct assertions of control of Commercial and Savings Bank by the C & S system.

(a) Specify precisely the nature of control referred to in the merger application and the exact method by which control is exercised.

(b) With respect to the 21 banks in which C & S acknowledges ownership of 5 per cent (10 per cent in the case of American National Bank of Brunswick, Georgia) of the voting stock (hereinafter referred to as the "21 banks"), to what extent does C & S consider that it "controls" these banks, or any of them, in a manner similar to that admitted with respect to Commercial and Savings Bank of Augusta?

Q. 2. (a) With respect to each of the "21 banks", has C & S controlled in any manner the election of a majority of the banks' directors? (This question is to be answered in the context of the definition of "subsidiary" in Section 2(d) of the Act, as amended.)

(b) Does C & S own or control less than 5 per cent of the voting stock of any other bank? Does C & S exercise control of the nature asserted in the Commercial and Savings Bank merger application in any bank in which C & S either owns or controls no voting stock or less than 5 per cent of the voting stock?

Q. 3. The data earlier provided by C & S identifies Hilson & Co. as "nominee" with respect to stock held in numerous banks.

(a) Who are the beneficial owners of stock of the "21 banks" held by Hilson & Co. as nominee? What relation, if any, have any of the identified beneficial owners with C & S interests, personal or corporate?

(b) Identify the nature (partnership, corporation, etc.) of Hilson & Co.; if partnership, its composition; if corporation, its ownership.

(c) Who selected and designated Hilson & Co. as nominee? Identify any other nominee similarly selected and designated, or any other nominee or nominees acting on behalf of or in the interest of C & S.

(d) Who is authorized to vote, and who in fact has voted, the stock held by Wilson & Co. as nominee? If Wilson & Co. votes some or all of the stock held by it as nominee, to whose direction or mandate is it subject? (If Wilson & Co. is free to exercise its own judgment and discretion in this regard, so state.)

Q. 4. With respect to the stock acquired by C & S in the "21 banks", did any other interest related to C & S, whether individual, partnership, or corporate, acquire stock in the same bank or banks at or near the same time? If so, identify the acquiring party or interest, its relationship to C & S, and the amount of stock so acquired.

Q. 5. Data earlier submitted by C & S contain a narrative explanation of the status held by "agents" acquiring stock in the "21 banks". In our judgment, this narrative is at best ambiguous. In order to further clarify this question please advise:

(a) Who selected the agents who have acquired stock in one or more of the "21 banks"?

(b) Are the terms of the agency set forth in writing? If so, please furnish an example of such instructions.

(c) Specifically, for whom is the agent acting?

(d) What is the usual length of time of such agency?

(e) Who designates any entity to whom sales of the stock held by the agent are to be made? Is the agent free to alter any directive given with respect to prospective purchasers of the stocks held by him?

(f) What is the usual practice with respect to payout of the loans made to agents for the purpose of purchasing stocks? From what source are funds derived for payout of the loans?

(g) What is the usual practice with respect to payment of interest on such loans? By whom is such interest paid?

(h) Who receives dividends on stock held by agents?

(i) What relationship generally do designated agents have to C & S?

Q. 6. (a) Kindly identify the relationship, if any, to C & S Holding Company and/or to C & S National Bank of (1) American Southern Insurance Company, (2) Shares Purchase Company, (3) Mills Bee Lane Foundation, Inc., (4) Mills B. Lane Memorial Fund, (5) M. L. S. Corp., and (6) Bibb Manufacturing Co.

(b) Identify the nature of the activity engaged in by each.

Q. 7. Sec. 13-207, Ga. Code Ann., which treats with bank holding companies, defines "company" as including "the shareholders and those persons who otherwise own the 'company'." Inasmuch as C & S National Bank appears to be a bank holding company under the Georgia statute, to your knowledge do any stockholders of C & S National Bank own or control stock in one or more of the "21 banks"? If so, have State authorities expressed a view as to the appropriateness of such holdings under State law? Has bank counsel expressed any opinion on this question?

Q. 8. (a) Identify the amount, if any, of stock of any of the "21 banks" held in fiduciary capacity by C & S National Bank. In this answer, separately identify any stock held for any stock purchase plan, pension fund, or p fit sharing plan administered by the C & S National Bank for C & S employees. If any stock purchase plan, pension fund, or profit sharing plan is administered for C & S employees by any other trustee, please identify and indicate any stock of the "21 banks" held in such trust account.

(b) With respect to any stock in the "21 banks" which may be shown as held in a fiduciary capacity by C & S National Bank, advise as to whether such stock was received in kind or subsequently purchased.

Q. 9. With respect to officers and employees of any of the "21 banks" to what extent do they participate in fringe benefits plans available to C & S employees? For the purpose of this question "fringe benefits" include pension fund, profit sharing fund plan, and group hospitalizatic..

Q. 10. It is our understanding that blanket bond coverage afforded C & S National Bank is similarly available to one or more of the "21 banks".

(a) If this is correct, please explain the exact circumstances under which such blanket bond coverage is extended to the "21 banks", including information as to payment of premium and any proration thereof.

(b) Is any rate paid by the "21 banks" more favorable because of association with C & S than would be the case if such association did not exist?

Q. 11. (a) To your knowledge to what extent, if any, are officers and/or employees of one or more of the "21 banks" shifted between and among such banks?

(b) Similarly, to what extent do such transfers of officers and/or employees occur between or among the "21 banks" and/or the C & S system?

(c) At whose direction do such transfers take place?

(d) In an earlier communication, you made known the fact that C & S "lost control" of two banks, one in Cartersville and one in Pelham, Georgia. At the time or immediately prior to such "loss of control" were there in the employ of either bank any former employees or officers of C & S? If so, did some or all such officers or employees return to the C & S system employ or transfer to other banks in which C & S held an interest?

Q. 12. (a) To what extent are the "21 banks" advertised to be members of the C & S system? The answer should include advertising by both the holding company and the "21 banks" individually. Please furnish a representative sampling of any advertisements which indicate or imply the existence of a relationship between C & S and any or all of the "21 banks".

(b) What distinctions are made in C & S advertising as between subsidiary banks and the "21 banks"?

(c) If the "21 banks" are in fact advertised as members of the C & S system, how is the cost of such advertising pro-rated among the subsidiary and non-subsidiary banks?

Q. 13. The information previously furnished indicates that the Citizens and Southern Holding Company has extended loans to individuals secured by stock of some of the "21 banks". Please list all such loans extended during the past 10 years and furnish a history of pay-outs on such loans not presently outstanding.

Q. 14 List services provided by (1) Citizens and Southern Holding Company and (2)Citizens and Southern National Bank, to the following four categories of banks and indicate cost of each of the four groups:

(a) subsidiary banks; (b) the "21 banks"; (c) those banks, if any, identified in response to question 2(b); (d) non-related correspondent banks.

Q. 15. With reference to those of the "21 banks" that were acquired by C & S as going concerns, please furnish:

(a) A list of directors of such banks elected at the annual meeting prior to acquisition of such bank by C & S.

(b) A list of directors of each bank as elected at the first annual meeting following acquisition by C & S. (Indicate relationship of new directors to the C & S system.)

(c) Please furnish copies of proxy solicitation materials used by management in each of the "21 banks" in connection with the most recent annual shareholders meeting.

(d) With respect to the most recent annual meeting of each of the "21 banks" please state (1) the number of shares outstanding, (2) the number of shares voted in person, (3) the number of shares voted by proxy.

Q. 16. (a) With respect to the "21 banks", was there at any time after C & S's acquisition of 5 per cent of the voting stock more than one proposed slate of directors? If so, by whom was each slate proposed? In any such cases, which slate was elected?

(b) In any cases where there was but one proposed slate of directors, who selected this slate? How and by whom were the selectors chosen, and what relationship did the selecting parties bear to the C & S interests?

GX-163

January 25, 1968

Mr. R. H. Stephenson
Vice President
Federal Reserve Bank of Atlanta
Atlanta, Georgia 30303

Dear Bob:

As you requested in your letter of January 5, here are two copies of the answers to the questions which you asked us to give you.

If there are any questions about these answers from either yourself or the Board, please let us know.

Sincerely,

Joseph A. Hall, III
Executive Vice President - Comptroller

E-172

GX 163 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

Additional Information Requested
Regarding Possible Control by C & S
of Certain Banks in the State of Georgia

Q. 1. Section 2(d) of the Bank Holding Company Act, as amended by Act of July 1, 1966, defines "subsidiary" as "(1) . . .; or (2) any company the election of a majority of whose directors is controlled in any manner by such bank holding company." The merger application recently filed with the Comptroller of the Currency involving C & S National Bank, Savannah, and Commercial and Savings Bank of Augusta, both in Georgia, contains numerous direct assertions of control of Commercial and Savings Bank by the C & S system.

(a) Specify precisely the nature of control referred to in the merger application and the exact method by which control is exercised.

(b) With respect to the 21 banks in which C & S acknowledges ownership of 5 per cent (10 per cent in the case of American National Bank of Brunswick, Georgia) of the voting stock (hereinafter referred to as the "21 banks"), to what extent does C & S consider that it "controls" these banks, or any of them, in a manner similar to that admitted with respect to Commercial and Savings Bank of Augusta?

A. (a) There is no "direct assertion of control" in the application. Rather, as you have quoted it in your report, the relationship is better described thusly:

". . . the common goals and policies, as well as the shared resources (both human and technical) of both banks must be considered in determining whether there is competition between them . . . Commercial Bank is run, and for its entire history as a commercial bank has been run, by management trained and hired by C&S Bank. This management is responsive to the broad policy decisions made by C&S Bank. All its personnel enjoy C&S Bank employee benefits. Commercial Bank would not exist, and could not continue in its present form were it not for the aid and assistance available from C&S Bank."

Commercial and Savings is thus a separate bank with its own management and board of directors. It is an outlet for the C&S philosophy of service in banking, but is not "controlled" by the C&S National Bank or Holding Company.

(b) Some of the "21 banks in which C&S acknowledges ownership of 5 per cent" enjoy the same type of relationship that Commercial & Savings does, and some of them don't. None have a closer relationship.

Q. 2. (a) With respect to each of the "21 banks", has C & S controlled in any manner the election of a majority of the banks' directors? (This question is to be answered in the context of the definition of "subsidiary" in Section 2(d) of the Act, as amended.)

(b) Does C & S own or control less than 5 per cent of the voting stock of any other bank? Does C & S exercise control of the nature asserted in the Commercial and Savings Bank merger application in any bank in which C & S either owns or controls no voting stock or less than 5 per cent of the voting stock?

A. (a) C&S has never controlled nor attempted to control in any manner the election of a majority of the directors of any of the "21 banks" -- nor the election of any single director.

(b) C&S owns less than 5% of the Coffee County Bank of Douglas, Ga. "Common goals and policies" do not exist in this case.

Q. 3. The data earlier provided by C & S identifies Hilson & Co. as "nominee" with respect to stock held in numerous banks.

(a) Who are the beneficial owners of stock of the "21 banks" held by Hilson & Co. as nominee? What relation, if any, have any of the identified beneficial owners with C & S interests, personal or corporate?

(b) Identify the nature (partnership, corporation, etc.) of Hilson & Co.; if partnership, its composition; if corporation, its ownership.

(c) Who selected and designated Hilson & Co. as nominee? Identify any other nominee similarly selected and designated, or any other nominee or nominees acting on behalf of or in the interest of C & S.

(d) Who is authorized to vote, and who in fact has voted, the stock held by Hilson & Co. as nominee? If Hilson & Co. votes some or all of the stock held by it as nominee, to whose direction or mandate is it subject? (If Hilson & Co. is free to exercise its own judgment and discretion in this regard, so state.)

A. (a) See answer to Question 8, which lists fiduciary capacity ownership, all of which is carried in the nominee designation, Hilson &

(b) Hilson & Co. is a nominee for trusts of the C&S National Bank.

(c) The fact that the stock was acquired by various fiduciary accounts resulted in its being in the name of Hilson & Co. The decision to purchase the stock would have been made by the principals in some cases and the bank's Trust Department in others.

(d) C&S National Bank Trust Department or the principal is authorized to vote.

Q. 4. With respect to the stock acquired by C & S in the "21 banks", did any other interest related to C & S, whether individual, partnership, or corporate, acquire stock in the same bank or banks at or near the same time? If so, identify the acquiring party or interest, its relationship to C & S, and the amount of stock so acquired.

A. Most of the stock owned by C&S related interests was bought at or about the same time the C&S Holding Company acquired its 5% interest.

Q. 5. Data earlier submitted by C & S contain a narrative explanation of the status held by "agents" acquiring stock in the "21 banks". In our judgment, this narrative is at best ambiguous. In order to further clarify this question please advise:

(a) Who selected the agents who have acquired stock in one or more of the "21 banks"?

(b) Are the terms of the agency set forth in writing? If so, please furnish an example of such instructions.

(c) Specifically, for whom is the agent acting?

(d) What is the usual length of time of such agency?

(e) Who designates any entity to whom sales of the stock held by the agent are to be made? Is the agent free to alter any directive given with respect to prospective purchasers of the stocks held by him?

(f) What is the usual practice with respect to payout of the loans made to agents for the purpose of purchasing stocks? From what source are funds derived for payout of the loans?

(g) What is the usual practice with respect to payment of interest on such loans? By whom is such interest paid?

(h) Who receives dividends on stock held by agents?

(i) What relationship generally do designated agents have to C & S?

A. (a) The persons who have acted as agents were selected by the C&S Holding Co.

(b) There is nothing in writing about these "agencies." The individuals have been asked to act as such until the stock can be placed in hands of others by the management of the bank involved.

(c) An agent acts for no one. The designation simply distinguishes the person from his individual capacity.

(d) The stock is usually placed within a year; however, where the stock is slow to move it may take longer.

(e) Management of the bank involved attempts to find persons (hopefully in the community served by the bank) who are interested in purchasing the stock. The agent sells the stock to these persons. The agent could disregard the requests of management of the bank involved.

(f) Loans are paid as the stock is sold..

(g) Interest is paid by the agents and paid usually on a semi-annual basis.

(h) Dividends are received by the agents.

(i) Agents have always been C&S National Bank officers.

Q. 6. (a) Kindly identify the relationship, if any, to C & S Holding Company and/or to C & S National Bank of (1) American Southern Insurance Company, (2) Shares Purchase Company, (3) Mills Bee Lane Foundation, Inc., (4) Mills B. Lane Memorial Fund, (5) H. L. S. Corp., and (6) Bibb Manufacturing Co.

(b) Identify the nature of the activity engaged in by each.

A. (1) American Southern Insurance is an insurance company taken over in 1954 by the C&S Holding Co. for a bad debt. All the stock has been sold except 5%.

(2) Shares Purchase Company is a stock purchase plan for C&S officers and employees.

(3) Mills Bee Lane Foundation, Inc. is a group of seven members of the Lane family. It has no relation to or with the C&S National Bank.

(4) Mills B. Lane Memorial Fund

Same as Mills Bee Lane Foundation, Inc.

(5) H. L. S. Corp. is an investment vehicle for our director, Hal Smith and his family

(6) Bibb Manufacturing Co. is a textile manufacturer located in Macon. They are customers of ours and Mr. Mills B. Lane, Jr. is on their Board.

Q. 7. Sec. 13-707, Ga. Code Ann., which treats with bank holding companies, defines "company" as including "the shareholders and those persons who otherwise con the 'company'." Inasmuch as C & S National Bank appears to be a bank holding company under the Georgia statute; to your knowledge do any stockholders of C & S National Bank own or control stock in one or more of the "21 banks"? If so, have State authorities expressed a view as to the appropriateness of such holdings under State law? Has bank counsel expressed any opinion on this question?

A. We have attempted to cross check the stockholder lists of the "21 banks" with the C&S National Bank and attached are lists of common stockholders.

State authorities have never had occasion to express a view as to the appropriateness of such holdings since the state law does not prohibit such holdings.

Bank counsel's opinion is attached.

CITY	BANK		NO. SHARES OF BANK	NO. SHARES OF S.NAT'L
ATLANTA	The Citizens and Southern Park National			
	Dan Kohler, Jr.	1	500	
	As Trustee Charles Center	1		121
	As Trustee Irene Center			121
	Alex W. Smith	9	400	283
AUGUSTA	Citizens State Bank			
	Pierce E. Marks, Sr.	1	500	283
	John L. Murray, Jr.	1	408	132
	Larry Jefferson Murray	9	500	33
AUSTELL	The Austell Bank			
	Joseph E. Patrick	9	250	59
BRUNSWICK	The American National Bank of Brunswick			
	Isaac M. Aiken	1	2006	266
	John Gilbert	1	62	2022
CHAMBLEE	Chamblee National Bank			
	Frank L. Berry	1	800	266
	Williams Rexall Drugs, Inc.	1	1000	242
FAYETTEVILLE	Farmers and Merchants Bank			
	Mrs. Jeane R. Davis	9	1766	342
MOULTRIE	Moultrie Banking Company			
	W. C. & Sarah H. Bradley Foundation	9	2250	3267
	Shelalgh C. McDonald	9	375	13,543
	A. J. Weinberg	9	300	2952
ROSWELL	The Citizens and Southern Bank of North Fulton			
	Martha Kiser Hayt	9	300	336
SANDY SPRINGS	The Citizens and Southern National Bank of Sandy Springs			
	A. J. Weinberg	1	850	2952
	Ivan Allen, Jr.	9	200	1015
	Ivan Allen, Jr. As Trustee U/W C. N. Marshall			1073
	Ivan Allen, Jr. & Margaret P. Allen J.T			4
STONE MOUNTAIN	The Citizens and Southern Bank of Stone Mountain			
	William A. Horne, Jr.	1	150	1170
TIFTON	The Bank of Tifton			
	R. H. Robinson	1	400	574
	The Citizens and Southern National Bank and Virginia C. Moore As Trustees U/W of L. J. Moore	9	2540	1593

1 = Director SF Bank

LAW OFFICES

ALSTON, MILLER & GAINES

ATLANTA OFFICE

CITIZENS & SOUTHERN NATIONAL BANK BUILDING
ATLANTA, GEORGIA 30303

1150 CONNECTICUT AVENUE, N.W.
WASHINGTON, D. C. 20036

CABLE - "ALSTON"

WASHINGTON OFFICE

ROBERT E. ALSTON
PHILIP H. ALSTON

OF COUNSEL
WILMER DILLEY
C. O. JOHNSON

ATLANTA

January 9, 1968

Mr. Joseph A. Hall, III
Executive Vice-President and Comptroller
The Citizens and Southern National Bank
Atlanta, Georgia 30303

RE: Georgia Bank Holding Company Act

Dear Mr. Hall:

The Board of Governors of the Federal Reserve System has asked questions of you. You referred Question No. 7 to me with the request that I write you with respect to that question.

This question is based on the premise that under Section 13-207(b) of the Georgia Code, the Citizens and Southern National Bank (the "Bank"), is a bank holding company. First, we would say that the Bank is not a bank holding company under Georgia law.

In order properly to understand the present Section 13-207(b) of the Georgia Code, we must go back to the 1956 Act (Ga. Laws 1956, pps. 309-312).

Section 2(a) of the 1956 Act (page 310) defined a "bank" as including national banks doing business in the State of Georgia. (Ga. Laws 1956, p. 310).

Section 2(b) of the 1956 Act defined "company" as "any bank . . .association or similar organized group of persons

whether incorporated or not, and includes the shareholders and those persons who otherwise own the 'company' and including any foreign corporation or other organization or association doing business in Georgia . . . ." (Ga. Laws 1956, p. 310)

Thus, a national bank, being a bank, but not a foreign corporation or foreign association doing business in Georgia is specifically included in the definition of "company."

However, since there were self-styled "independent" banks in Georgia which were owned or controlled either by families, individuals or joint venturers, when the state banking holding company provisions were amended in 1960 and in order to eliminate the conclusion, which the Board has reached, that ownership by shareholders of stock in other banks would result in making a bank a bank holding company, the word "bank" was significantly omitted in the definition of "company" in Georgia Code Section 13-207(b) which defined in subsection (b) the term "company" as used in Section 13-207 and as used in Section 13-201.1(e) as "any corporation . . . association or similar organized group of persons, whether incorporated or not, and includes the shareholders and those persons who otherwise own the 'company' and including any foreign corporation or other organization or association doing business in Georgia."

The omission of the word "bank" in the definition of "company" is why this section definitely shows no intent to include as a bank holding company a bank. Also, it shows an intent to regard the word "association" as not including a national banking association for it would not be a "foreign association doing business in Georgia."

The term "bank" as defined in Section 13-201 of the Georgia Code (as amended by the 1960 Georgia Laws) expressly provides that it shall not include national banking associations but does provide that Section 13-207 restricting the acquisition of assets or shares of stock of banks will apply to national banking associations. It goes on to say, in effect, that national banks and state banks shall have the same rights. It is obvious from the omission of the word "bank" from the definition of "company" in Section 13-207(b) that the word "bank" where used in Section 13-207(a) in so far as the ownership or acquisition of shares or assets of a bank was alone meant to include shares or assets of national banks. Thus, a bank holding company could not acquire shares or assets of a national bank where this is proscribed by Section 13-207(a). From this it is apparent that the term "company," either as used in Section 13-207(b) of the Georgia Code or as used in Section 13-201.1(e) cannot mean a bank or a national bank.

There is still another reason why there would be no violation of state law.

In order to be a bank holding company, the company must, under Georgia Code Section 13-201.1(e), "directly or indirectly own, control, or hold with power to vote" more than 5% of the voting shares of each of two or more banks. This definition of "bank holding company" is substantially identical excepting for the percentages, with the definition of bank holding company in Section 2(c) of the 1956 Act. (Ga. Laws 1956, p. 310)

In order to be a bank holding company, the company must "directly or indirectly own, control, or hold with power to vote" a definite percentage of voting stock of each of two or more banks. The Bank clearly does not own directly with power to vote stock owned by its shareholders.

Does it own, control, or hold with power to vote indirectly such stock? Section 2(d) of the 1956 Act (Ga. Laws 1956, p. 310)

says "a company will be construed to own, control or hold, with power to vote, stock indirectly whenever any . . .shareholder of such company . . .or any member of the immediate family of such . . .shareholder . . .shall own, control, or hold with power to vote, such stock." Significantly, this definition was stricken from the 1960 Act and was not repeated in any form whatsoever. This clearly indicates that ownership by a shareholder of a bank holding company will not for the purposes of the provisions of Georgia Code Section 13-207 or Georgia Code Section 13-201.1(c) be regarded as indirect ownership with power to vote the stock.

From this you can see both that national banks cannot be bank holding companies under law nor will ownership of stock by shareholders of national banks be indirect ownership attributable to a national bank.

So far as we know, there has been no formal ruling by the Superintendent of Banks with respect to what is said in this letter or as to the propriety of ownership by shareholders of stock of one bank in two or more banks where that ownership exceeded 5% of the stock in the other banks. Certain it is that the Superintendent of Banks has with knowledge of ownership acquiesced in such ownership since the 1960 Act.

Accordingly, we would say that the seventh question asked by the Board would be immaterial because it is predicated upon the erroneous assumption that a national bank may be a bank holding company and that stock owned by shareholders of a national bank may be considered as indirectly owned or controlled by that bank.

Sincerely,

Henry J. Miller

Henry J. Miller

HJM/jc

Q. 8. (a) Identify the amount, if any, of stock of any of the "21 banks" held in fiduciary capacity by C & S National Bank. In this answer, separately identify any stock held for any stock purchase plan, pension fund, or profit sharing plan administered by the C & S National Bank for C & S employees. If any stock purchase plan, pension fund, or profit sharing plan is administered for C & S employees by any other trustee, please identify and indicate any stock of the "21 banks" held in such trust account.

(b) With respect to any stock in the "21 banks" which may be shown as held in a fiduciary capacity by C & S National Bank, advise as to whether such stock was received in kind or subsequently purchased.

A. (a) See attached listing.

(b) See attached listing.

QUESTION 8

C & S PROFIT SHARING FUND

BANK	DATE PURCHASED	SHARES
Belvedere	12-14-65	1000
Park National	3-28-67	2000
Citizens State Bank, Augusta	2-17-64	875
Commercial and Savings Augusta	9-16-65	5000
Brunswick	2-9-66	1500
Chamblee	4-19-60	1500
Conyers	See attached list	
Jackson	10-20-65	500
	Received 1000 Shares in Stock Dividend 1-24-66 (Total held 1500)	
Moultrie	See attached list	
Sandy Springs	5-5-60	100
Senoia	7-1-64	30
Stone Mountain	10-12-59	200
Tifton	See attached list	
Warner Robins	4-18-67	66
Tucker	4-1-65	800
Austell	See attached list	

Agent U/A - The C & S Fund

Commercial and Savings Bank, Augusta - The Citizens and Southern National Bank as Agent U/A The C & S Fund - 2000 Shares purchased 9-23-65.

Agent U/A Lane Enterprises, Inc.

The Chamblee National Bank - The Citizens and Southern National Bank as Agent U/A Lane Enterprises, Inc. 100 Shares Purchased 3-7-62.

The Bank of Rockdale - The Citizens and Southern National Bank as Agent U/A Lane Enterprises, Inc. 100 Shares Purchased 8-5-63.

BANK OF ROCKDALE

DATE		TOTAL
9-1-61	Purchased 50 Shares	50
1-8-62	Purchased 30 Shares	80
2-20-62	Received 720 Shares 10 for 1 split	800
2-20-62	Received 200 Shares 25% dividend	1000
1-7-66	Sale of 100 Shares	900

BANK OF TIFTON

1-13-61	Purchased 200 Shares	200
11-26-63	Purchased 600 Shares	800
12-3-63	Sold 200 Shares	600
3-4-65	Received 200 Shares in 4 for 3 split	800
7-27-66	Sold 100 Shares	700

AUSTELL BANK

		#
2-19-64	Purchased 500 Shares	500
2-24-64	Sold 50 Shares	450
3-10-64	Sold 20 Shares	430
4-15-64	Sold 50 Shares	380
1-11-65	Sold 30 Shares	350
1-13-65	Sold 15 Shares	335
1-19-65	Sold 55 Shares	280
5-20-65	Sold 10 Shares	270
5-24-65	Sold 5 Shares	265
5-28-65	Sold 5 Shares	260
3-17-66	260 Shares exchanged for 650 Shares - split	650

HOUSTON LIGHTING COMPANY

7-29-54	Purchased 100 Shares	100
	Received 900 Additional Shares - Split	1000
12-30-55	Sold 100 Shares	900
12-31-55	Sold 10 Shares	890
8-8-56	Sold 220 Shares	670
12-12-56	Sold 92 Shares	578
1-8-57	Sold 10 Shares	568
1-15-57	Sold 68 Shares	500
8-29-57	Purchased 500 Shares	1000
3-22-60	Received 500 Shares 50% Stock Dividend	1500
6-17-60	Sold 1050 Shares	450
7-15-60	Purchased 550 Shares	1000
12-6-61	Purchased 250 Shares	1250
11-26-63	Purchased 250 Shares	1500

Q. 9. With respect to officers and employees of any of the "21 banks" to what extent do they participate in fringe benefits plans available to C & S employees? For the purpose of this question "fringe benefits" include pension fund, profit sharing fund plan, and group hospitalization.

A. We offer to make all of the fringe benefits that are available to C&S employees available to employees of the "21 banks." Most of the banks have accepted or are in the process of accepting these offers. This is an important part of the program of making C&S personnel available to these "21 banks" since these benefits are very important to our (C&S) personnel.

Q. 10. It is our understanding that blanket bond coverage afforded C & S National Bank is similarly available to one or more of the "21 banks"

(a) If this is correct, please explain the exact circumstances under which such blanket bond coverage is extended to the "21 banks", including information as to payment of premium and any proration thereof.

(b) Is any rate paid by the "21 banks" more favorable because of association with C & S than would be the case if such association did not exist?

A. (a) Blanket bond coverage is not "extended" to the "21 banks." Rather we were able to get an insurance company to cover most of the "21 banks" as a group, thereby affording them greater coverage at lower premiums. Some could not be included because of their loss experience.

(b) Because of the audit coverage and other "common goals and policies" the insuring company was able to give better rates than otherwise; however, this could be done by any group under similar circumstances. In fact, we are now trying to generate similar coverage for the correspondent banks for whom we perform an audit service and of whose stock we own none.

Q. 11. (a) To your knowledge to what extent, if any, are officers and/or employees of one or more of the "21 banks" shifted between and among such banks?

(b) Similarly, to what extent do such transfers of officers and/or employees occur between or among the "21 banks" and/or the C & S system?

(c) At whose direction do such transfers take place?

(d) In an earlier communication, you made known the fact that C & S "lost control" of two banks, one in Cartersville and one in Pelham, Georgia. At the time or immediately prior to such "loss of control" were there in the employ of either bank any former employees or officers of C & S? If so, did some or all such officers or employees return to the C & S system employ or transfer to other banks in which C & S held an interest?

A. (a) There is practically no shifting of personnel between just the "21 banks."

(b) Almost all new officers in the "21 banks" have been C&S trained and there is some transferring of personnel between these "21 banks" and C&S system banks; however, there is less than between C&S system banks themselves.

(c) Transfers generally are instituted at the request of the bank from whom the person is transferred unless a promotion is involved.

(d) At both Cartersville and Pelham, former C&S officers were in charge of the banks when we decided to part company. At Cartersville, the officer chose to stay, and at Pelham the officer asked to come back to the C&S as well as his assistant. No employees were involved in either instance.

Q. 12. (a) To what extent are the "21 banks" advertised to be members of the C & S system? The answer should include advertising by both the holding company and the "21 banks" individually. Please furnish a representative sampling of any advertisements which indicate or imply the existence of a relationship between C & S and any or all of the "21 banks".

(b) What distinctions are made in C & S advertising as between subsidiary banks and the "21 banks"?

(c) If the "21 banks" are in fact advertised as members of the C & S system, how is the cost of such advertising pro-rated among the subsidiary and non-subsidiary banks?

A. (a), (b) and (c) The "21 banks" are not advertised as being members of the C&S system since they are not. Each of them is a correspondent associate and some few so designate themselves in some of their signs.

Q. 13. The information previously furnished indicates that the Citizens and Southern Holding Company has extended loans to individuals secured by stock of some of the "91 banks". Please list all such loans extended during the past 10 years and furnish a history of pay-outs on such loans not presently outstanding.

ent	Date of loan	Description of Collateral	Amount of loan	Date Paid
J. Beall	5/25/6[illegible]	Stock of Citizens State Bank of Augusta	$ 363.65	10/20/[illegible]
G. Blitch	12/29/6[illegible]	Stock of Citizens State Bank of Augusta	11,000	7/9/6[illegible]
nnett A. Brown	1/22/65	Stock of Bank of Tucker	220,000	9/10/[illegible]
	9/15/65	Stock of Commercial & Savings	79,557.	3/24/6[illegible]
lph Coker	1/26/66	Stock of C&S Belvedere Bank	29,800	9/12/[illegible]
	9/12/66	ditto	2,000	12/23/[illegible]
	1/24/67	ditto	5,250	9/12/[illegible]
	1/27/67	ditto	2,100	4/17/[illegible]
Dan Handley	9/12/66	Stock of Commercial & Savings	2,450	4/10/[illegible]
	1/27/67	ditto	2,600	4/10/[illegible]
R. McKinnon	5/30/66	Stock of American National Bank of Brunswick	16,055	6/21/[illegible]
ugene H. Rackley	5/2/67	Stock of C&S Bank of North Fulton	6,400	6/12/67
	5/19/67	ditto	53,200	10/30/[illegible]
oward S. Starks	2/3/67	Stock of C&S Bank of Tucker	3,000	10/24/[illegible]
Ray Walker	6/20/66	Stock of American National Bank of Brunswick	52,000	12/22/[illegible]
	8/1/66	ditto	15,275	12/22/[illegible]
	11/11/66	ditto	12,348	12/22/[illegible]

Q. 14 List services provided by (1) Citizens and Southern Holding Company and (2) Citizens and Southern National Bank, to the following four categories of banks and indicate cost of each of the four groups:

(a) subsidiary banks; (b) the "21 banks"; (c) those banks, if any, identified in response to question 2(b); (d) non-related correspondent banks.

	Subsidiary Banks	"21 Banks"	Banks in which Owns less than and Non-related Correspondents
Accrue Time Loan Interest	Charge pro rata share of direct expense of Accrual Dept.	Charge pro rata share of direct expense of Accrual Dept.	No service ren
Recruiting, hiring & training of employees	$125 per employee hired plus base fee of $135 per month for the 3 Atlanta subsidiaries.	$125 per employee hired. No base fee charged	No service ren
Processing Demand Deposits	.15 master file change .10 company statement .06 personal statement .0097 per item	.15 per master file change .10 per statement .01 per item	Same .15 per master file change .10 per statement .01 per item
Furnish part-time personnel out of work pool	$2.50 per hour per employee	$2.50 per hour per employee	No service rende
Prepare financial reports	No Charge	No charge	No service ren
Prepare Federal income tax returns.	No service rendered	$150 per bank $50 per subsidiary	No service rende
Assistance furnished in preparing annual budgets	No charge	No charge	No service rende
Collection of charge-off items	10% of amount collected	No service rendered	No service rende
Internal Audits	$32 per man day plus travel expenses	[illegible] per man day [illegible] per man day for supervisor [illegible] vel exp.	Same $45 per man day $60 per man day for supervisor plus travel expe

15. With reference to those of the "21 banks" that were acquired by C & S as going concerns, please furnish:

(a) A list of directors of such banks elected at the annual meeting prior to acquisition of such bank by C & S.

(b) A list of directors of each bank as elected at the first annual meeting following acquisition by C & S. (Indicate relationship of new directors to the C & S system.)

(c) Please furnish copies of proxy solicitation materials used by management in each of the "21 banks" in connection with the most recent annual shareholders meeting.

(d) With respect to the most recent annual meeting of each of the "21 banks" please state (1) the number of shares outstanding, (2) the number of shares voted in person, (3) the number of shares voted by proxy.

See attached information.

Q. 16. (a) With respect to the "21 banks", was there at any time after C & S's acquisition of 5 per cent of the voting stock more than one proposed slate of directors? If so, by whom was each slate proposed? In any such case, which slate was elected?

(b) In any cases where there was but one proposed slate of directors, who selected that slate? How and by whom were the selectors chosen, and what relationship, did the selecting parties bear to the C & S interests?

A. (a) There has never been more than one proposed slate of directors since C&S acquisition of 5% in any of the "21 banks."

(b) Slates of directors have been selected by either management and organizers in the case of de novo banks or by following the same slate as in case of banks in existence when our 5% interest was acquired. We have always suggested a C&S director to work with and help the bank and to act as liaison with C&S.

GX-164

The Citizens and Southern National Bank
Atlanta, Georgia 30302

January 24, 1968

MARIETTA AT BROAD
P. O. BOX 4899
TELEPHONE 522-2121
AREA CODE 404

Mr. Robert M. Stephenson
Vice President
Federal Reserve Bank
Atlanta, Georgia 30303

Dear Bob:

Jim Smith called me the other day and said that you needed additional information on some of the questions that I answered for you on January 16.

Here is the additional information.

I have added the answer to question 3 d., I have enclosed the list of common stockholders which is asked for in question 7, and I have given you the dates on which the various stocks were purchased in a fiduciary capacity as listed in answer to question 8.

Sincerely,

Joseph A. Hall, III
Executive Vice President - Comptroller

E- 198

GX	164 for
IDENTIFICATION	
OFFERED	
RECEIVED	
EXCLUDED	
WITHDRAWN	

Q. 3. The data earlier provided by C & S identifies Hilson & Co. as "nominee" with respect to stock held in numerous banks.

(a) Who are the beneficial owners of stock of the "21 banks" held by Hilson & Co. as nominee? What relation, if any, have any of the identified beneficial owners with C & S interests, personal or corporate?

(b) Identify the nature (partnership, corporation, etc.) of Hilson & Co.; if partnership, its composition; if corporation, its ownership.

(c) Who selected and designated Hilson & Co. as nominee? Identify any other nominee similarly selected and designated, or any other nominee or nominees acting on behalf of or in the interest of C & S.

(d) Who is authorized to vote, and who in fact has voted, the stock held by Hilson & Co. as nominee? If Hilson & Co. votes some or all of the stock held by it as nominee, to whose direction or mandate is it subject? (If Hilson & Co. is free to exercise its own judgment and discretion in this regard, so state.)

A. (a) See answer to Question 8, which lists fiduciary capacity ownership, all of which is carried in the nominee designation, Hilson &

(b) Hilson & Co. is a nominee for trusts of the C&S National Bank

(c) The fact that the stock was acquired by various fiduciary accounts resulted in its being in the name of Hilson & Co. The decision to purchase the stock would have been made by the principals in some cases and the bank's Trust Department in others.

(d) C&S National Bank Trust Department or the principal is authorized to vote.

	BANK		NO. SHARES 5% BANK	NO. SHARES C&S INTEREST
ATLANTA	The Citizens and Southern Bank National			
	Ben Kohler, Jr.	1	500	
	As Trustee Charles Center	1		121
	As Trustee Irene Center			121
	Alex W. Smith	9	400	283
AUGUSTA	Citizens State Bank			
	Pierce H. Marks, Sr.	1	500	283
	John L. Murray, Jr.	1	408	132
	Larry Jefferson Murray	9	500	33
AUSTELL	The Austell Bank			
	Joseph E. Patrick	9	250	59
BRUNSWICK ◇	The American National Bank of Brunswick			
	Isaac H. Aiken	1	2006	266
	John Gilbert	1	62	2022
CHAMBLEE	Chamblee National Bank			
	Frank L. Berry	1	800	266
	Williams Rexall Drugs, Inc.	1	1000	242
○ETTEVILLE	Farmers and Merchants Bank			
	Mrs. Jeane R. Davis	9	1766	342
MOULTRIE	Moultrie Banking Company			
	W. C. & Sarah H. Bradley Foundation	9	2250	3267
	Shelalgh C. McDonald	9	375	13,543
	A. J. Weinberg	9	300	2952
ROSWELL	The Citizens and Southern Bank of North Fulton			
	Martha Kiser Wayt	9	300	336
SANDY SPRINGS	The Citizens and Southern National Bank of Sandy Springs			
	A. J. Weinberg	1	850	2952
	Ivan Allen, Jr.	9	200	1015
	Ivan Allen, Jr. As Trustee U/W C. H. Marshall			1073
	Ivan Allen, Jr. & Margaret P. Allen J/T			4
STONE MOUNTAIN	The Citizens and Southern Bank of Stone Mountain			
	William A. Horne, Jr.	1	150	1170
TIFTON	The Bank of Tifton			
	R. H. Robinson	1	400	574
○	The Citizens and Southern National Bank and Virginia C. Moore As Trustees U/W of L. J. Moore	9	2540	1593

1 = Director 5% Bank
9 = No Relation to C & S or Affiliates

QUESTION 8

C & S PROFIT SHARING FUND

BANK	DATE PURCHASED	SHARES
Belvedere	12-14-65	
Park National	3-28-67	1000
Citizens State Bank, Augusta	2-17-64	2000
Commercial and Savings Augusta	9-10-65	875
Brunswick	2-9-66	5000
Chamblee	4-19-60	1500
Conyers	See attached list	1500
Jackson	10-20-65 Received 1000 Shares in Stock Dividend 1-24-66 (Total held 1500)	500
Moultrie	See attached list	
Sandy Springs	5-5-60	
Senoia	7-1-64	100
Stone Mountain	10-12-59	30
Tifton	See attached list	200
Warner Robins	4-18-67	
Tucker	4-1-65	66
Austell	See attached list	800

Agent U/A - The C & S Fund

Commercial and Savings Bank, Augusta - The Citizens and Southern National Bank as Agent U/A The C & S Fund - 2000 Shares purchased 9-23-65.

Agent U/A Lane Enterprises, Inc.

The Chamblee National Bank - The Citizens and Southern National Bank as Agent U/A Lane Enterprises, Inc. 100 Shares Purchased 3-7-62.

The Bank of Rockdale - The Citizens and Southern National Bank as Agent U/A Lane Enterprises, Inc. 100 Shares Purchased 8-5-63.

BANK OF ROCKDALE

DATE		TOTAL
9-1-61	Purchased 50 Shares	50
1-8-62	Purchased 30 Shares	30
2-20-62	Received 720 Shares 10 for 1 split	800
2-20-62	Received 200 Shares 25% dividend	1000
1-7-66	Sale of 100 Shares	900

BANK OF TIFTON

1-13-61	Purchased 200 Shares	200
11-26-63	Purchased 600 Shares	800
12-3-63	Sold 200 Shares	600
3-4-65	Received 200 Shares in 4 for 3 split	800
7-27-66	Sold 100 Shares	700

AUSTELL BANK

2-19-64	Purchased 500 Shares	500
2-24-64	Sold 50 Shares	450
3-10-64	Sold 20 Shares	430
4-15-64	Sold 50 Shares	380
1-11-65	Sold 30 Shares	350
1-13-65	Sold 15 Shares	335
1-19-65	Sold 55 Shares	280
5-20-65	Sold 10 Shares	270
5-24-65	Sold 5 Shares	265
5-28-65	Sold 5 Shares	260
3-17-66	260 Shares exchanged for 650 Shares - split	650

POULTRIE BANKING COMPANY

7-29-54	Purchased 100 Shares	
	Received 900 Additional Shares - Split	100
		1000
12-30-55	Sold 100 Shares	
12-31-55	Sold 10 Shares	900
8-8-56	Sold 220 Shares	890
12-12-56	Sold 92 Shares	670
1-8-57	Sold 10 Shares	578
1-15-57	Sold 68 Shares	568
8-29-57	Purchased 500 Shares	500
3-22-60	Received 500 Shares 50% Stock Dividend	1000
6-17-60	Sold 1050 Shares	1500
7-15-60	Purchased 550 Shares	450
12-6-61	Purchased 250 Shares	1000
11-26-63	Purchased 250 Shares	1250
		1500

GX-166

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 22, 1968.

Mr. Mills B. Lane, Jr., President,
The Citizens and Southern National Bank,
Marietta at Broad,
Atlanta, Georgia. 30302

Dear Mr. Lane:

This is in regard to the Board's current inquiry, under the Bank Holding Company Act of 1956, as amended, into the legality of existing relationships between and among C & S Holding Company, its officers, directors, and related interests, and banks in which C & S has acquired a stock interest.

Analysis of C & S' response to inquiries made of it by the Federal Reserve Bank of Atlanta with respect to these relationships does not permit a conclusion with respect to the question of whether such relationships are in all respects permissible under the Bank Holding Company Act, due in part to the fact that, in our judgment, the information provided was not completely responsive to the questions asked. It appears to us questionable whether further written communication would be fruitful in eliciting the information believed necessary to make a determination with respect to the aforestated inquiry. While we could at this time refer the matter to the Department of Justice for any investigatory or related action believed appropriate, because of the possibility that the full scope and intent of our questions have not been fully realized, we are reluctant to transmit the matter to the Department of Justice without further effort on our part to elicit all relevant facts, and to permit reasonable opportunity for voluntary termination of any unlawful relationships that may thereby be disclosed.

To that end, it is proposed that a meeting be held in the Board's offices during the week of April 22, 1968, if convenient to you, for the purpose of discussing all of the circumstances leading to the acquisition by the holding company of its various stock interests;

E- 204

the circumstances giving rise to near simultaneous acquisition of stock in the same institutions by persons and organizations closely related to the holding company; the true status of and relationship to the holding company of the "agents" found to be involved in several of these stock acquisitions, and the dispositions made of the bank stocks held by such persons; the manner by which at least some of the institutions in which C & S has an interest have arrived at "goals and policies" common to those espoused by the C & S System; and, in general, the relationship of a "correspondent associate" to the C & S System, including the method by which such relationship is created and perpetuated. In order that the advantages inherent in the type of "question and answer" conference proposed may be attained, we propose to have the conference stenographically reported, and a verbatim transcript thereof prepared, a copy of which can, of course, be furnished to you.

Accordingly, if agreeable to you, we ask that you, Mr. Joseph A. Hall and Mr. Howard S. Starks of the C & S organization, and Mr. [illegible] J. Fortuna, President of the Citizens and Southern National Bank of Sa[illegible] Springs, who, we understand, has also served in the past in the capacity of "agent", be present at the Board's offices on Monday, April 22, 1963, at 10:00 A.M. You are free, of course, to have any other individuals of your choosing present at the conference. We would appreciate being advised in advance of the conference of the names and positions of persons who will be present. In order to expedite the ultimate determination of this matter, it is suggested that you bring with you such records and other documents as you anticipate may be necessary to permit and facilitate a full and accurate response to any questions on the above-outlined subjects.

Any questions, comments, or suggestions which you may have regarding this matter may be addressed to Mr. Stephenson or Mr. Smith at the Federal Reserve Bank of Atlanta.

Very truly yours,

Robert P. Forrestal

Robert P. Forrestal,
Assistant Secretary.

GX-169

LAW OFFICES
ALSTON, MILLER & GAINES

June 17, 1968

ATLANTA

Mr. James R. Smith, Counsel
Federal Reserve Bank of Atlanta
Atlanta, Georgia

Dear Mr. Smith:

This letter reduces to writing our understanding of the results of our discussions this morning whereat were present Mr. O'Connell, Mr. Lane, Mr. Hall, you and I.

(1) With respect to The Citizens and Southern Community Development Corporation, this is a matter into which the Board desires to take a further look.

(2) With respect to the salvage and liquidation proposal, the Citizens and Southern Holding Company (the "Holding Company") will organize a subsidiary which will operate by a contribution annually of 1% of outstandings of all term loans to small businesses held by The Citizens and Southern National Bank of Georgia ("National") and by all subsidiary banks of the Holding Company. This Salvage and Liquidation Corporation will then purchase from National and the subsidiary banks of the Holding Company such term loan paper, when that paper shall be classified as loss by regulatory authorities and will take over the salvage and collection. In addition, standards of doubtful loans creditwise will be established so that loans, where loss is estimated to occur, although not classified as "loss" loans, may also be transferred to the corporation for liquidation and salvage.

(3) Acquisition and ownership by profit sharing trustees of stock in banks in which the Citizens and Southern Holding Company has a 5% interest. As outlined in our letter to you dated May 7, 1968, the only stock of a five percenter which would be acquired hereafter by the trustees would be in Fund C, would be stock of the employer five percenter, and would be purchased only at the direction or request of a participating employee of the respective employer (see § 10.4(a) with respect to accumulated contributions of the employer and § 10.4(b) with respect to employer contributions during the plan year). Requests to purchase under § 10.4(a) must be made by September 1 of the year prior to purchase and requests to purchase under § 10.4(b) must be made by December 1 of the year prior to purchase. No purchase would be made until after application to the Board during September or December of the year was made for authority to purchase employer five percenter stock. Stock would not be purchased unless both stock were available for purchase and also there was prior approval under § 3(a) of the Bank Holding Company Act. No purchases would be made in contemplation of approval. Should the employee participant of the five percenter desire to transfer his funds out of Fund C into another fund, then the trustees would sell on the open market, if any, or if none then to those suggested as interested by the President and Directors of the five percenter.

The only five percenter stock owned by the trustees would be that which ultimately would go to employee members upon retirement plus that acquired prior to July 1, 1966.

(4) Future acquisition of five percenters. If at the request of persons in a community to organize a new bank or of management of an existing bank, the Holding Company deemed it expedient to invest in ownership of 5% of a bank's stock, it would make such purchase. It would usually furnish a President for the five percenter, acceptable to the five percenter. Also, it would furnish one or two directors or advisory directors acceptable to the five percenter. It would extend its profit sharing and pension plan, other employee benefits and group insurance coverages to the new five percenter and its employees.

~~As is now in process placement of other stock in market;~~ The new President of the five percenter could purchase stock for ~~future employees~~ and the five percenter ~~and others~~. Sales will not be made to National Holding Company, subsidiaries of either or trusts for the benefit of stockholders or employees of any of these except as may be authorized by law. If the new President should have to borrow money, he would borrow from other than National Holding Company or subsidiaries of either. ~~and will be handled the same as outlined with Joe Hall.~~

(5) Personal ownership of stock by Mills Lane and Joe Hall of stock in five percenters which was bought from the C & S Profit Sharing Plan described in Joe Hall's letter of June 12, 1968, will be handled as you advise.

(6) Regulation L. ~~Under state law the Boards of Directors shall fill all vacancies until the next annual meeting (January 1969).~~ All officers of National who are officers of five-percenter ~~state~~ banks in Tucker, Stone Mountain and North DeKalb and of Citizens State Bank of Augusta will not stand for re-election at the next annual meeting, but may serve as advisory directors thereafter. ~~All officers of National, who now are directors of the five-percenter national banks in Chamblee and Sandy Springs, will resign to avoid any future questions arising as to violations of Regulation L, but may serve as advisory directors on the Boards of these banks.~~

Youmans has resigned from the Board of Directors of the five percenter in Forest Park and has been elected an advisory director.

Sincerely,

Henry J. Miller

Henry J. Miller

HJM/mm

cc: Mr. James R. Smith (2)
Mr. Mills B. Lane, Jr.
Mr. Joseph A. Hall, III

POOR COPY

FEDERAL RESERVE BANK OF ATLANTA

Legal Department

To: Mr. Joe H. Ell R 70

Cpy of Tom

O'Connell's memorandum

Jim Smith

E- 209

Urban Investment Corporation

C & S representatives were advised that the matter of their proposal was the subject of current study by the Board and that under those circumstances we believed nothing to be gained by a discussion of the same at this meeting. They were assured that the Board's letter, the substance of which was transmitted by Mr. Stephenson, was transmitted in the context of the newspaper article announcing a proposed corporation. Letter was intended to put C & S on notice in advance of corporation formation as to prior position of Board in a similar case involving a proposal for bank holding company acquisition of a mortgage company. Mr. Lane indicated he understood the purpose and intent in writing the letter and that C & S would await word from the Board on its corporate activity.

C & S Proposal - re liquidation of loans classified "loss" in each subsidiary bank

C & S proposes that C & S National and each subsidiary bank pay to C & S Holding Company 1 per cent of the outstanding balance of all term loans made by each bank, and thereafter, a continuing annual 1 per cent contribution on the unpaid balance of any outstanding loans. This sum, denominated a pooled reserve, would be in the nature of an insurance reserve against bad debts and would apparently operate in the same manner as the characteristic reserve for bad debts. We registered a question with regard to C & S's proposal, under § 4(a)(2) of the Act, pursuant to which C & S Holding Company would itself receive the 1 per cent contribution and thereafter liquidate loans denominated by it as "loss". C & S proposes to make such determination

as distinguished from that which might be made by a bank supervisory authority and, after a time, C & S hopes that each of the participating banks would "learn" when to transfer a loan to C & S Holding Company as "loss". We expressed uncertainty as to whether the proposed activity constituted "furnishing services to or performing services for" subsidiary banks as contemplated by § 4(a). Rather, we expressed the view that the proposed activity would be of the nature contemplated by the language of § 4(c)(1)(C) or (D) of the Act. C & S representatives immediately agreed to abandon the Holding Company's role in its proposal and agreed to form a separate subsidiary company to perform the liquidation functions, thus bringing the activity more squarely within § 4(c)(1)(D). They concluded with an expression of desire to expand this function to the C & S 5% banks as soon as an appropriate methodology could be worked out.

C & S - 5% Banks

Our discussion treated principally with C & S's proposal to use its Profit Sharing Plan as a vehicle for acquiring stock in 5% banks for the employees of those banks. In brief, C & S proposes to submit one application per 5% bank per year, wherein Board approval would be sought for the acquisition of a specified percentage of the bank's outstanding stock. The proposal contemplates that each employee of a 5% bank will be given a year-end opportunity to designate investment of his contributed funds and those contributed by the bank for the purchase of the employer-bank stock. In September of each year,

an employee is given the opportunity to change previously designated investment plans. C & S hopes to combine the September-December designations into a single application seeking approval of acquisition of the aggregate amount of bank shares designated. Thus, in a given year, C & S may file as many as twenty or more applications, as few as one, or perhaps no application will be filed. C & S was told that each application will be viewed in the light of the standards set forth in section 3 of the Act; that, unless otherwise ordered by the Board, consummation of each acquisition approved will be subject to the usual 30-90 days' time conditions; and that the staff would cooperate with C & S in an effort to permit utilization by C & S of an abbreviated version of the section 3 application form.

Regarding previous practices by C & S reflecting an apparent control over shares of bank stocks beyond and in excess of the 5 per cent direct investment of which we have knowledge, it is our understanding that C & S concedes that certain actions above and beyond the acquisition of 5 per cent of the banks' stock constitutes ownership or control by C & S, and that, accordingly, C & S has agreed to the following limitations upon such acquisition or control action:

(1) C & S will no longer select or utilize individuals as "agents" or "nominees" for the purpose of acquiring shares in excess of the 5 per cent owned by C & S;.

(2) neither C & S National Bank nor System affiliated banks will any longer make loans to officers of 5% banks for the purpose of

purchasing stock of such banks. Such loans will be made from nonaffiliated banks, and stock purchased with the proceeds of such loans will not be pledged, directly or indirectly, to C & S Holding Company, C & S National Bank, or affiliated banks;

(3) C & S Profit Sharing Plan will acquire stock in the 5% banks only after receiving prior Board approval for such acquisitions;

(4) Mills Lane will sell stock acquired from the Pension Plan in the DeKalb Bank, Warner Robins Bank, and any other bank the stock of which was acquired by the Pension Plan subsequent to July 1, 1966, and then transferred to Mills Lane. Similar divestment action will be taken by any other individual who is an officer, director, or trustee, etc., of C & S Holding Company or Pension Plan to whom bank stocks acquired by the Pension Plan subsequent to July 1, 1966, have been transferred;

(5) C & S representatives have agreed that, with respect to 5 per cent investments in banks, neither C & S nor the Profit Sharing Plan will utilize the services of a broker, dealer, etc., to acquire or retain for C & S's account blocks of stock above the 5 per cent owned by C & S. It is understood that the Profit Sharing Plan will go into the market for such shares as may be designated for purchase by employees of the 5% banks, and that if sufficient shares are not available, the designating employees will be so notified and will be requested to make other investment designations for the funds contributed by them to the Profit Sharing Plan.

Mr. Miller has been asked to submit a written memorandum of understanding of our June 11 meeting, which will be reviewed by the Reserve Bank's counsel, Mr. James R. Smith, and any points of contest resolved between Mr. Miller and Mr. Smith.

The only commitment to action made by Board counsel was to transmit to C & S as soon as practicable advice as to any Board action taken with respect to the activities of C & S subsidiary, Urban Development Corporation, Inc.

T. J. O'Connell
June 17, 1968

GX-170

R705.

LAW OFFICES

ALSTON, MILLER & GAINES

1000 CONNECTICUT AVENUE, N.W.

ATLANTA

June 23, 1960

Mr. James R. Smith, Counsel
Federal Reserve Bank of Atlanta
Atlanta, Georgia

Dear Mr. Smith:

Joe Hall tells me of his conversation with you with respect to my letter of understanding dated June 17, 1960. I am fully in accord with the suggestions you made and I send to you revised copies thereof. A clean copy of page three as rewritten goes both to Mr. Lane and Mr. Hall.

Sincerely,

Henry J. Miller

Henry J. Miller

HJM/ma

cc: Mr. James R. Smith (2)
Mr. Mills B. Lane
Mr. Joseph A. Hall, III

E-215

ALSTON, MILLER & GAINES

The new President of the five percenter could purchase stock for himself. Sales will not be made to National, Holding Company, subsidiaries of either or trusts for the benefit of stockholders or employees of any of these except as may be authorized by law. If the new President should have to borrow money, he would borrow from persons or institutions other than National, Holding Company or subsidiaries of either. Other stock that may be available for sale would be handled through an independent stock broker.

(5) Personal ownership of stock by Mills Lane and Joe Hall of stock in five percenters which was bought from the C & S Profit Sharing Plan described in Joe Hall's letter of June 12, 1968, will be handled as you advise.

(6) Regulation L. All officers of National who are officers of five percenter banks in Chamblee, Sandy Springs, Tucker, Stone Mountain and North DeKalb and of Citizens State Bank of Augusta will resign to avoid any future questions arising as to violations of Regulation L, but may serve as advisory directors on the Boards of these banks.

Youmans has resigned from the Board of Directors of the five percenter in Forest Park and has been elected an advisory director

Sincerely,

Henry J. Miller

cc: Mr. James R. Smith (2)
Mr. Mills B. Lane
Mr. Joseph A. Hall, III

E- 216

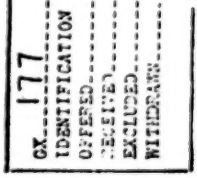
BOARD OF GOVERNORS

FEDERAL RESERVE SYSTEM

GX-177

- - -

[1-15.6]



In the matter of:

THE CITIZENS AND SOUTHERN NATIONAL BANK AND SUBSIDIARIES

Federal Reserve Building,

21st and Constitution Avenue, N.W.

Washington, D. C.

Monday, April 22, 1968.

Met, pursuant to notice at 10:00 A.M., Thomas J. O'Connell, Deputy General Counsel, presiding.

Present:

Mills B. Lane, Jr., President, the Citizens & Southern National Bank.

Joseph A. Hall, III, Executive Vice President and Comptroller, the Citizens and Southern National Bank.

Howard S. Starks, Executive Vice President, the Citizens and Southern National Bank.

Louis J. Portuna, President, the Citizens and Southern National Bank of Sandy Springs.

Thomas J. O'Connell, Deputy General Counsel, Federal Reserve System.

Lawrence Noble, Senior Attorney, Legal Division, Federal Reserve System.

Mrs. Pauline Heller, Senior Attorney, Legal Division, Federal Reserve System.

Brent Leavitt, Deputy Director, Division of Examinations, Federal Reserve System.

John Lyon, Supervisory Review Examiner, Division of Examinations, Federal Reserve System.

Don. Kline, Research Examiner, Division of Examinations, Federal Reserve System.

James Smith, Counsel, Federal Reserve Bank of Atlanta.

Robert M. Stephenson, Vice President, Federal Reserve Bank of Atlanta.

Lawrence Jolliffe, Attorney, Antitrust Division, Department of Justice.

- - -

PROCEEDINGS

MR. O'CONNELL: If I may, then, for the record, I am Thomas J. O'Connell, Deputy General Counsel for the Board of Governors.

We have identified for the record the other individu... present here this morning.

May I briefly state at the outset the purpose for this meeting.

As we are all aware, inquiry was made sometime ago with respect to the so-called five-percent stock interest in a number of banks held by the C and S Holding Company System.

The five-percent ownership itself was identified by the C and S System but came to a head, as it were, with respect to the proposed merger of the C and S National Bank an... the C and S Bank of Augusta.

MR. LANE: Commercial and Savings Bank.

MR. O'CONNELL: In that statement of application regarding that merger, a pronouncement was made by the applicant with respect to the management talent that had been lent that bank, the other assistance that had been lent the bank by C and S, concluding with the General Position that in all respects, at least as we read it, the operation of the bank was strongly under the guidance, assistance and leadership of C and S.

Now, in our letter to you with respect to this five

Now, in our letter to you with respect to this five percent ownership, we interpreted that as control of that bank by the C and S System.

Directly in your response you controverted this and denied that such control existed. Rather you identified the relationship which you had with this and other five percent owned banks and, as I recall, you characterized it as a correspondent associate and, I believe, that your annual report so terms these relationships.

Well, gentlemen, then back to the purpose of this meeting.

We of the Board Staff, and I believe the Federal Reserve Bank of Atlanta, looking at the so-called five percent direct ownership of C and S in these some 23 or 24 banks, whatever the exact number, we find additional prima facie evidence in our judgment of possible elements of control.

Now, under the Bank Holding Company Act a bank holding company is entitled to own five percent of the stock or control five percent of the stock of another bank and does not have to come to the Board of Governors under the statute for such acquisition.

However, the statute does prohibit direct or indirect acquisition of ownership of control beyond that five percent limit without the prior approval of the Board.

This is the thrust of our inquiry here. We have

directed written inquiries to you. You have responded. But in our judgment the answers weren't as precisely responsive as we desired and I think they are insufficiently responsive to enable us to make a final judgment.

It is important to us that you know this this morning and at this point may I say we appreciate your courtesy in so promptly responding and attending this conference today. Our point is to get information, to get facts, to enable us to make a judgment on the principal issue I have mentioned.

When this record is finished -- and that by the way is why we had a court reporter here this morning. I think in fairness to you you are entitled to know precisely what questions were asked and what responses were given. We will then have a written record of the responses that will enable us to make a judgment as to what extent we have additionally gathered facts toward this decisional function and we will either make a judgmental recommendation to the Board with respect to the status of these banks, or if necessary we will recommend to the Board that it be further referred to an administrative or a law enforcement agency. That is the purpose of this meeting.

I should say that this isn't merely the concern of the Board.

As you may be aware, we have had considerable congressional inquiry both on an individual Member basis and on a committee basis with respect to possible loopholes in the

existing Bank Holding Company Act. This is aimed at the Board's recommending, if it feels appropriate, additional changes in the Bank Holding Act to close what we would regard as loopholes. And specifically these inquiries have related to certainly not your operation, namely, but indirect ownership or control beyond direct stock ownership.

A further element of control mentioned is the making of a loan secured by the stock of a bank and to what extent either by agreement or by loan the terms of the loan or by the security terms such stock can be controlled by the lending holding company. These are the areas of inquiry that have been pressed upon us by the members and the Committees of Congress and we have a response to pursue them.

With that background, I would like to ask Mr. Noble and other members of our groupe here who feel that they have questions to proceed and I will ask you gentlemen to answer as you see fit and by whom you see fit.

MR. LANE: Do you think it would be helpful if I tried to set the scene with just a little background of the Bank and its philosophy?

MR. O'CONNELL: I think it would be most helpful and please proceed as you wish, Mr. Lane.

MR. LANE: The C and S Bank has had a continuity of management ever since my grandfather founded this little bank in Balboste in 1866. When my father died in 1946, his estate

at the time had some dozen country bank stocks in banks like Wadley, Blackshear, Greensboro, Jessup, Mount Vernon, Early, and as I grew up and as the State of Georgia developed, Savannah was our headquarters office, was the port of the State and that was where the movement of cotton and lumber and tobacco and rice came. And my father followed a philosophy of encouraging the organization of new banks, and this was even during the period when branch banking was permissive in the State of Georgia. And his reason for taking a minority position in a bank was to be able to influence the correspondent bank account.

I grew up in that atmosphere of minority interest in new banks as a means of influencing the correspondent bank relationship.

The development of our five percent interest in a bank has come about in two ways. The first way has been in banks where management had deteriorated through old age to the point that they came to us to seek a relationship with the Citizens and Southern National Bank to provide management. In no case in the entire history of this bank have we ever gone to a community either to buy an interest in a bank or to organize a new one. It has always been the approach has been to us, as in the first case where the management of a bank had deteriorated.

The three outstanding cases of this are the American

National Bank of Brunswick, the Bank of Tifton, the Moultry Banking Company, the Jackson National Bank, the Farmers and Merchants Bank of Fayetteville, and the Bank at Pelham.

The only organization of new banks that the Southern Holding Company has taken a five percent interest in has been in metropolitan areas where local business communities wanted to start a new bank on their own and sought us to provide management.

The only way that we could provide management for a bank was to have continuity of the exchange of personnel between banks. The five percent investment followed the identical philosophy of my father of influencing but not controlling the correspondent bank relationship.

The five percent relationship also made it possible for a movement of personnel between any banks with other continuity of all pension, profit-sharing, employees' benefits, so that the man that went to run the bank continued really in the Citizens and Southern family. It if hadn't been for our being able to extend those benefits we would not have been able to get a man to leave the Citizens and Southern Bank, as Lou Fortuna has, to run the Citizens Bank at Sandy Springs. It has been that link that has produced, I think, the basis upon which these banks have been founded.

Both those that we have purchased into that were existing banks or new ones.

Now, throughout all of these we have never sought to control the election of directors, but have sought to have satisfied stockholders because of the progress and profit of the bank, and we have seen here most tellingly, I think, in the last two years a strong desire of a unit bank to be identified with the Citizens and Southern. And that is a great change in philosophy.

There was the time when the unit banks, for example, when we went to Tipton they insisted there be no mention that the Citizens Southern had a five percent interest in it. Today they want to put on the door we are an associate correspondent of the Citizens Southern. I think that is because of the reputation this bank has developed to provide unselfish service.

I can take this one step further. That here we went, this is part of our philosophy, we go to Jamaica and help organize the first home owned bank that the Jamaicans have. Although we own 49 percent of the bank, with the approval of the Federal Reserve, we are not in a control position in Jamaica, even with a 49 percent ownership, and have agreed with the Jamaicans they can buy us out at any time.

That has been true of every minority investment that we have ever had. We had a five percent minority investment in the bank at College Park. Other people went to the other stockholders and bought the majority of the stock and we let them have our five percent too. The same thing happened in

Pelham where we had a five percent interest but with the identical same relationship between our parent bank and holding company in that bank as there was in any other five percent bank. They decided they wanted to buy us out and we sold to them.

The same thing happened in Carterville. So in every one of these five percent relationships there has been this underlying philosophy of this bank of serving, of influencing the correspondent bank account, of helping that community have a bank that could join hands with ours to provide better local banking service.

In only one respect have I had any qualm or worry and that was when we bought the bank at Tucker or took a five percent interest in the bank at Tucker, and the former president insisted that the name of the bank be changed to the Citizens and Southern from the Bank of Tucker. And I was a little bit worried about that because that implied the name is unusual and yet there had been a precedent for that too.

Long years ago a bank was started in Philadelphia called the Citizens and Southern Bank. It was the first Negro-owned bank in Philadelphia. The man had come from Savannah and my father wrote him and said, Doctor, why did you name this bank in Philadelphia the Citizens and Southern Bank, and he said, Mr. Lane, that is the best name I have ever known in the banking business and that is why I let it have that name.

I look on the use of the name Citizens and Southern as identity with the strong institution, not with control, but sort of the same relationship that Howard Johnson or Holliday Inn would have in it. We are going to help you run our style of bank and you have in effect got the franchise to use our name so that you will have a better bank.

That isthe background of what we have done, the way we have done it, and I think it is universal to all five percent banks, not just isolating Commercial and Southern of Augusta.

MR. O'CONNELL: May I ask, in any instance where a five percent owned banks uses the C and S title, I will call it, or the C and S name, has it at each instance been at the request of the bank that that name has been assumed?

MR. LANE. No. We were so pleased with what happened at Tucker with the change of name that we suggested to Stone Mountain and to Chamblee that they consider the same thing. Stone Mountain did not want to change their name until they saw what had happened at Tucker. But it was an evolution but it was not -- we suggested it would help them, yes, in a couple of cases.

MR. O'CONNELL: And if I may, to cover those where it appears -- the Belevedere Bank?

MR. LANE: It was a brand new bank, not an existing bank.

MR. O'CONNELL: So the name would be your selection?

MR. LANE: Right.

MR. O'CONNELL: And the North DeKalb Bank?

MR. LANE: The same thing.

MR. HALL: The name wouldn't be our selection. It would be the selection of the Board of Directors of that bank.

MR. O'CONNELL: I understand. But may I assume, from what Mr. Lane said, the suggestion was made, for instance, for the Board of Directors of the business advantages of having the C and S name in the bank?

MR. HALL: We acquainted them with what happened at Tucker and we told them we felt they ought to know that they were actually in competition with Tucker, very close, and we felt that as a matter of courtesy they ought to know ahead of time that the bank in Tucker wanted to change their name to the Citizens and Southern.

I said obviously we are prejudiced, we would think that the name Citizens and Southern means something, but the decision is yours.

The Board of Directors of Stone Mountain voted and decided not to change the name of their bank. A year later, approximately, without anything on our part, they came back and said, Joe, we made a mistake. We think now we ought to change the name. Does the C and S still have no objection? Obviously we had no objection, I told them. And at that time they

changed the name to Citizens and Southern Bank of Stone Mountain.

The same thing happened with each one of them, even the new ones, that if they wanted to use the name it was all right.

We have never, absolutely never -- because I think this is something that is their decision -- we never insisted that in order to get any help from us that they change the name to Citizens and Southern. We think it means more to them than it means to us.

MR. STARKS: The case in Chamblee is still under discussion.

MR. O'CONNELL: Are there any banks in which you don't own five percent but for whom you are a major correspondent that carry the C and S name?

MR. LANE: No.

MR. O'CONNELL: If one of them wanted to do so, would you object?

MR. LANE: I think we would.

MR. O'CONNELL: For what reason, may I ask, Mr. Lane, since it would also project this image?

MR. LANE: It would imply it had the status of a correspondent associate.

MR. O'CONNELL: Would I understand that there is in your mind a difference between correspondent associate and

correspondent?

MR. LANE: Yes, sir. A correspondent associate is one in which we have a five percent investment and where the bank says so.

MR. HALL: And it is also where there is an ex-C and S man in charge of the bank. I think this is a big difference.

MR. SMITH: In a case like the Citizens Bank in Sandy Springs, which is now Citizens and Southern, do they apply to the Comptroller of the Currency for a name change and the Comptroller of the Currency clears this with you?

MR. HALL: I believe the Comptroller cleared it with us. Obviously it had our permission because Howard Starks was a member either on the board or advisory board member at that time and they would clear it with us.

MR. LANE: I think this subject has come up once or twice with the Comptroller and the State Superintendent of Banks. They think this name is unusual and I don't think they would approve the use of the name Citizens and Southern without our approval.

MR. O'CONNELL: Am I correct that under Georgia law basically you are the ones who have the right of objection to the use of such name by another bank?

MR. HALL: That is my understanding.

MR. STARKS: They bring us a letter each time and we have approved or stated no objection.

MR. NOBLE: What assurance do you have that the bank using that name will not engage in a type of business which would not reflect well on the name?

MR. LANE: That is the gamble we have taken. The only misgiving I ever had about our lack of control is the use of this name.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

GX-177 B

1778 for

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

March 15, 1972

60-111-2041
DEPARTMENT OF JUSTICE
3/20/72
DIVISION OF RECORDS
ANTITRUST

Mr. Donald I. Baker
Director of Policy Planning
Antitrust Division
United States Department of Justice
Washington, D. C. 20530

Re: United States v. Citizens & Southern National Bank, et al. (N.D. Ga.)

Your Ref: WBC:DIB, 60-111-2041

Dear Mr. Baker:

I am writing in reply to your letter to me dated March 2, 1972, regarding the above-captioned matter in which the complaint alleges a violation of section 1 of the Sherman Act (15 U.S.C. § 1) by Citizens & Southern by virtue of operating relationships between Citizens & Southern and various other banking institutions in which Citizens & Southern has held a stock ownership interest of 5 per centum or less. A motion to dismiss and to strike the section 1 allegations has been filed by Citizens & Southern in the captioned matter based in part upon their representations concerning the conduct and outcome of an "investigation" conducted by Board staff under the Bank Holding Company Act of 1956 into the affairs of Citizens & Southern respecting certain relationships with the banking institutions referred to above in 1968. You have set forth in your letter a number of specific questions concerning such investigation to which you request response. For convenience of reference, these questions are repeated hereinafter with the appropriate response following immediately.

60-111-2041
DEPARTMENT OF JUSTICE
MAR 20 1972
R.A.O.
ANTITRUST

(1) Was the "investigation" referred to by defendants initiated as a result of the submission of an application to the Board for approval of an acquisition, merger, or consolidation transaction under Section 3 of the Bank Holding Company Act?

E- 232

No. The fact finding inquiry undertaken by Board staff into the relationship between Citizens & Southern and the other banking institutions referred to was begun in 1966 and continued into 1968. The principal focus of the inquiry concerned essentially two questions: (1) whether Citizens & Southern had unlawfully acquired a direct or indirect stock ownership in these banking institutions in excess of 5 per cent without first having secured the requisite prior Board approval; and (2) whether the banking institutions had unlawfully become subsidiaries of Citizens & Southern by virtue of the election of directors without first having received the requisite prior Board approval. The inquiry arose in 1966 out of information contained in Citizens & Southern's registration statement filed with the Board and in 1968 as a result of information supplied by the Comptroller of the Currency in connection with the merger of the Citizens and Southern National Bank and the Citizens and Southern Bank of Augusta. The inquiry referred to was not initiated as a result of any application filed with the Board for approval of an acquisition, merger, or consolidation transaction under section 3 of the Bank Holding Company Act.

(2) Did the Board of Governors issue any formal order approving these "affiliation" relationships under Section 3 of the Act?

No. The Board of Governors did not issue any order approving the relationships between Citizens & Southern and the other banking institutions under section 3 of the Bank Holding Company Act.

(3) If not, what other decisions were reached or actions taken concerning the relationships in question by the Board or its staff? Was there any determination that the Board's approval under Section 3 of the Act was required in order for the "affiliation" relationships in question to continue?

There was no determination made that approval of the Board under section 3 of the Bank Holding Company Act was required for Citizens & Southern to retain an ownership interest of 5 per cent or less in the banking institutions referred to or to maintain the relationships with those banks in circumstances where Citizens & Southern did not elect a majority of the directors of any such bank. There was an understanding reached between members of the Board's staff and representatives of Citizens

& Southern that in those cases where Citizens & Southern purchased 5 per cent or less of the stock of a bank, in some instances furnishing a principal operating officer for such bank, as well as other employee benefits, Citizens & Southern would not be deemed to have control of a majority of the directors of such bank on these facts alone. Further, where the foregoing circumstances existed and where control of additional shares was purchased by the bank's executive officer, control of such shares purchased would not be attributed to Citizens & Southern so long as Citizens & Southern did not finance the purchase of such shares, directly or indirectly. Finally, it was understood that even though Citizens & Southern was responsible, directly or indirectly, in placing one or two directors on the boards of such banks, if that number did not constitute a majority of directors of such bank, the Board's staff would not consider that Citizens & Southern could reasonably be held to have control of a majority of the directors of such bank.

(4) If the answers to (2) or (3) above are affirmative, was the Attorney General notified of these actions?

Reply not necessary.

(5) Why was a representative of the Department of Justice invited to attend the conference referred to by defendants?

A representative of the Department of Justice Antitrust Division was invited to attend the conference in April 1968 inasmuch as the Department is the agency of the Government having primary responsibility for enforcement of Federal laws with particularized responsibilities relating to possible anticompetitive practices and in view of the fact that any willful violation of any provision of the Bank Holding Company Act may be referred by the Board to the Department of Justice for appropriate investigation and action.

Very truly yours,

Tynan Smith
Secretary of the Board

E- 234

GX-177 D

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

April 21, 1972

GX	177D for
IDENTIFICATION	
OFFERED	
RECEIVED	
ADMITTED	
WITHDRAWN	

Michael A. Doyle, Esq.
Alston, Miller & Gaines
Citizens & Southern National
Bank Building
Atlanta, Georgia 30303

Re: United States v. The Citizens and Southern National Bank, et al., Northern District of Georgia

Dear Mr. Doyle:

This is in reply to your letter of March 31, 1972, requesting a response to each of seven questions respecting issues raised in the above-captioned matter. For convenience of reference, those questions are repeated hereinafter with the appropriate response following immediately.

1. What was the jurisdictional authority of the Federal Reserve Board in 1966 and 1968 to conduct its inquiry in 1966 and 1968, which included investigation by written questions and the Washington hearing?

The principal jurisdictional authority of the staff of the Board of Governors to conduct a fact finding inquiry into certain of C&S's affairs in 1966 and 1968 -- including the submission of written questions to C&S and the holding of various meetings or conferences between the representatives and staffs of C&S and of the Federal Reserve -- was the Bank Holding Company Act of 1956, specifically those provisions authorizing the Board to issue necessary regulations and orders (Sec. 5(b) of the Act); requiring reports to assure compliance with the Act and regulations issued thereunder (Sec. 5(c)); and proscribing willful violations of any provision of that Act (Sec. 8). At the conference held in Washington, D. C., on April 22, 1968, it was also stated to representatives of C&S that one further purpose of that meeting would be to ascertain whether the types of questions raised in the C&S matter should be the subject of a recommendation to Congress concerning the need for legislation.

2. Did the Board find any practices or activities on the part of C&S which were regarded as unlawful? If so, did representatives of the C&S agree with the Board's staff to discontinue them?

Neither the Board nor its staff denominated any practice or activity on the part of C&S as "unlawful". Representatives of C&S conceded that certain of its actions resulted in its having owned shares in various banks in excess of the 5 per cent statutory ceiling. Accordingly, C&S agreed to limit its activities in relation to the acquisition of shares by other persons in those banks (in which C&S had or might obtain a direct 5 per cent ownership interest) to the end that C&S would not be held to indirectly own or control additional shares.

3. Was an understanding reached between members of the Board's staff and representatives of C&S that C&S could continue to help organize new banks and supply management for existing banks when requested to do so by persons in the community whereby C&S Holding Company would purchase 5% of the bank's stock, furnish a President and one or two directors or advisory directors and extend employee benefits to employees of the 5% banks? In this regard I attach as exhibits letters from Mr. Henry J. Miller to Mr. James D. Smith, Counsel of the Federal Reserve Bank, following a meeting between C&S representatives, Mr. Smith, and Mr. Thomas J. O'Connell, General Counsel of the Board, and refer to paragraph (4) thereof.

There was no affirmative understanding that C&S could continue to engage in the prescribed actions. There was an understanding reached between members of the Board's staff and representatives of C&S that in those cases where C&S purchased 5 per cent or less of the stock of a bank, in some instances furnishing a principal operating officer for such bank, as well as other employee benefits, C&S would not, on those facts alone, be deemed to have control of a majority of the directors of such bank. Further, where the foregoing circumstances existed and where control of additional shares was purchased by the bank's executive officer, control of such shares would not be attributed to C&S if C&S had not financed the purchase of such shares, directly or indirectly. Finally, it was understood that, even though C&S was responsible, directly or indirectly,

in placing one or two directors on the boards of such banks, if that number did not constitute a majority of directors of such bank, the Board's staff would not consider that C&S could reasonably be held to have control of a majority of the directors of such bank.

4. If the outcome of that investigation and hearing had been different, what were possible consequences under the Board's jurisdiction? For instance, if the Board had found that C&S had controlled the election of a majority of the directors of the 5% banks, is it possible that C&S could have been required, or that C&S would have been permitted, to file an application under Section 3 of the Bank Holding Company Act? Is it possible that the Board could have requested initiation of criminal proceedings against C&S and/or its representatives if willful violations of the Bank Holding Company Act had been found?

It is possible that the Board of Governors could have requested the Department of Justice to initiate criminal proceedings against C&S if C&S had been deemed to have willfully violated the Act either by its having acquired a stock ownership interest in a bank in excess of 5 per cent, or by its having caused such bank to become a C&S subsidiary by virtue of the fact that C&S controlled the election of a majority of its directors without, in either case, having obtained the prior approval of the Board of Governors. It is likely that if the Board's staff had believed that such a willful violation of the Act had been presented, it would have recommended to the Board that opportunity be given to C&S to cease such violations through termination of the unlawful relationship before the matter would be referred to the Department of Justice, or before an application under Section 3 of the Act would be considered by the Board.

5. Was an understanding reached between members of the Board's staff and representatives of C&S that if the C&S desired to expand its ownership of stock in the 5% banks by using its Profit Sharing Plan, yearly applications under §3(a) would be made for each bank involved? I refer to paragraph (3) of Mr. Miller's letter. Was it also understood that in view of the potentially large number of applications that C&S might be able to use a modified form for the application?

There was no understanding that C&S could expand its ownership of stock in any such banks beyond a 5 per cent interest. There were discussions concerning C&S's proposal to use its Profit Sharing Plan as a vehicle for acquiring stock in such a bank for the employees of that bank (hereinafter, "5% bank"). C&S proposed to submit one application for each 5% bank per year wherein Board approval would be sought for the acquisition of a specified percentage of such bank's outstanding stock. The proposal contemplated that each employee of a 5% bank would be given a year-end opportunity to designate investment of his contributed funds and those contributed by the bank for the purchase of the employer-bank stock. In September of each year, an employee would be given the opportunity to change previously designated investment plans. C&S hoped to combine the September-December designations into a single application seeking approval of acquisition of the aggregate amount of bank shares designated. Thus, in a given year, C&S could have filed as many as 20 or more applications, as few as one, or perhaps no application would have been filed. C&S was told that each application would be viewed in the light of the standards set forth in section 3 of the Act; that, unless otherwise ordered by the Board, consummation of each acquisition approved would be subject to the usual 30-90 days' time condition; and that the Board's staff would cooperate with C&S in an effort to permit utilization by C&S of an abbreviated version of the section 3 application form.

6. Was any part of the Board's reason in conducting its inquiry and for inviting a representative of the Antitrust Division of the Department of Justice to the 1968 hearing, because of concern on the part of the Board of possible unlawful anticompetitive practices by C&S?

Although the stated reasons for the conduct of the fact finding inquiry were as referred to in response to the answer set forth to Question 1. above, it should be remembered that with respect to banks, banking associations, and trust companies, the Board and the Department of Justice share dual enforcement responsibilities under the terms of the Clayton Act. The 1966-1968 inquiry was neither premised nor focused on any Clayton Act question, although any anticompetitive practice found to have been engaged in by C&S could have given rise to further inquiry under the Clayton Act.

7. Was there any finding of such anticompetitive practices which required the initiation of proceedings against C&S?

The Board of Governors neither recommended the initiation of nor initiated any such proceeding.

Very truly yours,

Tynan Smith
Secretary of the Board

GX-188

INTEROFFICE MEMORANDUM

Date: February 19, 1970

To: Wendell Ballard
2 Nelson Street

From: Robert F. Clayton
Staff Marketing and
Customer Service Officer

Here's our new service charge schedule for regular checking accounts:

Maintenance charge: 75¢ per month
Activity charge: 10¢ per check

Accounts are exempt with $250 minimum balance or $1000 average.

There is no change in special checking account charges.

Timing has not been definitely set. We are preparing notices to customers and will give them 30 days notice before the new charges are applied, since we are raising the price on most accounts.

At this point, this applies to C&S National Bank in Atlanta only. I'll let you know as the affiliate and 5% banks make their decisions which are affected.

As we discussed, please proceed with the necessary programming.

RFC/2397

CC: Mills B. Lane
Joe Hall
Rountree Youman
Howard Stanks
Dan Handley
G. Raymond LeMon
Fox Randolph

E- 240

GX-189

INTEROFFICE MEMORANDUM

Date: March 16, 1970

Executive Officers
Presidents of Affiliates

From: Robert F. Clayton
Staff Marketing and
Customer Service Officers

Howard Starks has proposed, and Mr. Lane has approved, our eliminating service charges on "Senior Citizens" accounts. Augusta, Savannah and Valdosta are already offering this.

We are preparing an advertising program for Atlanta media that will promote this feature. It consists largely of small space newspaper ads.

Operationally it amounts to a change in the service charge program, giving distinct identification to these exempt accounts so they can be eliminated from periodic reviews of exempt accounts. There will be no forms involved; just memos indicating account names and numbers for the computer centers.

Please let me know whether your bank will or will not adopt this feature. Ads will be available shortly if you wish to use them.

RFC/2397

CC: Presidents - Correspondent Associates
Joe Hall
Rountree Youmans

GX-190

GOG: 9.19

SECTION: Loans

OPERATING BULLETIN

TOPIC: Base Charges - Regulation Z

PAGE: 1 of 1 DATE: July 31, 1972

REPLACES GOG 9.19 DATED JULY 1, 1969, SAME SECTION AND TOPIC.

The policy of assessing a $10.00 base charge plus interest on all time notes under $5,000 has been modified. In certain instances we will operate under the Georgia Industrial Loan Act, which necessitates a flat charge instead of a base charge plus interest. Loans renewed for six months or less cannot be charged a second base charge, and new loans made to a customer less than fifteen days after a loan pays out will be exempt from the charge. Thus the use of realistic final maturity dates at the inception of the loan is most important.

Please refer to Consumer Credit Operating Guide Bulletin "Over-the-Counter - Single Payment Time Loans to Individuals" for complete instructions for determining charges on single payment loans. Additional copies of this Consumer Credit Bulletin may be requested from Retail Banking Department, 17 N.B.G. Building, Atlanta.

Richard H. Zimmermann
Assistant Vice President
System Operations
6 - Mitchell

GX 190 for
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

GX-191

GOG: 26.012

SECTION: Miscellaneous

TOPIC: Antitrust Actions - Agreements Between Banks

PAGE: 1 of 6 DATE: July 12, 1972

MEMORANDUM

TO: Presidents - Correspondent Associate Banks
Presidents - Affiliate Banks
Executive Vice Presidents - National Banks

In 1962 and 1964, I sent out memos relating to certain prohibitions of the antitrust laws. The "rules" of those memos, which are a part of our operating guide, have ever since stated our policy and guided our practice in the areas they cover. They are good rules for today. I suggest a review of them would be helpful for everybody.

Recently our attorneys have quite naturally been looking closely at the relationships of C&S National and C&S Holding (plus affiliates) with the C&S 5% banks, and between and among C&S 5% banks, in connection with the Government's suit against our mergers. I enclose a copy of a letter written by Mike Doyle which states that background which leads to this memorandum. As Mike has suggested, we should emphasize some specific areas of our antitrust rules as they apply to our 5% bank relationships.

We should treat the kinds of agreements referred to in the nine numbered paragraphs of my February 26, 1964, memorandum (plus agreements to allocate customers and markets, which are not covered by those paragraphs) as being out of bounds in the relationships between C&S National (including its affiliates), and C&S 5% banks, and between and among C&S 5% banks.

Further, we must all remember that agreements to not compete do not have to be express, written or oral promises to be illegal; they may be implied from actions if those actions are equivalent in effect to an agreement. Thus if Bank A and Bank B exchange "price information" as to service charges, interest rates and the like, the purpose and/or effect of which is to fix prices or divide up the customers, then an unlawful agreement would be inferred.

Nonetheless, because the business of credit depends on information exchanges, we do not have to stop the continuing exchange of credit information which is necessary for sound banking. The information our 5% banks receive in the form of memos and other in-house communications from C&S National have been and continue to be for information only, and are neither mandatory, directory or suggestive. Each 5% bank must make its own unilateral competitive decisions.

The credit review and administration procedures we use to assure quality and soundness of our loans must not be the basis for setting the rates, except on a unilateral basis. We can continue to help each other be better bankers and help our banks be of greater benefit to the communities without violating this forbidden area. Officers involved in credit reviews should keep this primary in reviewing the worthiness of credits.

Similarly, the necessary exchange of credit information must not be used indirectly to allocate customers or markets between banks. (The limitations of the Fair Credit Reporting Act are another matter entirely.) Central Information Files should continue to be utilized by all banks, and bank officers should continue to feel free to exchange first-hand ledger information in connection with particular loans. Antitrust law does not require us to sit back and let one customer obtain his maximum credit from each of three C&S banks. The point is, though, that information exchanges to protect the soundness of loans should not be perverted either explicitly or by implication, into a conversation of "he's my customer; you stay away from him."

C&S 5% banks compete across the board with C&S National and its affiliates, and with each other, for all customers, of

all types, and all locations, for all types of business, and of course this goes the other way, too. The same goes for banking hours, new bank office sites, and locations of other facilities. There are no exceptions to this general rule.

Antitrust is not all "don'ts" however.

Where participations are involved, or other transactions where two or more banks are actually parties to a transaction, or are negotiating a joint transaction, then clearly a price agreement between them as to that situation is lawful.

There is nothing in the law which requires that a 5% bank decision, unilaterally reached, be different from a C&S National decision.

There is nothing that we know of, outside of the above areas, which prohibits C&S National and C&S Holding from doing all that they can to help the 5% banks be more competitive. Therefore you should be assured that we at C&S National and C&S Holding will continue in the future as we have in the past to be vitally concerned for the safety and success of our C&S 5% family. As parent and as stockholders, we will continue to offer every help and assistance permitted by the law, to bring better banking services to your communities and customers.

As I am sure many of you are aware, we have at various times in the past adjusted aspects of our 5% bank relationships to accord with changes or developments in the law, or to follow suggestions of bank regulatory authorities. We believe that we have at all times throughout this history stayed well within the requirements of the law in fulfilling our basic commitment that banking is, in the first instance, a public service, and that we are committed to bring full service banking to meet the convenience and needs of communities in Georgia. In that spirit, all of us can and will continue to offer the best banking around, while at the same time operating well within the laws as they may be interpreted from time to time; and we can't go wrong doing that.

Joseph A. Hall, III
President, Citizens & Southern
Holding Company

P.S. I'm sure this raises questions in your mind. We plan to get together soon and talk about this, so hold your fire til then.

LAW OFFICES
ALSTON, MILLER & GAINES
CITIZENS & SOUTHERN
NATIONAL BANK BUILDING
ATLANTA, GEORGIA 30303
404-577-8600

July 12, 1972

Mr. Joseph A. Hall, III
First Vice President
Citizens & Southern National Bank
Atlanta, Georgia

Dear Joe:

The position taken by the Antitrust Division in the Government's lawsuit to enjoin the mergers with the 5% banks is significantly different from the Division's earlier posture.

This new stance of the Government is of significance to the relationship between C&S National (and its affiliates) and the C&S 5% banks, and between and among C&S 5% banks. Let me outline this change in the Antitrust Division's posture.

In the consent judgments entered in the 1964 cases against the Duluth, Minnesota banks, the proposition was accepted by the Government that combinations and agreements which would otherwise violate the Sherman Act were not unlawful if they were between regulated bank holding companies and their subsidiaries, recognized as such by the Bank Holding Company Act.

In 1969, the Antitrust Division reported on the competitive factors involved in the application of C&S DeKalb (a majority-owned C&S affiliate) to purchase assets and assume liabilities of C&S Belvedere (a C&S 5% bank). That application was, of course, approved; the facts involved in that merger application were, in all material respects, substantially the same as those involved in the mergers now under attack in the District Court. The 1969 report of the Antitrust Division stated in pertinent part that:

> The immediate anticompetitive effects of this merger may well be lessened by the fact that the Citizens and Southern Holding Company has

had full management control of Belvedere Bank since its inception.

. . .

Since Citizens and Southern acquired its interest and management control at the time Belvedere Bank was established, the situation is not unlike de novo branch banking in those states where such activity is lawful. . . .

. . .

Because of the existing relationship between the merging banks, the increase in concentration of banking resources in DeKalb County as a result of this merger would be more apparent than real.

Thus through 1969, the Antitrust Division accepted the view that the 5% relationships were essentially equivalent to de novo branching because of C&S management control, and justified the asserting by C&S that the mergers had no anticompetitive effect, being essentially an internal reorganization. The Justice Department made no challenge whatsoever to these relationships at that time.

Then in 1970, amendments to the Bank Holding Company Act clearly brought the 5% banks within that Act's definition of "subsidiary." Thus the Antitrust Division's positions were clearly consistent in their application to the C&S facts—management control equaled the "subsidiary" exemption from the Sherman Act, and the present and contemplated 5% mergers were not anticompetitive because of that very control.

The position now taken in the District Court action by the Antitrust Division, in asserting that the 5% relationships constitute a violation of § 1 of the Sherman Act, represents a sharp change of direction. The defenses we are asserting on behalf of the banks essentially are that the Antitrust Division

was correct before it changed its position. Thus, we are asserting the "subsidiary" defense to the Sherman Act, and we are arguing further that our history of "management control" from the organization of the merging banks, means that the mergers will not have any anticompetitive impact.

Nonetheless, conservative practice dictates that the Holding Company and Bank should focus precisely on those aspects of the 5% relationships affected by the Government's new position. Even though we contest the legality of the Government's position in court, the Holding Company and Bank should make certain that their relationships accord with that position until a definitive court interpretation is received. Explicitly, we recommend that the Holding Company should make absolutely clear to all involved, those areas of their relationships with C&S National which are affected by the Division's new position are without the umbrella of C&S "management control."

As a means of accomplishing this purpose, we recommend that you send a memorandum emphasizing these aspects of the 5% relationships, perhaps along with this letter, to the appropriate bank officers, and add them as well to the general operating guides.

Sincerely,

Michael Doyle

MAD/jea

MICHAEL A. DOYLE

GX-192

COG: 26.011

SECTION: Miscellaneous

TOPIC: Antitrust Actions - Agreements Between Banks

PAGE: 1 of 2 DATE: February 26, 1965

MEMORANDUM TO: Executive Vice Presidents - National Bank
Presidents - Affiliate Banks

None of us would like to go to jail. None of us would like to be fined. these thought in mind, I call your attention to the results of the civil and crimina antitrust actions against 17 Minnesota banks, the First Bank Stock Corporation and th Duluth Clearing House Association.

They were fined a total of $253,000.

Consent judgements resulted in setting forth the following antitrust guidel for banks in general:

1. Agreements between banks to fix uniform service charges on checking accounts or to exchange data relating to service charges is prohibited. This reaffirms the consent decree in the case of the Hunterdon County Trust Company of New Jersey in 1962.

2. Agreements between banks to fix interest rates on deposits are prohibited.

3. Agreements between banks to fix the rate of interest, terms and conditions of any loans are prohibited except where the other bank is an actual party to the negotiations or the loan transaction itself.

4. Agreements between banks to restrict the advertising of interest or loan rates, service charges or other services rendered bank customers, or the media used for such advertising are prohibited.

5. Clearing Houses are prohibited from engaging in any activity except to effect the daily exchanges between members and the payment of the balances resulting from such exchanges and activities relating to civic, charitable, educational or eleemosynary promotions.

6. Agreements between banks to restrict the solicitation of business from correspondent banks are prohibited.

7. Agreement between banks concerning the furnishing of bank drafts, stationery, bank supplies or other gifts to correspondent banks are prohibited.

8. Agreements between banks to restrict absorption of exchange charges, or absorption of loss on securities, for correspondent banks are prohibited.

9. Agreements between banks to fix rebates or commissions on loans originated by correspondent banks are prohibited.

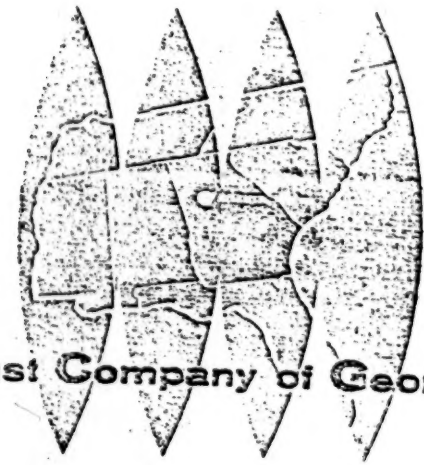
All three judgements state specifically that "transactions or communica solely between a registered bank holding company under the Bank Holding Company A of 1956, or any servicing subsidiary of such bank holding company, and subsidiari of such bank holding company recognized as such under such Act, shall be deemed to transactions and communications not prohibited by this Final Judgment, . . ."

Please do review these carefully and keep them in mind in your dealings with your local competitors. Should there be any questions about any of the items let's be sure we talk with someone else before we decide to do anything that might cause us to get into trouble with the antitrust folks.

Joseph A. Hall, III
Vice President and Comptroller

GX-193

[1-6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 28]



Correspondent Banking Services

Highlighting the advantages of having the Trust Company of Georgia as your Atlanta Correspondent.

E- 251

The Trust Company Tradition

THE TRUST COMPANY OF GEORGIA was established in 1891, and for more than 72 years has followed unswervingly its policy of bringing the best in banking services to Georgia and the South. It is now the largest state-chartered bank in the area.

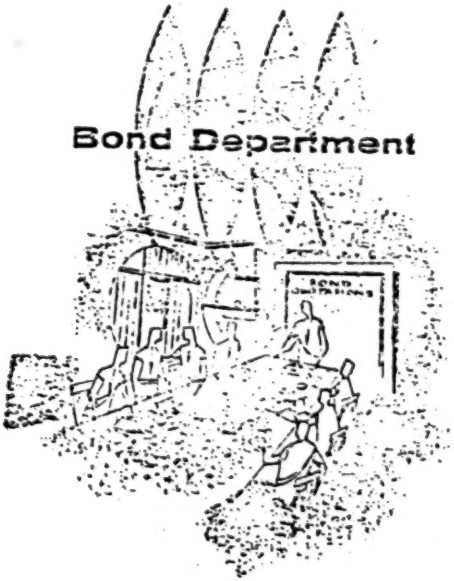
Old in tradition and experience, the Trust Company is young in its concept of what complete banking service should be. It has, for example, Georgia's largest and Atlanta's oldest Trust Department. It has one of the South's most active Bond Departments. The Trust Company was the first bank in the state with a truly complete International Department, and even today is one of three banks in the entire nation with a Factoring Department.

A second cardinal principle woven into the Trust Company fibre is that of individual, personal attention to every account. This bank does not believe that service can be rendered *en masse*. Rather, we remain convinced that each banking relationship is an individual matter, requiring personal attention by our staff for complete mutual satisfaction.

Just as the Trust Company has always aimed to bring to its commercial customers every worthwhile banking service for which a need existed, so has it served its correspondent banks in many states. Cooperating closely with our correspondent banks has always been a tradition at the Trust Company of Georgia. Service is our goal, and we encourage our correspondents to use freely those specialized banking services which are available here.

Working together, we can be of help to each other. Cooperation in this spirit is just one of the many ways in which the Trust Company of Georgia can be helpful to you as your Atlanta correspondent.

E- 252



We have been active as an underwriter and distributor since the 1890's. Our Bond Department is one of the oldest and most active departments of its kind in the Southeast. Because of a direct wire service to New York our facilities are complete for buying and selling Government bonds at net prices without commission. We underwrite and distribute state, county and municipal bonds originating not only in the Southeast but throughout the United States.

Portfolio Analysis and Management —

Officers of the Bond Department are men of wide experience in their fields. They can be helpful in making constructive suggestions affecting the composition, liquidity, earnings and taxation aspects of your portfolio. They relate your investment problems to trends of your deposits and loans, analyze your portfolio and discuss your investment policy. Feel free to call upon them for this service.

Daily Bond Quotation Sheet —

This unique report supplies you with current quotations on bonds you may consider buying or selling. We will send it to you regularly on request.

Trust Company Review Forms —

To help you analyze your own portfolio, the Trust Company of Georgia makes Review Forms available to you without charge. They are used to list your holdings of U. S. Government Securities and show the maturity schedule. With this form before us, we are glad to make recommendations about your portfolio.

Yield Table for Viewing Bond Income —

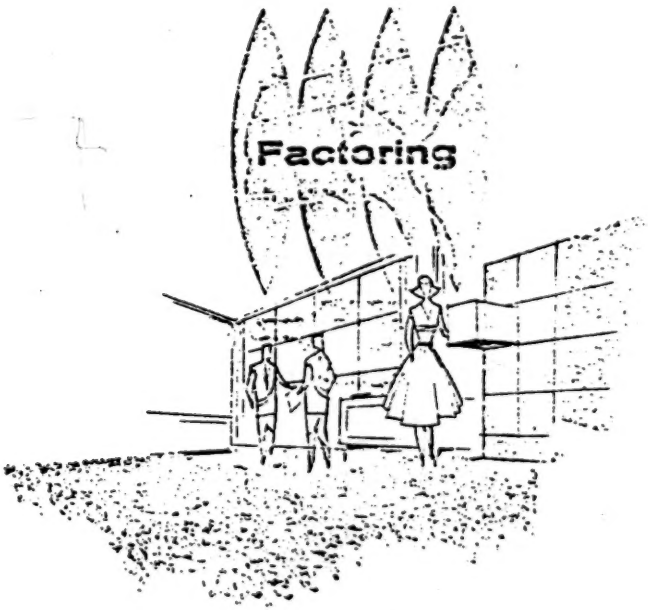
In addition, you may find our Table of Comparative Yields helpful. It enables you to view yields of tax-free and taxable bonds at a glance.

Safekeeping of Securities

Our services are designed to receive and deliver securities for your account. We will ship them to you, or keep them in safekeeping here. When securities are held by us for you, we collect income as payable and principal when due, notify you of redemption calls, subscription or conversion privileges. This service has been very helpful in saving time and money for our correspondents.

E- 254

Factoring



E-255

To serve your customers and you —

Factoring can be of great value to your customers, especially those who have requirements that may exceed your desired line or limit. Its advantages enable your customers to improve their financial position and thereby make them better customers for you. It does not disturb established relationships.

Primarily, factoring performs two services. It approves the credit of your clients' orders before shipment. It purchases the invoices arising from these approved orders. Credit risks are assumed by the Trust Company. Cash is available to your customers immediately, or as desired. Payment is made through your bank's account with us.

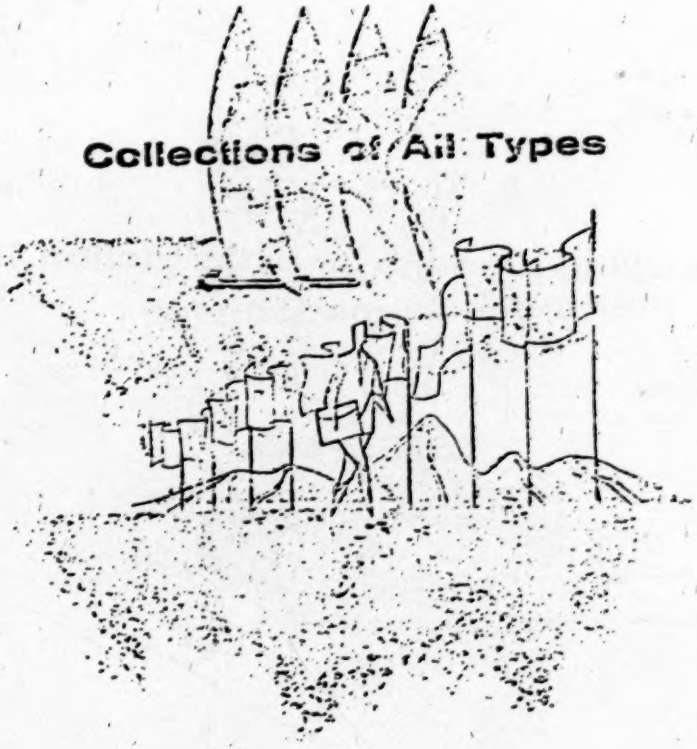
Only three banks in the United States offer a factoring service. The Trust Company of Georgia is proud to be one of the three.

E- 257

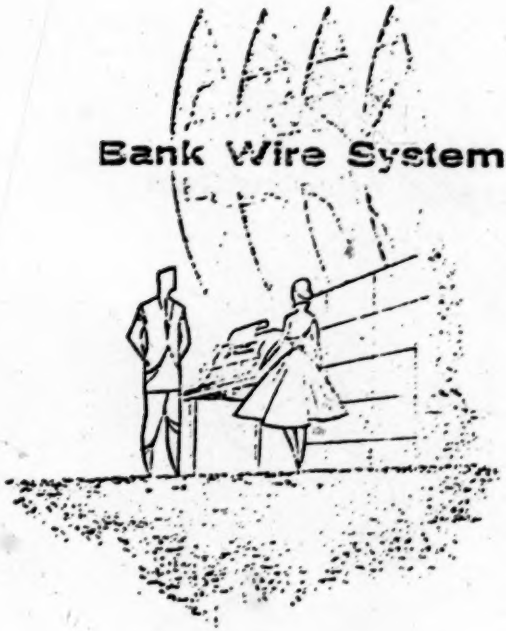
E- 258

Handling Checks and Collection Items

E- 259



E- 260



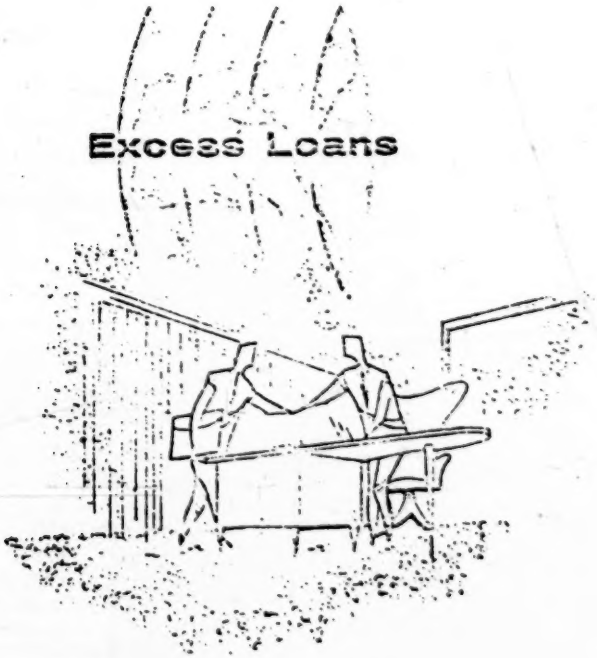
E- 261

E- 262

E- 263

Business and Industrial Development

E- 264



E- 265

E- 266

ATLANTA

and AFFILIATED BANKS

Augusta — The First National Bank & Trust Co.
Columbus — Fourth National Bank
Macon — The First National Bank & Trust Co.
North Atlanta — DeKalb National Bank
of Brookhaven
Rome — The First National Bank
Savannah — The Liberty National Bank & Trust Co.
Member FDIC

E- 267

GX-194

CORRESPONDENT BANK SERVICES

Transfer of funds

Coin and currency shipments

Clearance of checks

Handling of collection items

Participation in excess loans

Investment counseling

Safekeeping

Exchange of credit information

Data processing services

Personnel training in specialized areas and placement of personnel

Consultation on operations procedures and forms

Trust services

Referral of accounts

Assistance in foreign transactions and Letters of Credit

Personal services for officers, employees and customers

Federal Funds Market

Master Charge (Agent)

GX 216
IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

GX-216

THE BANK DIRECTOR

his duties and responsibilities

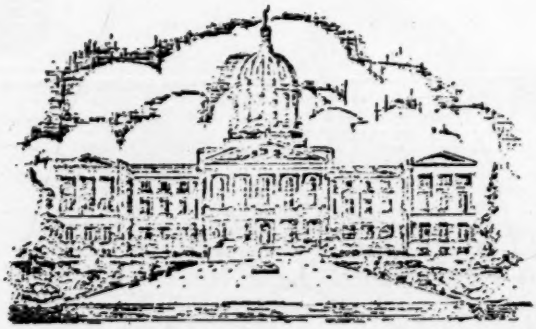
LESTER MADDOX,
Governor

W. M. JACKSON,
Superintendent of Banks

E- 269

THE BANK DIRECTOR

his duties and responsibilities



STATE OF GEORGIA

E- 270

CONTENTS

	Page
Foreword by Governor Lester Maddox	3
Preface	4
Care and Diligence	5
Statutory Provisions	
Directors' Qualifications	7
Directors' Meetings	7
Directors' Borrowings	8
Statutory Liabilities	8
Loan Limitations	9
General Loan Supervision	10
Investments	11
Cash Reserves	11
Real Estate	12
Directors Should Direct	
Overall	13
Board Committees	13
The Individual Director	14
Board Functions	16
Directors' Meetings	17
Loan Policies	17
Investment Policies	19
Trust Department	20
Personnel	21
Earnings, Expenses, Dividends	23
Audits and Controls	25
Bankers Blanket Bond Coverage	31
Credit Life Insurance	32
Directors' Examinations	32

E- 271

FOREWORD

My congratulations and best wishes are extended to bank directors, those citizens of Georgia who have been complimented by being elected to positions of high trust and honor in their communities. Election as a bank director implies the highest confidence of the stockholders in the citizen's integrity, business morality, ability, responsibility and public trust.

This booklet has been compiled by the Department of Banking for the use of directors of State chartered banks. It contains a digest of the laws relating to election and duties of directors and of those governing a bank's operations. It is hoped that it will be of benefit to the newly elected director and of interest also to the experienced director.

It does not purport to be all inclusive on the subjects presented, but points out the basic principles of directors' responsibilities and covers some questions with which directors are most frequently confronted.

LESTER MADDOX
Governor

March, 1967

E-272

PREFACE

This booklet was prepared by the Department of Banking from material gathered and experience gained over the years. There have been similar publications on the subject of directors' duties and responsibilities. The need, however, was felt for a presentation based on court decisions and statutory laws directly governing the approximately 338 banks chartered by the State of Georgia.

The emphasis placed on the prerogatives of directors, as such, as distinguished from those of executive officers of their banks, should not be taken as a reflection on the latter. Rather, it is believed, the level of competence, conscientiousness, knowledgability and devotion to duty among Georgia bankers is higher than ever before and compares favorably with those of other jurisdictions. It is further believed that bank officers recognize that their effective operations are greatly enhanced by directors who are well informed and appreciative of their duties and responsibilities.

W. M. JACKSON,
Superintendent of Banks

E- 273

CARE AND DILIGENCE

To be selected by the stockholders of a bank to serve as a director is an honor. It implies confidence on the part of the stockholders in the ability and integrity of the individual so selected. Moreover, it reflects the reputation of the individual as successful in his own affairs, as public spirited, and as entitled to confidence in the care of funds entrusted to the bank by the depositors.

To accept the honor fixes legal responsibilities to exercise ordinary care and diligence in the administration of the bank's affairs. Any failure to exercise this degree of care and diligence which results in losses to the bank or its depositors gives rise to a cause of action for the losses sustained.

Here are a few Georgia court decisions which illustrate this point:

"The general rule in this State is that directors of a bank must exercise ordinary care and diligence in the administration of its affairs. The active management of the bank may be delegated to certain officers authorized to manage its business. The directors, however, must exercise a reasonable supervision over such officers." (Woodward vs Stewart, 149 Ga. 620)

"A director of a bank has duties to perform more essential than that of allowing his name to be printed on the bank's stationery, and negligent ignorance is sometimes equivalent to knowledge." (Marietta Trust Company vs Faw, 31 Ga. Ap. 508)

"Unfortunately, some directors appear to think that they have fully discharged their duties by acting as figureheads and dummies; but this is a mistake, and a delusion from which some of them are now and then awakened by a judgment for damages arising from allowing the corporation to be looted while they sat negligently by and looked wise." (McEwan vs Kelly, 140 Ga. 720)

"If by reckless inattention to the duties confided to them by their corporation, frauds and misconduct are perpetrated by officers, agents, and co-directors, which ordinary

care on their part would have prevented, then I think it may be said with truth that it is now elementary law to be found in all the books, that directors are personally liable for the losses resulting." (From a Federal Case cited in Shannon vs Mobley, 166 Ga. 430)

These decisions are not based on statutory laws of the State, but upon the view of the common law that a bank director is a trustee and responsible for using, in good faith, ordinary care, diligence and prudence in administering the bank. This does not mean that directors are held to the highest degree of care and diligence, nor that they can be held liable for every loss or for errors of judgment. Banks sustain losses at times when there is no lack of diligence, care or prudence. The important thing is that the director be informed and that he use judgment in the decisions he is required to make, even though his judgment was wrong but reasonable under the circumstances then present. The courts have never gone so far as to require the highest degree of judgment. They recognize that directors are mortals.

Instances that have resulted in judgments against directors are failure to attend directors' meetings; ignorance of the condition of the loans or other assets of the bank; acquiescence in violation of legal loan limits; failure to create committees called for by the bylaws and to see that they function; failure to take action for the bank's best interests against borrowers; failure to investigate and deal with questionable acts on the part of officers and employees; and failure to require proper bond coverage on officers and employees. There have been many more, but all were instances of failure to exercise ordinary care, diligence and prudence.

There should be added this observation pertaining to Federal Deposit Insurance. When a bank closes and the Federal Deposit Insurance Corporation makes payments of insured amounts to depositors, the Corporation, by law, becomes subrogated to the rights and claims of the depositors against the bank. These include any rights that may develop against directors of the bank for losses considered due to their failure to exercise care and diligence required by law in the operation of the bank. These rights are freely asserted by the Corporation when investigations covering a period of years prior to the closing indicate lapses in prudence, diligence, and care on the

E-275

part of directors. Bank failures since 1933 have been comparatively few and most of them have resulted from defalcations or embezzlements in amounts exceeding the surety coverage provided. Some of these cases have gone to court while others were negotiated and settled out of court, resulting in recovery by the Corporation of some millions of dollars from directors.

STATUTORY PROVISIONS

Directors' Qualifications

As regards directors, the Banking Laws of Georgia specifically require that:

Every director be a citizen of the United States; at least 60% of the board be citizens of Georgia and residing in the city or town where the bank is located or within 40 miles. Every director own in his own right, unpledged and fully paid for, capital stock of the bank of at least $1,000 par value; except that if the capital stock does not exceed $25,000, the minimum par value to be owned is $500.

Directors be elected annually at meetings held at times fixed by the bylaws; the number of directors be not less than three nor more than 25, the actual number fixed by resolution of the stockholders at an annual meeting and remain so fixed until changed in like manner; vacancies occurring between elections be filled by the board of directors.

Each director, when elected, take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of the bank; that he will not knowingly violate or willingly permit to be violated, any of the banking laws or the bank's bylaws; and that he is the owner in good faith, and in his own right, stock of the required par value standing in his own name on the books of the bank.

Directors' Meetings

As regards meetings of boards of directors, the banking laws specifically require that:

Regular meetings be held at least monthly at such times as fixed by the bylaws; special meetings be subject to call

E-. 276

by the president or any two members of the board; a majority of the members constitute a quorum for the transaction of business; correct written minutes be kept in well-bound permanent books signed by the chairman and secretary of the board and showing the names of the directors present; minutes of the preceding meeting be read, corrected and approved.

The board of directors, at first meeting after the annual election, elect one of their members president, also elect one or more vice-presidents, a cashier and such other officers as provided by the by-laws or as required for prompt and orderly discharge of the business of the bank.

The board of directors fix the amount of bond to be given with a qualified surety company by all officers and employees having custody, control or handling of the bank's funds, the amount to be subject to approval by the Superintendent of Banks.

Directors' Borrowings

The Georgia Banking Laws restrict borrowings from the bank by its directors, officers or employees.

No director, officer or employee of a bank may borrow from the bank, directly or indirectly, for himself or any firm or partnership of which he is a member, without the express written approval of a majority of the directors or an authorized committee of the board. Such a borrower may not participate in any way in passing on any loan or discount in which he may be interested.

No bank shall lend to any of its directors, officers or agents any amount except on good collateral or other ample security.

Statutory Liabilities

The directors of any bank who shall approve or permit any loan to be made in excess of the limit fixed by law shall be personally and individually liable and responsible to the bank for such loan if it is not paid by the borrower. Any director not in favor of such loan may have his dissent or disapproval recorded in the minutes of the meeting at which such loan is authorized, or at the next meeting held

after he has discovered it to have been made, and be relieved of personal liability.

Every president, director or other officer "shall be deemed to possess such a knowledge of the affairs of the bank as to enable him to determine whether any act, proceeding, or omission is a violation of the charter." (Sec. 13-0913). If he is present at the meeting when the violation occurs, he is deemed to have concurred in it unless his dissent is entered in the minutes. If he was not present, but remains on the board for three months and does not within that time require his dissent to be entered in the minutes, he is deemed to have concurred in the violation.

Any director who participates in declaring a dividend, except from the net earnings, or in other misuse of its capital funds, has responsibility under the criminal laws. The same is true of a director, officer or employee accepting a fee, commission or gift for obtaining a loan from his bank.

Loan Limitations

No bank is allowed to lend to any one person, firm or corporation more than 20% of its capital and unimpaired surplus. There are exceptions to this rule involving discount or purchase of commercial paper, advances against commodities or products having ready sale in the open market, loans fully secured by obligations of the United States or State of Georgia and loans covered by commitments to take over made by the United States Government or any agency thereof. This is all dealt with in Section 13, Article 19 of the Georgia Banking Law which is interpreted and clarified by regulation of the Superintendent of Banks.

Loans exceeding 10% of the capital and surplus must be fully secured and have the prior written approval of the board of directors or duly authorized loan committee. An exception to the requirement of full security is made in the case of loans to a county, municipality or political subdivision authorized to levy taxes or to a county board of education extended under certain provisions of State laws.

In figuring whether loans to any one person exceed either the 20% or the 10% limitation of capital and surplus, all loans made to the person and to firms and partnerships of which he is a member are included.

E-278

There are special provisions of the law relating to loans on real estate. These are contained in Section 15, Article 19 and are interpreted and clarified by a regulation of the Superintendent of Banks. The basic provisions are that not more than 50% of the market value of the underlying real estate can be loaned by a commercial bank, except that 75% of the market value may be loaned on basis of a regular amortization; and that the aggregate amount of real estate loans may not exceed the total of savings and time deposits or the total of capital and surplus whichever is greater. Loans insured, guaranteed or committed by Government agencies, construction loans and loans made for business purposes and not exceeding $3,500, are excluded from the limitation as to total.

General Loan Supervision

The fact that directors' prior written approval is required only on loans exceeding 10% of capital and surplus and on loans to directors, officers and employees, should not give rise to the thought that all other loans can be properly left entirely to the consideration and judgment of the loan officers. This is what the court said:

> **Loans of less than 10%** — "As to loans of less than 10%, which under the rules and regulations of the bylaws might be made by designated agents and officers of the bank, it is nevertheless incumbent upon the directors in the exercise of ordinary care and diligence, to retain a general supervision over the acts and doings of such agents and officers in making such loans, and to keep sufficiently informed about them to enable them to pass intelligently on the value of such loans and the condition of the bank which they are charged with supervising. Accordingly, directors are not justified in absolutely relinquishing to any officer or agent unlimited discretion, and thereafter acquiescing blindly in all that he does, but under the general duty devolving upon them to manage the bank's affairs, they must retain and exercise reasonable control and supervision over such officers, amounting to the exercise on their part of ordinary care and diligence. Thus should it appear that the directors had absolutely surrendered and relinquished their control and supervision . . . in the making of such loans, there would be a failure on their part to perform the functions devolving upon them by law,

which would necessarily amount to a lack of ordinary care and diligence on their part as directors." (Mobley vs. Faulk, 42 Ga. Ap. 314)

Investments

Banks, except for those doing a savings business only, are prohibited from investing in stocks. There are exceptions granted in the case of stock of the Federal Reserve Bank of Atlanta, of an agricultural credit corporation organized under special laws of the State, of a small business investment company organized under Acts of Congress, or of a subsidiary corporation organized to own banking premises.

Banks may invest without limitations in obligations of the United States and those guaranteed as to principal and interest by the United States; in obligations of the State of Georgia and those of State Authorities secured by leases with the State or a Department thereof; or in obligations of Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks and those of five U. S. Government-organized Credit Corporations which are specifically designated in the Banking Law. Investments in Water and Sewer Revenue Certificates of Georgia Cities and Counties are subject to the 10% limitation of a bank's capital and surplus for the obligations of any one obligor. The 10% limitation also applies to obligations of U. S. Government Corporations not guaranteed as to principal and interest by the United States. Investments in general and direct obligations of political subdivisions of the State of Georgia are subject to the limitation of 25% of capital and surplus for the obligations of any one obligor. These limitations do not apply to banks with capital and surplus of over $1,000,000. Other than the above, banks are restricted in their investments to those classed as "Investment Securities" as defined by regulation of the Superintendent of Banks and the total amount of such securities may not exceed 50% of the bank's capital and surplus. This limitation does not apply to banks with capital and surplus of over $1,000,000.

Cash Reserves

A bank is required to maintain a reserve of 15% of its total demand deposits and 5% of the amount of its savings and time deposits. Reserve funds may consist of currency on hand and moneys on deposit subject to call with other banks ap-

proved as depositories by the Superintendent of Banks. However, the reserves against savings and time deposits may consist of bonds of the United States or the State of Georgia at the market value thereof. A bank that is a member of the Federal Reserve System may, in lieu of complying with these rules, keep such reserves as are required of it as a Federal Reserve Member. The Superintendent of Banks has issued regulations clarifying the rules for computing required reserves.

The Banking Law provides that if a bank's reserves fall below the level required, it is unlawful for the bank to make any new loan or declare a dividend. Further, if the Superintendent of Banks notifies a bank whose reserve is short of the requirements to make good such reserve, and, if the bank fails within 30 days to do so, the Superintendent of Banks may take charge of the business and assets of the bank.

Real Estate

A bank may acquire real estate only for banking house purposes or in satisfaction of debt previously contracted. That acquired in satisfaction of debt must be disposed of within five years unless the period is extended by the Superintendent of Banks.

As to real estate acquired for banking house purposes, the amount, including furniture and fixtures, may not exceed 50% of capital and surplus, except that the Superintendent of Banks, upon application, may allow a greater sum invested.

Investment with the approval of the Superintendent of Banks in all of the capital stock of a subsidiary corporation holding the bank's banking house property is considered as banking house investment. But the amount so invested, along with the bank's direct investment in land, buildings and furniture and fixtures, may not exceed 50% of capital and surplus, except with the approval of the Superintendent of Banks.

DIRECTORS SHOULD DIRECT

Overall

It is true that most bank directors are principally occupied with their own businesses. Except for those few who are also active officers and paid for their full time, they can spend only limited time at the bank. They cannot be expected to see to details for the bank's operations, but they are bound to know what goes on generally without impeding the executive management in carrying out its duties. Directors should direct and set the policies and executive management should execute the policies and carry out the details.

Although, as we have seen from the court decisions, a director can be held individually liable for lack of care and diligence, a board of directors should act collectively in setting policies and in supervision of the active management. The directors, as a board and as equals, derive their authority from the stockholders and should act as a board and not as individuals in carrying out such authority. Proper procedure requires that this be done at meetings of the board and as the result of decisions made there by a majority.

Board Committees

As a practical matter, it is advisable for the board to appoint committees of the board to carry out specific functions. As a minimum in a small bank, there should be a Loan Committee, an Investment Committee and an Examination Committee. The number of committees increases with the size of the bank, the diversity of its activities and added departments; for instance, a trust department.

The Loan Committee can be given authority to pass upon loans exceeding 10% of capital and surplus; to loans to directors, officers and employees of the bank; and to such other loans of amounts and types as the board sees fit. Approvals and disapprovals should be in writing and a report of the actions taken should be made to the board at each meeting and made of record in the minutes. The Loan Committee or any

E- 282

individual member can take over the making of appraisals of real estate and other property offered as security to loans. All appraisals, whether made by the Loan Committee, an individual member or an outside appraiser, should be in writing and placed with other papers pertaining to the loans. It is to be hoped that the appraisals be realistic and not tailored to fit the size of the loan applied for. Needless to say, every loan application should be considered in the light of the restrictions imposed by the State Banking Law as previously outlined; also of general policies of the board as regards loans. The Loan Committee can also function with the Examination Committee in making board examinations of the bank whether such examinations are made by board members, the bank's auditors or outside auditors employed to make examinations. Further, it is very beneficial for the Loan Committee to be present at loan reviews made by State and Federal Examiners in their examinations of the bank.

The Investment Committee should oversee the bank's investment account, approve purchases and sales of securities and periodically consider whether investment holdings are in line with the bank's need for quality, safety, liquidity, income, secondary reserves and tax considerations. The relative size and composition of the investment account varies greatly from bank to bank, depending on the type of community, proportion of deposits in time and savings, availability of good loans, degree of liquidity and turnover in the loan account, and seasonal and other fluctuations in the demand deposits.

Both committees discussed above should, of course, keep in mind the statutory restrictions as to types and amounts permitted for the loan and investment account; also the policies set by the board.

The Examination Committee will be discussed further on.

The Individual Director

A great number of bank directors, when they are first elected, have no technical knowledge of banking and feel that they must depend on someone who does. This should not become a habit. The managing officer of the bank, if he is the right kind, wants directors who are thoroughly familiar with the bank's affairs and will take active part in making policies and decisions. It makes his work easier and lightens his ten-

E- 283

sions. It helps to keep the bank progressive, sound and profitable.

A man selected to be a bank director should have a background of successful business experience, preferably experience with credits. He should have ideas of his own and backbone to express them. He should have available time for the bank. Sometimes the director gives too much weight to the prestige he achieves by becoming a director. Sometimes the bank gives too much weight to the prestige it achieves by adding prominent names to the board. Many professional men do not make good directors, however high they stand professionally. They do not have the time and many do not have the needed background of business experience. A man should not be selected as a director if he is likely to embarrass the bank with his own borrowing requirements and those of his business interests. A director ought to have enough stock in the bank to have a stake in its successful operation. But control by a very small group, one man or one family, is not always good. Very often it is good until illness or death brings about changes that turn out badly. Also, some boards are too large. This usually results from efforts to obtain business in a strongly competitive situation. If there are too many directors, the board is hard to organize, to keep interested in the bank's affairs and working out real decisions. It may be hard to get a quorum for meetings. A bank needs a working board if it is to achieve its proper place in the community, but the work should consist of much more than getting business for the bank, though that is important, too. Generally speaking and summarizing somewhat:

1. The director should have thorough knowledge of the duties and responsibilities of his office.

2. The director should have a genuine interest in his office, attending all meetings regularly and keeping well informed of the affairs of his bank at all times.

3. The director should be well known and respected in the community, with unquestioned reputation for integrity.

4. The director should give undivided loyalty to his office and not loyalty split with some interest adverse to the bank.

E-284

5. The director should possess the integrity not to use his office for personal benefits through information gained by virtue of his position.

6. The director should be capable of retaining confidences and refrain from divulging confidential information gained through his position.

7. The director should be a successful businessman in his own right and a leader in the community, as demonstrated by affiliation with such community projects as growth, development, civic and religious affairs.

8. The director must be capable of recognizing facts as distinguished from prejudices or personal interest in reaching sound, independent decisions.

9. The director should be capable of distinguishing between policy matters and management matters and be willing to refrain from entering into management functions.

10. The director should not lose sight of his primary responsibility, which is to protect the depositors who have placed their trust in him.

Board Functions

1. Appoint officers, designate their duties and fix salaries; appoint the chairman and secretary of the board. Designate the committees of the board; decide on fees for board attendance and compensation for committee members devoting considerable time to their duties.

2. Set the amount of bankers blanket bond coverage and periodically consider the adequacy of coverage of fidelity, burglary, robbery and other risks.

3. Set policies and standards for loans and investments.

4. Fix interest rates to be charged on various types of loans and those paid on time and savings deposits.

5. Consider earnings, expenses, losses to be taken, bonuses, dividends, transfers to surplus, adequacy of capital funds, adequacy and suitability of banking quarters.

6. Set procedures for verification and evaluation of assets, proof of deposits and other liabilities, control of earnings

E- 285

and expenses, whether by the board, a board committee, an inside auditor reporting directly to the board, or an accounting firm making periodic audits.

7. Consider and take measures for management succession to assure adequate replacement of officers dying or retiring.

8. Consider advisability of setting up pension benefits for retiring officers and employees, also contributing to life insurance and health insurance programs.

9. Take measures to insure good public relations, consider advertising services; contribute to civic welfare and financial progress and development.

Directors' Meetings

Performance of directors cannot be adequate if they are uninformed or if they tend to defer unduly to the chief stockholders or the managing officers; or if there is not an orderly and systematic program adopted for directors' meetings. Under these circumstances, board meetings are apt to take on the character of social gatherings, while the executive officer is left free and perhaps encouraged to assume prerogatives of the directors and make all policies and decisions and carry them out.

To an extent, this can be avoided if a regular program is followed at all meetings. The procedure should include reading and approving minutes of the preceding meeting; receiving reports of committees and individual directors; receiving reports of the bank's condition with analysis and comparison with condition at previous dates; having report on overdue loans and other loans of doubtful collectibility, slow loans, large loans, loans to directors and officers and all loans made since the previous meeting; reviewing securities transactions in the investment account; having report and analysis of bank expenses and income; considering and taking action on reports of examination and correspondence from the examining authorities and other matters such as listed under "Board Functions" above.

Loan Policies

Bank credit, like a stream of water, should flow and not stagnate. To be sound, loan policies should be set with the view of having every loan that is put on the books get off the books

E- 286

by a time that is mutually understood and agreed upon between the borrower and the lender. What is the purpose of the loan? How are the proceeds to be used? Where is the money coming from to repay the loan? Is the project practical, is it sensible and does it represent good judgment? Is there some margin for error or miscalculation or bad luck so that the bank may still get its money back if things don't go just as projected? With every approved loan application, there should be good answers to these questions.

Assuming that the good answers are there, there still is the matter of supervising the loans and seeing them paid. Loans that were well made can deteriorate and become problems if renewed time after time as a matter of habit. Bank credit is not properly used to furnish capital for the borrower. It can only be soundly used to meet the present specific needs of the borrower who will be able to repay from his earnings or proceeds of contemplated transactions.

The board should form a policy as to the limit of total loans in relation to total deposits with consideration, too, of totals of demand deposits and time and savings deposits and degrees of fluctuations in each. There have been cases of acute embarrassment where banks confronted with increased loan demands, undertook to meet them and found themselves seriously over-loaned. Sometimes this was done without consideration of the volume of work the officers and employees were equipped to handle, the result being overall deterioration, stagnation and development of large losses.

Loan policies should also define limits as to various types of loans which it makes, real estate loans, automobile loans, business loans, and personal loans. Quality and safety in bank lending has been greatly improved through the still growing tendency to place all loans possible on a regular installment basis for repayment. Properly administered, this system gives the bank flexibility in raising or lowering its loan volumes and gives greater margins of safety. It also helps the borrower who has brought to his mind the necessity to apply monthly a set portion of his income to reduce the debt.

Banks considering going into new types of lending on a considerable scale, should look into proper methods and standards of setting up and administering such a program. Take for example automobile purchase loans. In many cases, banks have

E- 287

leapt into this field without any particular plan, without standards and lacking trained personnel and systems of records and supervision. The results have been bad and particularly so in those banks which purchased paper from dealers without investigating the credit quality. The bank's city correspondent which has the benefit of having the bank's reserve funds on deposit, will gladly furnish expert help in setting up a loan system.

Credit files should be maintained on borrowers, particularly in connection with sizeable unsecured loans. Current financial statements should be on hand when the loans are applied for; also operating statements in the case of business concerns. They should be kept up to date. Judgment of a loan application can be no better than the information at hand. General knowledge of a borrower is no substitute for a detailed statement of his assets and liabilities and can be faulty and misleading.

While conservative loan policies are to be held and carried out, this does not mean that reasonable risks should not be taken. Lending operations involve risks that are necessary in properly serving the community and losses should be recognized when they occur. There have been cases where refusal to meet reasonable local credit needs have resulted in successful moves to organize new banks in competition. In one such case the managing officer, a majority stockholder of the existing bank, had been in the habit of boasting that he had not had a loan loss in the twenty years or so that he had been in charge. With the bulk of the bank's funds carried in government securities, about all he had to offer was a safe place for deposits. And while a safe place for deposits is a fine thing, it does not take care of other needs just as important.

Transfers to a reserve for loan losses account can, to a certain extent, be made free from income taxes. This should certainly be taken advantage of, with all realized losses promptly charged to the reserve account. There should be some recoveries to re-credit to the account and with this in view, the charged off loans should be carried in a separate ledger and kept under review for collection efforts.

Investment Policies

No less than with loans, a bank's investment policy is the responsibility of the board of directors though authority for

E- 288

specific transactions may be delegated to the Investment Committee and officers in charge of investments.

The size of the investment account represents what is available for investment after deducting loans and discounts, cash reserves and fixed assets. A portion of the account should be designated as secondary reserves and invested in highly liquid securities that can be quickly turned into cash with minimum risk of market loss. These consist usually of U. S. Treasury obligations maturing in less than a year. The amount of secondary reserves to be carried will vary with the ratio of demand deposits to time and savings, the degree of liquidity in the loan account and seasonal variations.

The remainder of the investment account can be placed in quality securities of longer maturities and higher yields. The maximum maturity is a matter to be determined and set forth in the investment policies of the board. The maturities should be spaced over the years more or less evenly. Then in the normal course, if the maximum maturity is, say ten years, approximately a tenth of the total will mature each year and be converted to maturities within the maximum.

It is not intended to suggest that ten years is the ideal period to be set for maximum maturities, either in general or for the individual bank. It will depend on a number of factors such as the amounts of cash reserves and secondary reserves normally carried, the degree of liquidity in the loan account, proportion of time and savings to total deposits and yield requirements for paying interest on time and savings deposits, to name some.

Management of a sizeable investment account, to get the best results, requires skills and knowledge of the money market not ordinarily present in smaller banks. For this reason, it is recommended that the bank have investment counsel in setting investment policies and also in individual transactions. Such expert counsel can usually be obtained from the bank's city correspondent which has the benefits of being the bank's depository.

Trust Department

A soundly managed trust department calls for a high degree of legal and technical competence. The amount of work

E-289

detail and the costs are such that the department loses money unless a large volume of trust business is available. Some smaller banks feel they are losing deposit business by not being in a position to accept trust accounts and are inclined to undertake to qualify. Before doing so, both sides of the question should certainly be investigated. Consult your city correspondent bank. There may end up an arrangement to direct local trust accounts to the corresponding bank, with the local bank acting as intermediary, carrying out local contacts and getting the deposit business associated with the accounts.

Personnel

The board of directors, as elected by the stockholders, constitutes the bank for all legal purposes. The directors are responsible to the stockholders, to the depositors and to the regulatory authorities to see that the bank is operated with prudence, diligence, care and a reasonable degree of ability.

The directors elect the president and the other officers, but ordinarily delegate authority to the officers to select the other personnel. The latter, however, are also employees of the board and accountable to it. The directors should, therefore, take an interest in the bank's personnel.

In numerous embezzlement cases, it developed that the embezzler had been living high, had been gambling, had been speculating or had been leading an immoral life. All of these created personal financial problems and in some cases, brought on blackmail. In small communities where many of these cases arose, it should have been simple and easy for the directors to know that all was not well with the individual and to take steps to develop the full facts. In larger banks, the personnel officer can take steps to keep well enough posted on the personal life and habits of employees to know of any serious financial and other problems.

The directors should see to it that the bank pays salaries that compare favorably with those elsewhere in the area for similar kinds of work. The best people available should be employed and promotions should be on the basis of performance rather than family relationships.

There should be a set policy for annual vacations for all personnel. Banking authorities are in agreement that each officer and employee should be required to be continuously

absent from the bank's premises for a minimum period of two consecutive weeks each year. Aside from the well-being of the individual, this is also an important item in safeguards against manipulation of customers' accounts.

To promote incentive, well-being, good morale and the feeling of security, banks now offer a variety of fringe benefits to officers and employees. These are mainly retirement plans, medical and hospitalization programs and life insurance. These can be provided outright by the bank or a share of the cost contributed. Health and life insurance can be set up on a group basis with cheaper rates than to an individual. As to retirement or pension plans, these can be set up on a collective basis. A bank with small or medium number of employees can well consider using the services of the trust department of its city correspondent in devising the plan and operating it.

Along with the other benefits of the establishment of a retirement plan, there will be included the fixing of the mandatory retirement age for officers and employees. This has been a difficult and touchy matter in many banks and left unsolved, with the result that they have continued under management which had passed the age of energy and effectiveness.

While on the subject of retirement, there should not be overlooked the need for directors to retire gracefully from active participation at a certain age and make way for selection of active and vigorous successors. There can be set up an arrangement whereby the retired members continue their association by being designated "Honorary Director" or "Advisory Director", attending such board meetings as they wish, but having no vote.

Banks can greatly benefit by providing officers and employees the advantage of education along banking lines. The American Institute of Banking has chapters set up in several Georgia cities where courses are offered those who can attend classes in person. The same courses, and more besides, are given by the Institute by correspondence from New York. These courses are specialized by subject and cover the entire field of banking. Graduate study is provided at the Graduate School of Banking at Rutgers University in New Jersey, and at the School of Banking of the South at Louisiana State University. Enrollment in these graduate schools is for two weeks each summer over three years.

The Georgia Bankers Association sponsors the Georgia Banking School at the University of Georgia. Enrollment is for one week each summer over three years. The School offers a special opportunity for Georgia bank personnel. Considerable attention is devoted to development of the executive viewpoint in the student, as well as to practical instruction on banking operations. The objective is to give a training experience bridging the area between American Institute of Banking and the graduate banking schools.

Earnings, Expenses, Dividends

To be sound, a bank must be profitable in its operations. Directors should be very much concerned with a reasonable return to shareholders, and this involves consideration of operating income, expenses, net income and their interrelation. After provision for adequate cash reserves, all available funds should be kept in use. Aside from interest and discount income, there are other important sources which are overlooked. Rather, they are ignored because it has been the practice for so long to furnish the services free; and either through inertia or fear of customer attitudes, nothing has been done about it.

The principal one of these overlooked sources of income is service charges on checking accounts. Personal checking accounts that are active, carry no balances of consequence and are sometimes overdrawn, involve considerable expense to the bank. A reasonable system of service charges should be imposed against these accounts with the aim that either they be put on a profitable basis or be closed out. Then there are checking accounts of business firms that draw dozens or hundreds of checks each month and deposit a volume of checks on out-of-town banks but draw on the proceeds before they can be collected by the bank. As the result, the bank is actually advancing money to the depositor though no overdraft is shown on the books. There is always the danger, too, that out-of-town checks may be returned unpaid, leaving the bank holding the bag. Active business accounts, involving little or no actual collected balances, should have service charges imposed that will compensate for the bank's costs.

A service charge system charges the depositor proportionately to the activity in the account with charges offset in part or in full in proportion to the balances maintained in the

E-232

account. Official statistics show that all banks in the nation on the average collect 5½% of their operating revenue from deposit account service charges. Banks that have not set up service charge arrangements or that need to improve the arrangements they have, should consult their city correspondent bank for help and advice in devising a system that is fair to the bank and the customer alike.

Other leaks from legitimate income or absorbed costs are in the fields of collection fees, payroll services and safe deposit box rentals. There are no doubt others to be found by investigation.

Proper board supervision calls for careful scrutiny of all expenses. The largest item is salaries, which should be adequate to attract and hold good people but in line with the services rendered by each individual. Interest on time and savings deposits is the second largest outlay in many banks. Aside from the legal limits imposed by the supervisory authorities, determination of the rates to be paid should involve consideration of the opportunity for profitable employment of the funds, as well as competition with other institutions.

An important expense in bank operations is for occupancy, use and maintenance of banking quarters and equipment. Banking quarters can be adequate, suitable and dignified without being lavish. Some banks have tended to handicap their earnings potential unduly by tying up too great a proportion of their capital funds in fixed assets; while others have put out large sums without taking future growth and expansion prospects into consideration. As previously stated, fixed assets costs are limited by statute, but costs may be exceeded with the prior approval of the Superintendent of Banks. Where such approvals are given, they are conditioned on initial charge-offs of part of the costs or on agreement for annual special charge-offs over and above tax-allowable depreciation rates until book values are within the statutory limit. Sometimes there is a combination of initial charge-off and continued extra charge-offs. Banks contemplating new quarters in the foreseeable future would do well to set aside a fund from earnings with the view to its use in absorbing land and building costs and reducing the carrying values.

Taxes are, of course, an important expense item, particularly income taxes, though they vary from bank to bank. Some

E-293

banks are in position to minimize income taxes by leaning toward obligations of States, Counties and Municipalities in managing the investment account.

Other expense costs to be watched by the directors include office supplies, stationery, advertising, insurance, fees for legal and other services, dues and donations. Excessive expense charges for attendance at conventions, entertainment and the like should be guarded against.

Directors will find it of interest and benefit to compare the bank's operations as to income and expenses with those of other banks. This can be done by using the banking statistics published annually by the Department of Banking. These statistics afford interesting comparison between all Georgia State banks and your bank of percentage relationships of the various categories of income and expenses to total income.

Banks with capital funds on the low side, considering the volume of business, will do well to limit or omit cash dividends until the situation is corrected by addition of earnings. Those experiencing growth and having growth prospects should do the same. This might hit some stockholders as objectionable, but there can be explained to them the advantages to the individual stockholder of accumulating surplus to be later used for stock dividends. Stock dividends are exempt from federal income taxes, while cash dividends are not. It can be explained further that the alternative would probably be that they will be faced in the future with making cash subscriptions for new capital stock after having paid income taxes on the cash dividends over the intervening period.

As a final thought pertaining both to the bank's income tax liabilities and to the payment of dividends, all items on the bank's books that can be considered worthless or doubtful of collection, should be charged off before the close of each tax year and before declaration of each dividend. This is also a good thought for directors whose names appear on the bank's published statements.

Audits and Controls

Although official governmental examinations include some elements of audit and verification, they are not audits of the bank's operations. Their purpose is rather to determine whether the bank's assets are adequate to cover all liabilities

E- 234

and that all laws applicable to the bank and its operations are being observed. Bank directors cannot meet their duties and responsibilities in the field of audits and controls by reliance on governmental examinations, nor can they rely on fidelity bond coverage in this regard.

At the same time, it is true that many boards of directors do not include competent accountants. Also, in banks of size, it is not practical for directors to perform audits, considering the time involved, though directors with accounting experience can well represent the board as an Audit Committee to oversee audit functions.

Thus, it devolves on the directors of most small banks to have outside help — an accountant or a firm experienced in bank auditing.

Banks in some areas have grouped together to employ auditors on a revolving basis, thus reducing the expense. Also, some city correspondent banks regularly assist their small bank customers in audit arrangement and functions.

Although not preferable, an outside auditor can use personnel of the bank in performing some of the audit work. If this is done, it must be arranged that no individual undertakes to list, prove or verify records, property or transactions with which he or she has had connection and this is often not possible in a small bank.

Banks of medium size employ an inside auditor on a full time basis to make regular or continuing audits. Such an auditor is accountable to and makes regular reports to the board or the Examination Committee and not to the principal executive officer. In the large banks, the auditor becomes comptroller or manager of the Audit Department. Some banks, both large and small, add to this by employing firms of certified public accountants to make regular audits.

There follows a check list which is in use in examination reports made by the Georgia Department of Banking. It illustrates basic principles of routine safeguards but may not include all functions of any individual bank. It can be expanded or changed to fit the individual bank. The more "yeses" and the fewer "nos" that can be recorded, the better the safeguards. A "no" answer indicates an unsatisfactory condition which should be corrected and reference to such answers may be noted under "comments".

E-235

INTERNAL ROUTINE AND CONTROLS

DESCRIPTION	YES	NO
A. CASH		
1. Does bank provide each teller with separate cash for which he or she is solely responsible throughout each day?		
2. Does bank provide each teller with adequate vault space or strong box to which he has sole access?		
3. Is each teller required to maintain an ink-posted or machine-posted daily cash book?		
4. Is the cash of each teller verified at reasonably frequent intervals by another employee or officer without prior notice?		
5. Is vault cash under dual control and are safeguards adequate?		
6. Is it the bank's policy to show overdrafts, rather than to hold checks as cash items to prevent overdrafts?		
7. Is a satisfactory and permanent daily record of cash items maintained?		
8. Are all cash items approved by an officer of the bank?		
9. Is exchange received credited daily regardless of amount, rather than held in a "kitty"?		
10. Are teller differences transferred to general ledger daily?		
B. DUE FROM BANKS		
1. Is a permanent and adequate reconcilement record of correspondent bank accounts maintained?		
2. Are correspondent bank account reconcilements verified by another officer or employee?		
C. SECURITIES OWNED		
1. Is an adequate bond register maintained?		
2. Are purchase and sale invoices verified with book entries and filed?		
3. Are bond premiums properly amortized?		
4. Are custody safeguards adequate?		

DESCRIPTION	YES
D. LOANS AND DISCOUNTS	
1. Are loans and discounts proved at least monthly?	
2. Are satisfactory liability ledger records maintained?	
3. Are interest and discount calculations on loans rechecked for accuracy and traced to the general ledger by another person?	
4. Does bank maintain satisfactory collateral files with adequate safeguards?	
E. DEPOSIT LIABILITIES	
1. Are deposit ledgers periodically proved by persons who do not regularly post them?	
2. Are deposit ledger bookkeepers rotated?	
3. Are all employees prohibited from both receiving deposits and posting ledgers, except on key controlled posting machine operations?	
4. Are dormant accounts segregated and under control of an officer of the bank?	
5. Do entries to dormant accounts require the approval of an officer?	
6. Are deposit ledgers proved to general ledger at least monthly?	
7. Are statements issued regularly (at least semi-annually) on all individual accounts?	
8. Are employees rotated when preparing monthly statements?	
9. Are transfer and closed-out ledger sheets preserved and properly filed?	
F. OVERDRAFTS	
1. Is approval of an officer required?	
2. Is a satisfactory and permanent record of overdrafts maintained?	
G. GENERAL LEDGER	
1. Are general ledger and its subsidiary records satisfactory and sufficiently detailed?	
2. Are unlocated differences in all departments closed out daily through the general ledger?	

E-297

DESCRIPTION	YES	NO
H. CHARGED OFF ASSETS		
1. Are satisfactory records and control of charged off assets maintained?		
I. CERTIFICATES OF DEPOSIT, DRAFTS AND OFFICIAL CHECKS		
1. Are certificates of deposits properly handled?		
2. Are unissued forms properly safeguarded?		
3. Are checks certified handled in proper manner?		
4. Is proper register of all official checks maintained?		
5. Are they proved periodically and independently?		
J. EARNINGS AND EXPENSES		
1. Is distribution of income and expense properly shown on records?		
K. SAFEKEEPING		
1. Does bank accept items for safekeeping? If so,		
(a) Are satisfactory records maintained?		
(b) Are independent verifications made periodically?		
(c) Are proper receipts given and obtained?		
L. SAFE DEPOSIT BOXES		
1. Does bank maintain safe deposit box facilities? If so,		
(a) Is guard key to safe deposit boxes under bank's absolute control?		
(b) Are proper visitation records maintained?		
(c) Are customer and custodian present when box door is unlocked and relocked?		

DESCRIPTION	YES	NO
M. DIRECTORS AND AUDIT RESPONSIBILITIES		
1. Are directors meetings held as required by law?		
2. Do all directors attend meetings regularly?		
3. Does the bank have the full complement of directors, and does the number of directors conform with the by-laws?		
4. Are all directors legally qualified?		
5. Are the following accounts frequently examined by the board of directors, or committee thereof?		
(a) Expense Account?		
(b) Over and Short Account?		
(c) Overdraft Account?		
(d) Cash Items?		
6. Do the minutes indicate action noted under No. 5 above?		
7. Have the directors made provision for an audit program by either,		
(1) A full time auditor or staff?		
(2) Annual audit by CPA firm?		
(3) Supervised internal audit by the directors?		
If answer is affirmative, indicate the method by numeral, _____		
8. Does the bank employ a full time auditor? If so, is he accountable only to the board of directors?		
N. MISCELLANEOUS		
1. Does the bank have an enforced annual vacation program in effect?		
2. Are night deposits always opened in the presence of two employees?		

E- 299

BANKERS BLANKET BOND COVERAGE

Protection against dishonest acts of officers and employees is afforded by coverage in a standard form of Bankers Blanket Bond which also insures against losses from burglary, robbery, theft, forgery and certain other risks common to financial institutions. Fixing the amount of the coverage is the responsibility of the board. In this regard, some assistance is provided by a schedule of minimum amounts as recommended by the Insurance and Protective Committee of the American Bankers Association. The schedule of minimum amounts is related to total deposits after study of loss experiences of banks. Many boards have fixed the amount of the coverage higher than the schedule amount. The fixing of a smaller amount than recommended for the size of bank might entail some personal risk of liability on the part of the directors, should a loss occur beyond the limit of the bond.

Several years ago, following a number of embezzlements of bank-breaking size, there evolved the Excess Bank Employee Dishonesty Blanket Bond, commonly termed "umbrella coverage", available if the bank has the minimum recommended or larger basic coverage as discussed above. With this bond, a bank acquires, at moderate cost, $1,000,000 dishonesty coverage over and above the basic coverage. No director anticipates dishonesty shortages of that range in his bank. At the same time, they do occur and, as often as not, they occur in small banks where, with "one man" domination, there is greater ease of concealment.

The standard forms of bankers blanket bonds all include one provision that should not be forgotten. It is to the effect that the bond becomes cancelled as to any employee "as soon as the Insured shall learn of any dishonest act on the part of such employee". Some years ago the directors of a small bank in Georgia learned that the Assistant Cashier had converted several hundred dollars of the bank's funds to his personal use. He replaced the funds by borrowing from relatives, was permitted to remain in his position, and no information of the

matter was given to anyone outside the bank. Several years later, the Assistant Cashier was detected short in a heavy amount. Claim was made against the surety company and, in its investigation of the shortage, the company learned of the previous shortage and denied liability for the large one. Thereupon, the Superintendent of Banks called on the directors to make good the amount and they did so, recognizing their responsibility for the loss. Had they not done so, it would have been necessary to obtain new capital funds from the stockholders or place the bank in liquidation.

In any case of misappropriation, however small, the offending employee must be relieved and the bonding company notified, whether claim for the loss is made or not. Violation of both federal and state criminal laws being involved, report should be made to the prosecuting authorities of each as well as to the Superintendent of Banks and the Federal Deposit Insurance Corporation or the Federal Reserve Bank of Atlanta if the bank is a member of the Federal Reserve System.

Credit Life Insurance

Credit Life Insurance has become rather prevalent in connection with bank lending in recent years. Through it the bank realizes payment from the insurance in the event of the borrower's death during the term of the loan. The Georgia insurance laws prohibit a bank from acting as insurance agent and this function usually devolves either upon an insurance agency affiliated with the bank or upon the loan officer who may be appointed agent by the insurance company.

No credit life insurance arrangements should be made except with the approval of the board of directors. If a loan officer acts as agent and personally benefits from the premiums or fees, it is to be hoped and guarded against that this will not affect his credit judgment, as has seemed to occur in a number of instances. Moreover, the board should require the officer-agent to report annually on the premiums realized, the amount to be taken in consideration in fixing his salary paid by the bank.

Directors' Examinations

These general suggestions are made in connection with examinations made by the board of directors, the examining committee, accountants under the direction of the board or a

E-301

combination of these. The suggestions are not all inclusive and represent a scope that would be modified by the size of the bank and types of operations; also by the extent considered feasible for detailed audit of individual transactions. Examinations should be made without the personnel of the bank having prior information as to the time of starting.

Cash should be counted and the total compared with the general ledger total or total shown by the balance sheet of the bank's assets and liabilities. Cash items should be carefully scrutinized and any improper items, such as unposted checks or other items held to conceal overdrafts, should be reported.

Due from Banks. The bank's last reconcilements of accounts with correspondent banks should be compared with the books and exceptions checked out. Requests should be sent to the banks for statements for the period from the last statement to about 10 days after date of examination, but showing balance also as of date of examination. The new statements can then be reconciled, with the 10-day period allowing for clearance of exceptions. It should be determined whether cash reserves meet requirements of state law or Federal Reserve regulations and whether such requirements have been habitually met.

Securities should be examined, totaled and compared with balance sheet totals. Those not on hand should be verified by receipts of the holders. Unless the receipts are unconditional as to time (require return of the receipt before delivery of the securities), the securities should be verified by correspondence. It should be ascertained whether the bank's holdings of securities, including any stocks, were legally acquired and are so held; and whether holdings are in accordance with investment policies set by the board of directors. An itemized list should be made showing book values compared with present market values.

Loans and Discounts. Notes should be added and the total compared with the balance sheet. Genuineness, value and security of each note and of the collateral thereto should be determined. Any items considered as losses or doubtful of collection should be noted. The liabilities of each of the larger borrowers, including endorser liabilities and liabilities of affiliated interests, should be totaled and considered as to conformance with law as to legal limitations and required approvals of the board

E- 302

or the loan committee. Report should be made on the distribution of loans as to types and kinds of collateral and whether in accordance with loan policies set by the board. Lists should be made of all loans made to or endorsed by directors, officers, employees or their affiliated interests, and showing whether any are lacking required approvals of the board or loan committee. It should be noted whether all notes are made to the bank or properly transferred to it, whether collateral notes and securities are properly assigned, whether mortgages are recorded and whether insurance policies for the bank's protection are on hand with loss payable to the bank. All overdue loans should be listed and commented upon as to collectibility and any recommendations for handling.

Deposit Ledgers. Account balances should be added and totals compared with controls and the balance sheet of the bank's books. Overdrawn account balances should be compared with the overdraft record and the total of overdrafts shown in the balance sheet or shown as memorandum to the balance sheet. Extensive or habitual overdrafts should be noted and commented upon. Any estimated losses should be indicated.

Certificates of Deposit, Cashiers Checks, Money Orders. Paid and cancelled certificates and checks should be checked from the registers and amounts of those outstanding added and compared with respective totals shown on the balance sheet.

Income Accounts. If detailed audit of these accounts is not to be undertaken, there are nevertheless a number of test checks and reviews that are of value in forming opinion whether items of income are properly accounted for. For example, if an average interest rate can be estimated for the bank's entire loan portfolio, the average rate can be applied to the average total of loans over the past year and the result compared with actual collections of interest and discounts entered over the same period. The same can be done for categories of loans bearing different rates if they are carried under separate controls or the average totals can be estimated; for example, business loans, installment loans, mortgage loans. The same can be done with the investment account with sizeable purchases and sales during the year taken into account. If the bank is a non-par bank and deducts exchange in remitting for checks drawn on it, the rate of exchange can be applied

to total remittances for checks over a period for comparison with the book total shown for the same period. Service charges and collection fees should normally run steady from month to month though there may be seasonal variations, particularly in volume of drafts handled as regards collection fees. Again, as regards loan income, test checks can be made for any one day or longer period of time by identifying the loans made and loans paid during the period, computing interest and discount that should have been collected and comparing the amounts with those entered on the books.

Expense Accounts. Aside from a detailed audit, salary and other expense items carrying fixed rates can be figured over a period and results compared with expense account ledger figures. This is true provided the bank maintains a record of distribution of expense, as it should do. Other expense items should be supported by statements and should be examined with the view to determine that charges are proper. Interest paid on savings can be approximately computed by applying the savings rate to the total of savings accounts averaged over an interest period and the result can be compared with the amount entered for the period. The test for interest paid on certificates of deposit would need to be made differently, due to varying maturity dates. Also, if interest paid is all charged to one control and the bank has incurred interest costs for borrowed money, allowance would be made for these charges to the account. Entries made to the undivided profits account and "profit and loss" account should be examined and reported.

Direct Verification. No system of examination and audit can be complete without some measure of direct verification, both with the individual borrowers and the individual depositors. Manuals showing how this can be best and most easily accomplished, together with the forms to be used, are available through your city correspondent.

In General. Arrangements of the working affairs of the bank should be looked into and compared with the set of tests given above under the heading of Audits and Controls. The report of examination should include statement of any matters deemed to affect the solvency, stability and prosperity of the bank. The report should be presented to the board, noted in the minutes as to action taken, preserved in the bank's files and shown to state and federal examiners at their next examinations of the bank for notation in their reports.

E- 304

POOR COPY

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

CITIZENS AND SOUTHERN NATIONAL BANK, et al.

On Appeal from the United States District Court for the Northern District of Georgia

JOINT APPENDIX

INDEX

VOLUME I

	Page
Relevant Docket Entries	1
Complaint by the United States Filed November 2, 1971	9

Answer to Complaint Filed by the Defendants May 5, 1972 24

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia Commencing September 25, 1972:

Appearances [2] 45

Testimony of W. D. Padgett—
Direct examination [7] 49
Cross-examination [74] 89

Testimony of William Farr, III—
Direct examination [85] 96
Cross-examination [123] 118

Testimony of Herbert Leonard Megar—
Direct examination [151] 135
Cross-examination [161] 142
Redirect examination [171] 148

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 26, 1972:

Testimony of James A. Parker—
Direct examination [180] 151
Cross-examination [227] 178
Redirec examination [245] 188

Testimony of Charles B. Ginden—
Direct examination [256] 195
Cross-examination [296] 219
Redirect examination [309] 226

Testimony of Warren Jackson—
Direct examination [312] 228
Cross-examination [352] 251

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 27, 1972:

Testimony of Warren Woolsey—
Direct examination [361] 257
Cross-examination [408] 284
Redirect examination [424] 292

Testimony of Samuel L. Skogstad—
Direct examination [425] 293
Cross-examination [426] 294
Redirect examination [476] 322
Recross-examination [494] 333

VOLUME II

Testimony of Mills B. Lane—
Direct examination [508] 343
Cross-examination [539] 361
Redirect examination [562] 374

Transcript of Proceedings Held Before the Hon. Charles A Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 28, 1972:

Testimony of Howard S. Starks—
Direct examination [582] 386
Cross-examination [604] 400
Redirect examination [633] 417

Testimony of Joseph Hall—
Direct examination [637] 420
Cross-examination [683] 445
Redirect examination [744] 481

Testimony of Robert Daniel Handley, Jr.—
Direct examination [747] 483
Cross-examination [765] 494
Redirect examination [774] 499
Recross-examination [774] 500

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 29, 1972:

Testimony of Warren L. Berry—
Direct examination [777] 501
Cross-examination [784] 505
Redirect examination [802] 516

Testimony of Roy B. Holland—
Direct examination [802] 517
Cross-examination [805] 519

Testimony of Hubert Harris—
Direct examination [808] 521
Cross-examination [812] 523

Testimony of Lewis C. Beasley—
Direct examination [815] 524
Cross-examination [821] 528

Testimony of Joseph M. Ream—
Direct examination [824] 530

Testimony of Henry T. Collingsworth, Jr.—
Direct examination [830] 534
Cross-examination [837] 538

Testimony of Gordon B. Trulock, Jr.—
Direct examination [842] 542
Cross-examination [853] 548

Testimony of Ben C. Cook—
Direct examination [854] 548
Cross-examination [859] 552

Testimony of Merrill Autry, Jr.—
Direct examination [862] 554
Cross-examination [865] 555

Testimony of L. R. Gellerstedt, Jr.—
Direct examination [873] 559
Cross-examination [881] 564

Testimony of King Cleveland—
Direct examination [888] 569
Cross-examination [892] 571

Testimony of W. M. Jackson—
Direct examination [895] 573
Cross-examination [905] 579

Testimony of Evans Bruner—
Direct examination [932] 594
Cross-examination [940] 599

VOLUME III

Testimony of J. Mack Robinson—
Direct examination [942] 601
Cross-examination [946] 603

Testimony of Walter Eaves—
Direct examination [953] 607
Cross-examination [956] 609

Testimony of E. D. Dunn—
Direct examination [960] 611

Testimony of Nevins Dennis Baxter—
Direct examination [974] 619
Cross-examination [1004] 636

Depositions:

Warren Lanham Berry—
(GX-198) 671

Dr. William M. Cason—
(GX-199) 4.1-6.13 739

Gus Lockett Connelly—
(GX-200) 4-29.3; 53.13-54.22 741

Thomas E. Cook—
(GX-201) 4-26.4 760

Edward E. Elson—
(GX-202) 10.23-12.7 774

Louis J. Fortuna—
(GX-204) 19.6-22.3 775

Hubert L. Harris—
(GX-206) 4-28.7 778

T. Robert Hazelrig—
(GX-207) 4-28.13 793

Dr. W. Andrew Irvin—
(GX-208) 12.4-12.21; 18.10-18.24 811

Hugh F. Lane—
(GX-209) 812

Alva G. Maxwell—
(GX-211) 4-6.13 848

Dalton F. Scott—
(GX-215) 34.24-36.3 851

Economic Report (Excerpts):

Volume 1—[5-14]
[83-84]
[114 "E"-130 "B"]
[139-147] 852

Volume 2—Exhibits 20, 28, 29, 53, 54, 55, 69 877

Government Exhibits:

GX-33 B E-1

GX-33 C E-5

GX-33 D E-7

GX-33 E E-10

GX-35 ..... E-13

GX-36 ..... E-24

GX-37 ..... E-28

GX-38 ..... E-38

GX-104 ..... E-57

GX-105 ..... E-89

GX-106 A E-113

GX-107 ..... E-121

GX-108 ..... E-122

GX-109 ..... E-123

GX-110 ..... E-124

GX-111 ..... E-125

GX-112 ..... E-126

GX-113 ..... E-127

GX-114 ..... E-128

GX-115 ..... E-132

GX-116 ..... E-133

GX-117 ..... E-134

GX-118 ..... E-135

GX-119 ..... E-137

GX-120 ..... E-139

GX-121 ..... E-140
GX-122 ..... E-141
GX-123 ..... E-142
GX-124 ..... E-143
GX-125 ..... E-145
GX-126 ..... E-146
GX-127 ..... E-147
GX-128 ..... E-148
GX-134 ..... E-153
GX-136 ..... E-155
GX-138 ..... E-156
GX-139 ..... E-158
GX-140 ..... E-160
GX-142 ..... E-161
GX-148 ..... E-162
GX-151 ..... E-164
GX-153 ..... E-165
GX-162 ..... E-166
GX-163 ..... E-172
GX-164 ..... E-198
GX-166 ..... E-204
GX-169 ..... E-206
GX-170 ..... E-215
GX-177 [1-15.6] E-217
GX-177 B E-232
GX-177 D E-235

GX-188 ..... E-240
GX-189 ..... E-241
GX-190 ..... E-242
GX-191 ..... E-243
GX-192 ..... E-249
GX-193 [1-6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 28] ... E-251
GX-194 ..... E-268
GX-216 ..... E-269

Defendants' Exhibits:

DX-94 ..... E-305
DX-113 ..... E-329
DX-125 ..... E-330
DX-152 ..... E-331
DX-266 ..... E-337
DX-267 ..... E-460
DX-268 ..... E-502-2
DX-269 (Sections A, D, F, K and V) E-572
DX-270—Vol. I, GOG 9.27 and GOG 9.6 ..... E-692
Vol. II, GOG 26.01 and 26.011 ..... E-699
DX-277 ..... E-703
DX-278 ..... E-705
DX-300 ..... E-706
DX-301 ..... E-835
DX-302 ..... E-840
DX-310 ..... E-860

DX-311 ..... E-1024
DX-313 ..... E-1717
DX-316 ..... E-1804
DX-317 ..... E-1816
DX-318 ..... E-1822
DX-320 ..... E-1826

Notice of Appeal filed March 25, 1973 ..... E-1841
Order Noting Probable Jurisdiction dated October 29, 1974 ..... E-1842

DX-94

CHAMBLEE - DORAVILLE SITE SURVEY

for

CITIZENS & SOUTHERN NATIONAL BANK

ATLANTA, GEORGIA

Prepared by:

e. m. liebracher
Atlanta, Georgia

February, 1960

E-305

[redacted] - TRAVELER'S DATA SURVEY

for

[redacted] NATIONAL BANK

OBJECTIVE

This survey was undertaken to determine the business potential for a branch banking facility and to study the general characteristics of the area, its population distribution and the location of principal business and industrial firms.

E- 306

AREA COVERED

From a point at the intersection of Carroll Avenue and Buford Highway, a radius of approximately 2-1/2 miles was drawn. Buford Highway roughly divides this area into two parts.

The territory north of Buford Highway includes all of Chamblee and part of Doraville. This area has been designated as AREA "A".

The territory south of Buford Highway includes part of Doraville and both sides of Buford Highway. This has been designated as AREA "B".

These two areas are outlined in red on the attached map.

PROCEDURE

A house count was made on each street in each area. In order to evaluate the approximate economic characteristics of these homes, a very general grouping was made of the estimated value, as follows:

High	$25,000 and over
Medium	$10,000 to $25,000
Low	Less than $10,000

Small business firms were interviewed as to number of employees and present banking affiliation.

Large business firms were questioned as to payroll procedure, credit unions and suggested banking hours.

FINDINGS

There is a total of 7,945 homes in the two areas studied. Of these, 11.1% would be considered in a low income bracket. However, it should be noted that in AREA "A" where there are more business firms, the percentage of low income homes is 14.5%.

There is a total of 269 business firms employing LESS than 50 persons. Total employment for these firms is 2,336. The 21 firms employing MORE than 50 persons have a total employment of 5,517. Of this number, 5,120 are employed at General Motors.

Sears maintains a warehouse (for Kerrybrooke Fashions) in AREA "A" but no information was available from this company.

The DeKalb National Bank is about equi-distant from either area under study.

A large number of respondents expressed the urgent need for a bank in the area.

FINDINGS (Continued)

All of the 21 large firms pay their employees by check during the morning hours.

In response to a question regarding banking hours, morning hours appear to be unimportant. However, 15 of these firms suggested that late afternoon closing would be helpful.

Close at	4:00 pm	2
"	5:00 pm	7
"	6:00 pm	8
"	8:00 pm	1

COMPARISON OF 2 AREAS

It will be noted that 64% of the homes are in AREA "A", although this area has a higher percentage of low income homes than AREA "B".

Of the 92 business firms listed in AREA "B", all but 5 are located on Buford Highway.

If Buford Highway was included in AREA "A", the greatest potential of business for a new banking facility would be in AREA "A".

The following tables and exhibits are attached:

TABLE I	Shows house count by economic groups.
TABLE II	Summary of business firms in each area.
TABLE III	Banking activities of business firms in both areas.
TABLE IV	List of business firms with LESS than 50 employees in each area.
TABLE V	List of business firms with MORE than 50 employees in each area.
TABLE IV	Tabulation of payroll procedure of total firms with more than 50 employees.
MAP	Shows AREA "A" and AREA "B" outlined in red.

TABLE I

House count by Economic Group

	$ 25 000 and over	$ 10,000 to $25,000	$ 10,000 and under	TOTAL
Area "A"	596	3 774	740	5 100
Area "B"	720	1 979	138	2 837
TOTAL	1 316	5 753	876	7 945

TABLE II

Summary of all Business Firms

	Employ [illegible] than 50		Employ [illegible] than 50		TOTAL	
	FIRMS	[illegible]	FIRMS	[illegible]	FIRMS	[illegible]
Area "A"	199	1 854	19	5 037	218	6 901
Area "B"	90	552	2	250	92	802
TOTAL	288	2 586	21	5 517	310	7 703

TABLE VII

Banking activities of business firms

BANK AT	AREA "A"	AREA "B"	TOTAL	
DeKalb National	71	58	103	103
C&S - Main	39	4	43	
" - Lenox	2	7	9	
" - Buckhead	6	8	14	
" - Avondale		2	2	
" - Henry		1	1	
" - 10th. Street	3	1	4	73
First National - Main	36	5	41	
" - Cheshire Br.		4	4	
" - Buckhead	8	4	12	
" - Decatur	2	1	3	60
Fulton National - Main	8		8	
" - Buckhead	1	3	4	
" - Future		1	1	
" - Decatur	2	2	4	17
Trust Co. of Georgia - Main	13	2	15	
" - Lenox		1	1	16
Bank of Georgia - Main	2	1	3	
" - Buckhead	1	1	2	5
Norcross	4	2	6	6
Duluth		1	1	1
Griffin	1		1	1
Tucker	1		1	1
Peoples	1	1	2	2
Out-of-town	6		6	
Don't know	9		9	
No account	16		16	
Refused	4		4	35

NOTE: Some firms use more than one bank.

DESCRIPTION OF BUSINESS FIRMS - OVER THAN 50 EMPLOYEES AREA "A"

S.F. NO.	NAME	TYPE	NO. EMPL.	BANK AT
[illegible] BOULEVARD N.				
5[illegible]0	Williams Contractors	Contractors	2	Trust Co. of Ga.
5[illegible]9	Atlas Mfg. Co.	Pool equip.	15	Trust Co. of Ga.
5[illegible]0	[illegible]s of Georgia	Mfg. aluminum prod.	10	(First Natl. (C.C.
5[illegible]0	Webster Realty Co.	Warehouse	2	Out of Town
5[illegible]6	John W. Nicholson	Feed	4½	Decatur Natl.
	Red Rose Feed Co.	Feed	-	First Natl.
[illegible] STRATFORD RD.				
6[illegible]8	Lone Star Shoe Shop	Shoes	1	No Acct.
6[illegible]0	Mobilgas Service	Service Station	1	No acct.
6[illegible]6	Republic Oil Refinery	Div. Office	15	C S - 10th. St.
6[illegible]6	Pellegrin's Food & Grocery	Grocery	1	No acct.
	B & J Cafe	Cafe	2	NC
6[illegible]2	US Post Office	Post Office	10	No Acct.
6[illegible]8	Lange & White	Elec. Contractors	20	DeKalb Natl.
6[illegible]1	Gallaway Hardware	Hardware	3	DeKalb Natl.
6[illegible]2	Doraville Auto Parts	Service Station	2	DeKalb Natl.
[illegible]RT RD.				
7[illegible]0	1/2 hr. Laundry	Laundry	2	Fulton Natl. - Buckhead
[illegible] RD.				
	Square Deal Barber	Barber	1	No acct.
[illegible]. HOSPITAL AVE.				
8[illegible]0	Mill Machine Co.	Machinery	5	C S - Buckhead
8[illegible]1	Phillips-Brooks	Plastics	16	First Natl. - Buckhead
[illegible] MAIN DRIVE				
9[illegible]7	Schering Corp.	Drug Distr.	12	C S
9[illegible]8	Farmer's Co.	Distr.	40	C S
9[illegible]1	Wel[illegible] Plastics	Mfg. material	11	Trust Co. of Ga.
9[illegible]6	Brock-Fisher Insulating	Insulation	9	First Natl.

TABLE IV

DESCRIPTION OF BUSINESS FIRMS - LESS THAN 50 EMPLOYEES AREA "A"

ZIP. NO.	NAME	TYPE	NO. EMPL.	WORK AT
[illegible] INDUSTRIAL BLVD.				
5722	Parker Service	Service Station	5	C S - Lenox
5720	Lloyd's Garage	Auto repair	1	DeKalb Natl.
5723	Klean-Rite Cleaners	Cleaners	1	DeKalb Natl.
[illegible]	Chamblee Auto Parts	Repair	2	DeKalb Natl.
[illegible]	Lumpkin's Garage	Repair	2	DeKalb Natl.
5725	H. Powell Service	Service Station	3	DeKalb Natl.
[illegible]	Chamblee Animal Hospital	Hospital	6	DeKalb Natl.
5712	Talbert's Beauty Salon	Beauty Salon	7	DeKalb Natl.
5713	Industrial Shell	Service Station	5	Fulton Natl.
5714	Armstrong Supply	Bldg. Contr.	8	First Natl.
5716	Peachtree Int. Service	Service Station	4	DeKalb Natl.
4100	Pierce's Drive-In	Restaurant	7	DeKalb Natl.
4093	Ted Tyler & Co.	Insurance	4	Relocsd
4088	Perm & Morris	C.P.A.	4	(DeKalb Natl. (First Natl. - Buckhead
4010	Chamblee Paint Store	Paints	1	C S
4015	Woodie Tunicom's Motors	Used cars	2	DeKalb Natl.
	Creamwood Industry	Ice Cream	6	(First Natl. (C S
4039	Peachtree Animal Hospital	Hospital	6	DeKalb Natl.
4010	Park 'N Shop	Grocery	10	DeKalb Natl.
4005	Tastee-Freeze	Ice Cream	3	DeKalb Natl.
4078	Servere Mkt. Co.	Service Station	5	DeKalb Natl.
	Westbrook Standard	Service Station	2	Bank of Tucker
	Bon-Ton Ranch	Restaurant	12	IK
5071	Westinghouse	Regional Office	30	DeKalb Natl.
	Massey Ferguson	Sales Office	42	C S
	Hubert Plath Tomco	Service Station	4	DeKalb Natl.
5251	Cons. Pfizer & Co.	Drug Distrn.Center	31	C S
5275	Precision Paint Co.	Paint Mfg.	20	(C S (First Natl.
5047	Magnolia Plastics	Mfg.	10	(First Natl. - Buckhead (Am. of Georgia - Buckhead

DESCRIPTION OF BUILDING SITES - LESS THAN 50 EMPLOYEES AREA "A"

SER. NO.	NAME	TYPE	NO. EMPL.	ACCT AT
[illegible] INDUSTRIAL BLVD.				
3[illegible]	Larry Heron; Texaco	Service Station	3	Bank of Norcross
3[illegible]	Sherbrady	Chevy. parts	30	First Natl.
3421	Allied Van Lines	Movers	17	C.S
INDUSTRIAL DR.				
2401	Standard Cap & Seal	Bottle closures	23	First Natl.
[illegible] CHAPEL RD.				
	Tri Oil Co.	Distributors	35	C.S
	Phillips Petroleum	Terminal	4	No acct.
[illegible] RD.				
2[illegible]	Plantation Pipe Line	Pipe	17	Trust Co. Ga.
2[illegible]	Coastal Terminal	Gasoline	7	No acct.
	S. S. Pipe Line	Pipe line	2	No acct.
	Delta Air Lines	Fuel supply	1	No acct.
	Eastern Air Lines	Fuel supply	5	No acct.
	J. R. Tabbett	Petroleum haulers	5	Comm. Tr. - Griffin
2765	Crown Central	Oil Co.	5	DeKalb Natl.
CLAIRMONT RD.				
3[illegible]	Skyland Barber Shop	Barber	4	DeKalb Natl.
3[illegible]	Julian's Beauty Salon	Beauty Salon	3	Fulton Natl.
3[illegible]	Boyd's	Gift Shop	2	First Natl.
3[illegible]	Dr. Elbert Gladden	Dentist	1	First Natl.
3[illegible]	Colonial Stores	Super Market	25	DeKalb Natl.
3[illegible]	Allen's 5 & 10	Variety Shop	7	First Natl.
3[illegible]	Mitchell Hardware	Hardware	2	First Natl.
3[illegible]	Bradenton's Suburban	Restaurant	17	C.S
3[illegible]	Lee Finance Co	Loans	2	DeKalb Natl.
3[illegible]	Skyland Cleaners	Cleaners	10	DeKalb Natl.

DESCRIPTION OF BUSINESS TYPES - LESS THAN 50 EMPLOYEES

AREA "A"

CEN. NO.	NAME	TYPE	NO. EMPL.	BANK AT
CLAIRMONT RD.				
2000	Skyland Pharmacy	Drugs	15	First Natl.
	Tots a Polo	Grocery	3	First Natl.
2006	Kinsand Service	Service Station	4	C&S
2008	King Service	Service Station	2	Fulton Natl. - Decatur
2011	Chop 'N Market	Grocery	2	DeKalb Natl.
2019	The Fairway	Restaurant	3	DeKalb Natl.
2021	Dr. D. G. Davies	Dentist	2	C&S
2022	Dr. J. R. Pedell	Chiropractor	3	DeKalb Natl.
2025	Simonds Service	Service Station	3	DeKalb Natl.
2028	Louis' Drive In	Restaurant	6	C&S
2031	Pe-Jak Market	Grocery	2	First Natl. - Buckhead
2039	Le-Jeune Barber Shop	Barber	3	DeKalb Natl.
2077	Clairmont Paint	Paints	1	DeKalb Natl.
2075	Philly Pinocchio	Beauty Shop	3	DeKalb Natl.
2073	Charlemete Flowers	Florist	3	First Natl.
2071	Clairlake Glass Co.	Glass	5	C&S - Lenox
2067	J. R. Mathews	Insurance	3	(C&S (First Natl.
2065	Guild Radio-TV	Repairs	1	DeKalb Natl.
2063	Morgan Tele Shop	Auto covers	3	Bank of Norcross
2061	H. W. Chastain & Co.	Brokers	2	First Natl.
2055	Clairmont Auto Service	Auto repairs	2	No acct.
2053	Clairmont Pharmacy	Drugs	23	First Natl. - Buckhead
2051	Brookhaven Plumbing Co.	Plumbing	6	Bank of Norcross
2047	Clairmont Cleaners	Cleaners	6	DeKalb Natl.
2042	Gervens Clothing	Dept. Store	3	Refused
STONE MOUNTAIN RD.				
2415	Kleen-Rite	Cleaners	10	DeKalb Natl.
2425	Telephone Answering Serv.	Telephone Serv.	2	DeKalb Natl.
2471	Southern Bell	Branch office	31	Trust Co. Ga.

SIC. NO.	NAME		No. EMPL.	BANK AT
[illegible] RD.				
5065	Daily Tire Co.	Tires	7	C&S - Buckhead
5112	Barber Shop	Barber	2	Bank of Lorenzo
5115	Ivey Heating Co.	Heating Equip.	8	[illegible]
5812	Chamblee Restaurant	Restaurant	6	DeKalb Natl.
5113	Richards & Changes	Attorneys	5	First Natl.
5912	Rexall Drugs	Drugs	5	C&S
5536	Chamblee Barber Shop	Barber	4	No acct.
5072	Prescription Drug Store	Drugs	4	C&S
5070 Chamble	Chamblee Hardware	Hardware	3	Fulton Natl.
5112	Blue Top Cab	Taxi	28	DeKalb Natl.
5021	Thomas Barber Shop	Barber	2	DeKalb Natl.
5131	Blue Ribbon Shoe Shop	Repairs	1	No acct.
5112	Chamblee Post Office	Post Office	44	No acct.
5331	Chamblee 5 & 10	Variety store	5	Fulton Natl.
5411	Lewis Super Market	Super Market	4	DeKalb Natl.
5312	Gayle Hardware	Hardware	3	DeKalb Natl.
5503	Latham's Service	Service Station	5	DeKalb Natl.
NEW PEACHTREE RD.				
5172	Chenan Supply	Building supplies	3	DeKalb Natl.
5512	Clayton Millard Sales	Bicycles	6	DeKalb Natl.
5150	Louis B. Smart	Tile Distr.	6	C&S
5156	Georgia Cotton Batting	Mfg. cotton	14	First Natl.
5007	Arthur Pew Constr. Co.	Building Contr.	4	First Natl.
	Lebex Constr. Co.	Pipe line contr.	15	C&S - 10th. St.
5035	Merrick Mills	Carpets	37	NK
5117	Neel & Ivey	Service Station	2	First Natl.
5037	Lewis Sales Co.	Mfg. rep.	50	Trust Co. of Ga.
5375	Wagner	Printing, labels	5	DeKalb Natl.
5019	Trigon Distr.	Wholesale gasoline	17	(C&S (First Natl.
5031	M. C. Miller	Printing	5	C&S - Buckhead
	Hostetler Feed & Flour	Flour mill	32	DeKalb Natl.
5020	Pool Equip.	Swimming pools	21	Trust Co. of Ga.

NORTH ATLANTA
CHAMBLEE
DUNWOODY
Standard Golf Club

TABLE IV

DESCRIPTION OF BUSINESS FIRMS - MORE THAN 50 EMPLOYEES AREA "B"

STR. NO.	NAME	TYPE	NO. EMPL.	BANK AT
[illegible] HIGHWAY				
[illegible]	Dogwood Ceramic	Gift shop	5	Fulton Natl. - Decatur
3[illegible]7	Skyland Gulf	Service station	4	DeKalb Natl.
[illegible]	Clifton's	Nursery	3	DeKalb Natl.
[illegible]	Wallace	Service station	5	C&S
4[illegible]1	Atlanta Garden Center	Nursery	12	C&S - Lenox
4[illegible]1	Russ Brubaker Ford	Cars	40	First Natl. - Cheshire Br.
4277	Kayo Oil Co.	Service station	2	DeKalb Natl.
4[illegible]9	Collo's	Service station	4	First Natl. - Buckhead
4[illegible]5	Scroggin Furniture Gallery	Furniture	9	DeKalb Natl.
4[illegible]7	Rainbow Grill	Restaurant	3	DeKalb Natl.
4[illegible]9	Clark L. Wade Plumbing	Plumbing	10	DeKalb Natl.
4[illegible]1	Fruit Basket #2	Grocery	2	DeKalb Natl.
4[illegible]5	Dairy Queen	Ice cream bar	2	DeKalb Natl.
4[illegible]7	C[illegible] Chevrolet	Cars	32	First Natl. - Decatur
4[illegible]7	State Farm Insurance	Insurance	1	C&S - Buckhead
4[illegible]8	Caldwell Amoco	Service station	3	DeKalb Natl.
4[illegible]5	McCoy's Furniture Center	Furniture	8	(C&S - Buckhead (First Natl.
4277	Allwood's Sinclair	Service station	4	Fulton Natl. - Buckhead
5[illegible]7	Virgil's Grills	Restaurant	7	DeKalb Natl.
5[illegible]9	Dentle Food Store	Grocery	2	First Natl.
5[illegible]3	Candlin's	Restaurant	7	First Natl. - Buckhead
5[illegible]9	Laundromat	Laundry	1	Released
5[illegible]7	Fabric Center	Fabrics	3	Released
5[illegible]9	The Jumping Jack	Toys	2	First Natl. - Buckhead
5[illegible]3	The Fondern Shop	Women's clothes	1	C&S - Lenox
5[illegible]5	Northwoods S & D	Variety store	3	DeKalb Natl.
5[illegible]9	Henderson's Hardware	Hardware	5	DeKalb Natl.
5[illegible]1	Clark's Laundry	Laundry	2	First Natl.
5[illegible]5	Doraville Flower Shop	Florists	2	Trust Co. of Ga.
5[illegible]7	Northwoods Barber Shop	Barbers	4	C&S
5[illegible]5	Northwoods Beauty Salon	Hair stylists	4	C&S
5[illegible]1	William Powell	Drugs	12	C&S - Lenox

E- 322

TABLE VI

Payroll procedure for total firms and total employees

	FIRMS	EMPLOYEES
Pay by check	21	5 517
Pay weekly		
Monday	1	350
Tuesday	1	10
Wednesday	1	30
Thursday	6	460
Friday	9	3 412
Pay semi-monthly		
1st. & 15th.	9	1 010
Pay monthly		
31st.	1	25

TABLE V

DESCRIPTION OF BUSINESS FIRMS - LESS THAN 50 EMPLOYEES

AREA "A"

REF. NO.	NAME	TYPE	NO.EMPL.	BANK AT	CREDIT UNION
BRIGHTSTON RD.					
5144	General Electric	Switch gear	100	Out-of-town	No
5000	General Foods	Sales-Dist.	55	(Trust Co. Ga.	No
				(First Natl.	
MT. ATLANTIC RD.					
5532	Southern Iron & Equip.	Mfg.farm equip.	50	C&S	No
5004	White Wright	Mfg.school supplies	100	(First Natl.	No
				(C&S	
	Atlanta Envelope	Mfg.envelopes	128	(C&S	No
				(First Natl.	
				(DeKalb Natl.	
PEACHTREE INDUSTRIAL BLVD.					
	General Motors	Automotive	S 120	Refused	No
	General Electric	Serv.shop	105	Out-of-town	No
	John Deere	Dist.farm equip.	118	First Natl-Buckhead	No
5745	Federal Pacific Elec.	Mfg.control equip.	51	C&S	No
	Singer Sewing Mch.	Warehouse	153	C&S	No
	Eastman Kodak	Sales	87	C&S	No
	H. W. Lay & Co.	Mfg. food	450	(DeKalb Natl.	Yes
				(Trust Co. Ga.	
	O. I. Case	Sales-farm equip.	50	(C&S	No
				(First Natl.	
	Allis-Chalmers	Sales-tractors	52	C&S - Buckhead	No
	American Cyanamid	Chemicals	103	First Natl.	No
5260	Southeastern Greyhound	Motor rebldg.	150	C&S	Yes
JOHNSON FERRY RD.					
	Amer.Hospital Supply	Warehouse	62	(Trust Co. Ga.	No
				(Fulton Natl.	
MT. VERNON CHURCH RD.					
420.7	Texaco Inc	Oil	64	First Natl.	Yes
PEACHTREE RD.					
4725	Eastman Kodak	Laboratory	89	C&S	No

TABLE V

DESCRIPTION OF DISTURBS ITEMS - NOT THAN 50 DOLLARS AREA "B"

ITEM NO.	NAME	TYPE	NO. EMPL.	TIME AT	OTHER USERS
LOCAL HISTORY					
3979	Southern Cross Foresters	Contractors	200	GAS - 10th. St.	No
4130	Lyburners	Nursery	50	DeKalb Natl.	No

E-325

DESCRIPTION OF BUSINESS FIRMS - LESS THAN 50 EMPLOYEES — AREA #28

STR. NO.	NAME	TYPE	NO. EMPL.	BANK AT
[illegible] 57.				
[illegible]	L & W Air Conditioning	Equip.	15	Trust Co. of Ga.
[illegible]	Chamblee Chapel	Funeral Director	4	DeKalb Natl.
[illegible]	Stowe's Service	Bookkeeping Serv.	2	DeKalb Natl.
[illegible]	Fitching Post	Cafeteria	15	G.S - 10th. St.
5010	Lucyllen	Ceramic Shop	5	First Natl.- Buckhead
5503	N.DeKalb Office Supply	Office Supplies	4	First Natl. - Decatur
	Chamblee Tire Co.	Tires	2	U
5011	Chamblee Body Shop	Garage	2	G.S
[illegible]-TUNBRIDGE RD.				
[illegible]13	Peachtree Cleaners	Cleaners	15	DeKalb Natl.
5014	Castleberry's Inc.	Furniture	10	G.S

E-326

DESCRIPTION OF BUSINESS FIRMS - LESS THAN 50 EMPLOYEES AREA "A"

DIR. NO.	NAME	TYPE	NO. EMPL.	BANK AT
[illegible] RD.				
[illegible]	Anchor Fence	Fence	15	DeKalb Natl.
[illegible]	Butterick Patterns	Distr. off.	10	First Natl.
[illegible]	Jenkins Bros	Warehouse-valves	6	First Natl. - Buckhead
[illegible] RD.				
[illegible]	General Tire & Rubber	Distr. & Sales	35	Refused
[illegible]	Crucible Steel Corp.	Sales	22	First Natl.
[illegible]	Tillys Sales Corp.	Wholesale sales	23	First Natl.
[illegible] RD.				
[illegible]	Cyclone Fence Co.	Warehouse-Sales	12	C&S
	Seiberling Rubber	Warehouse-Sales	15	C&S
[illegible] N. PEACHTREE RD.				
[illegible]	Premier Industrial	Wholesale-auto parts	25	C&S
[illegible]	Oglethorpe Pharmacy	Drugs	15	DeKalb Natl.
[illegible]	Oglethorpe Beauty Shop	Beauty Shop	5	DeKalb Natl.
[illegible]	Andy's Barber Shop	Barber	3	DeKalb Natl.
[illegible]	Fischer's Cleaners	Cleaners	1	DeKalb Natl.
[illegible]	Oglethorpe Laundromat	Laundry	1	DeKalb Natl.
[illegible]	Oglethorpe 5 & 10	Variety store	2	DeKalb Natl.
[illegible]	Big Apple	Super Market	12	Fulton Natl.
[illegible]	Clint Morris Texaco	Service Station	6	DeKalb Natl.
[illegible] WOODS RD.	Green Circle	Grocery	2	First National
[illegible] RD. 3877	Triangle Refinery	Oil Co.	8	C&S - Buckhead
[illegible] PEACHTREE RD.	Amoco	Oil Co.	26	C&S
[illegible] CHAPEL RD.	[illegible] Oil	Oil Co.	29	DeKalb Natl.
	[illegible] Co.	[illegible] Div.	8	Fulton Natl.

E-27

TABLE VII

Summary of all business firms - By type.

TYPE	AREA "A"		AREA "B"		TOTAL	
	FIRMS	NO.EMPL.	FIRMS	NO.EMPL.	FIRMS	NO.EMPL.
Service Sta.	20	64	21	80	41	141
Garage	14	18	5	10	19	28
Auto sales	6	62	7	90	13	152
Cleaners-Laundry.	8	44	5	24	13	68
Barber-Beauty Shop	12	40	4	11	16	51
Restaurant	10	82	7	36	17	118
Hotel			2	20	2	20
Drug stores	5	58	1	12	6	70
Groceries	8	29	4	9	12	38
Supermarket	5	41	5	93	6	134
Hardware-Paint	6	13	2	6	8	19
Clothing	2	5	3	12	5	15
Variety store	4	15	4	26	8	41
Florist-Nursery	1	3	5	267	6	270
Amusement			1	10	1	10
Professional-Hosp.	11	71	6	15	17	86
Insurance-Real Est.	4	16	6	32	10	48
Contractor-Builder	11	84	3	29	14	113
Household Furn.	5	60	3	20	8	80
Taxi service	1	28			1	28
Laboratory	1	69			1	69
Newspaper	1	4			1	4
Printing	5	21			5	21
P.O.-Fire Dept.	4	97			4	97
Movers	1	17			1	17
Food proc.	1	42			1	42
Swimming pools	2	36			2	36
Sales-Distribution	23	772			23	772
Fences	1	15			1	15
Warehouse	6	245			6	245
Gas-Oil-wholesale	14	199			14	199
Mfg.-general	19	782			19	782
" -food	2	482			2	482
" -machinery	6	249			6	249
" -cars	1	3 120			3	3 120
	218	6 901	92	802	310	7 703

THE CITIZENS & SOUTHERN NATIONAL BANK
ATLANTA, GA.

DX-113

ATLANTA MAIN OFFICE

May 16, 1966

MEMORANDUM FOR: File

RE: Proposed C & S Park National Bank

I talked with Blaine Kelly today about his reviewing the draft of the lease for the proposed C & S Park National Bank, and asked what was the final outcome of conversations with him about the possibility of the C & S Park National Bank buying the building after construction (into a real estate holding company).

Blaine stated that our bank location is forward in front of a larger building with driveway going behind. The exact piece of property is very irregular, but could be separated. He stated they haven't felt or been told that this could not be done. However, in talking with folks in our Real Estate Loan Department, he stated that they inferred that an investor might take a dim view of this arrangement (relative to financing the larger building).

Apparently, this matter has been kicked around a great deal, and if plausible, a long-term lease on land can be considered selling that building to us.

I mentioned a re-purchase agreement for them to buy the property back if we purchase the building. However, he stated that an option had been mentioned for the bank to purchase in 50 years, which was "not palatable" to him.

He stated that he would like to wait several days "until several matters jelled". At that time he may be interested in discussing with us the sale of the building.

We can follow up with him later, and in the meantime, I'm having him review the lease for the land and completed building. Lease is to be between the Citizens & Southern Holding Company and Landmark's of DeKalb, Inc.

W. Ray Walker
Vice President

cc: Messrs. Hall, Starke and Haselrig

Bank buys and obtains repurchase in 30 yrs at an arbitrary appraised value

COPY

D-329

DX-125

BRANCH SUPERVISION - ATLANTA

April 18, 1969

MEMORANDUM TO: Warren Berry
South Expressway

Warren,

Here is a list of the organizers listed on the application of the first bank of South DeKalb which was submitted to Mr. Jackson last Friday, April 11.

E. W. Alexander, Alexander Realty Co., Decatur
J. D. Wade, Decatur
D. L. , Stone Mountain, Ga.
Carey Paul, Carey Paul Ford, Decatur
Ed Vanderelice, Glenwood Road, Decatur
Tommy Barnes, Avondale, Ga.
Joe C. Bagwall, Marietta, Ga.
Wilbur Tomberlin, Monroe Drive, Atlanta

The application was submitted for capitalization of $500,000 and only says "in the vicinity of" the I-20-Candler Road intersection. Thought you might like to have this "poop".

William L. Mathis
Vice President

cc: Ray Kerman

DX-152

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

FILED
CLAUDE L. [illegible], Clerk
BY: [illegible]

UNITED STATES OF AMERICA,

Plaintiff,

vs.

THE CITIZENS AND SOUTHERN NATIONAL BANK,
THE CITIZENS AND SOUTHERN EMORY BANK,
THE CITIZENS AND SOUTHERN BANK OF EAST POINT,
THE CITIZENS AND SOUTHERN BANK OF CHAMBLEE,
THE CITIZENS AND SOUTHERN PARK NATIONAL BANK,
THE CITIZENS AND SOUTHERN BANK OF TUCKER,
THE CITIZENS AND SOUTHERN SOUTH DEKALB BANK,
THE CITIZENS AND SOUTHERN BANK OF NORTH FULTON,
THE CITIZENS AND SOUTHERN BANK OF SANDY SPRINGS,
and CITIZENS AND SOUTHERN HOLDING COMPANY,

Defendants.

Civil Action No. [illegible]

AFFIDAVIT OF WILLIAM B. CAMP,
COMPTROLLER OF THE CURRENCY

City of Washington)
)ss
District of Columbia)

William B. Camp, having been first duly sworn, deposes and says:

1.

My name is William B. Camp. I am Comptroller of the Currency of the United States of America. As such, I am charged by law with, among other duties, the supervision of national banks (that is, those banks chartered by authority of the United States of America) including specifically (i) determining whether or not a new charter should be granted to applicants desiring to form a new national bank; (ii) determining the soundness of the financial condition of existing national banks and suggesting and requiring steps to be made by such existing national banks if it is found that the financial condition of the particular national bank is not sound in all respects; and (iii) also, by Congressional mandate, I must consider the competitive implications of all mergers, branch applications and new bank charters. This, of cou[illegible]

includes anti-competitive considerations which might restrain competition. Some of these duties are exercised through delegation thereof to appropriate officials and employees of the Office of the Comptroller of the Currency, pursuant to law.

2.

I make this Affidavit for use in the above-styled action, and specifically for use in support of the motion by certain defendants that the statutory stay be lifted. I have the authority to make this Affidavit. This Affidavit is based upon information contained in the files of the Comptroller of the Currency. I have caused a search of the files relating to the organization and operation as national banks of (i) The Citizens and Southern Park National Bank ("C&S Park National"), and of the defendants now operating under State charters which were organized as national banks but have since converted to State banks, to-wit, (ii) The Citizens and Southern Bank of Sandy Springs ("C&S Sandy Springs") and (iii) The Citizens and Southern National Bank of Chamblee ("C&S Chamblee"). The statements in this Affidavit are based upon my review of relevant information from those files and, upon information and belief, the same are true and correct.

3.

Each of the three defendant banks mentioned above - C&S Sandy Springs, C&S Chamblee and C&S Park National - were originally chartered as national banks. The charter was issued by the Office of the Comptroller of the Currency after a careful examination of, among other things, the identity of those persons applying for the charter; their business and banking experience and associations; the proposed management for the bank; the likelihood of financial success of the proposed banks; and the proposed bank's ability to serve the convenience and needs of the community in which it was to be located. In each instance, the Comptroller of the

Currency in considering the a plication was aware of, and took account of, the fact that the proposed new bank, its directors and management would be closely associated with The Citizens and Southern National Bank ("C&S National"). This fact represented a substantial favorable element in considering each of the applications. The participation of C&S National with the new bank and the availability of C&S National management to serve as executive officers of the new bank was deemed to be significant and to some extent controlling in establishing that the bank would be financially successful and could serve all of the banking needs of the potential customers. The relationships between C&S and these banks, and the contributions by C&S in the form of advice and service relationships, was instrumental in the decision for approval of the original charters for these banks by the Office of the Comptroller of the Currency.

4.

While C&S Sandy Springs and C&S Chamblee operated under a national bank charter (1959-1969 and 1960-1969, respectively) and during C&S National's entire history, the Office of the Comptroller of the Currency had occasion regularly to consider the relationship between these banks and C&S National. Among other such occasions were the periodic examinations of the banks by national bank examiners. The Office of the Comptroller of the Currency was thus fully aware of the existence of the relationships between these banks and C&S National, including the various operating relationships more fully spelled out in the applications submitted on behalf of The Citizens and Southern Bank of East Point and The Citizens and Southern Emory Bank to the Federal Deposit Insurance Corporation respecting the proposed mergers of those banks with certain of the defendants named above. The Comptroller of the Currency considered that existence of such relationships were in accordance with all applicable laws, and at no time objected to the existence of such relationship

While the Comptroller of the Currency at all times required of these banks, their management and their directors that all necessary operational and fiduciary responsibilities required by law in connection with the existence of these banks as separately chartered banks be adhered to, the Comptroller of the Currency understood that one of the purposes for establishing these banks was to make available to the management of these banks C&S expertise in certain portions of the Atlanta metropolitan area where C&S, by reason of Georgia branch banking laws, could not establish its own operations.

5.

I am familiar with the current financial condition of C&S Park National and in particular with its capital structure. In the opinion of the Office of the Comptroller of the Currency, C&S Park National should, in accordance with sound banking practice, increase its capitalization by an additional $500,000. This recommendation has been made to management at C&S Park National. The only reason that, today, such a recommendation has not been more formally pressed has been the anticipation that C&S Park National would merge into C&S Emory.

6.

I have read the Stipulation and Supplemental Stipulation submitted to the Court by the defendants. In the event the statutory stay is lifted and the correspondent associate banks allowed to merge as requested but the Court should ultimately order divestiture, an application for a national bank charter to operate one or more new banks as set forth in the aforesaid Stipulations would receive consideration by this Office. Assuming proposed stockholders in a new bank to be organized to take

over the offices involved were qualified in terms of character, business and banking associations, etc., such application would have the advantage of the fact that the Comptroller of the Currency is familiar with the capabilities and potential for business of these existing offices, there being a record upon which to make that judgment by reason of their prior operation as separately chartered banks. Furthermore, such application for a national charter would be considered in light of the commitments made by C&S in the Stipulations, commitments which would make more likely the ability of a new bank to operate in a financially sound condition and to service the needs of bank customers and the community. On the other hand, if the banks are not allowed to be merged it is my opinion that C&S Park National will face significant operating problems, and, in all probability, the only practical solution would then be an "emergency" merger with another bank.

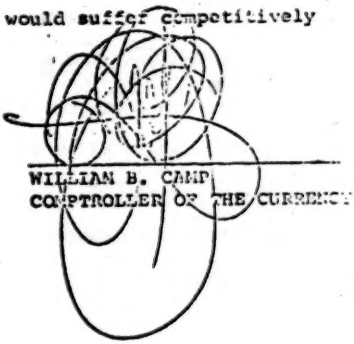
7.

It is my further opinion that if the statutory stay is not lifted and if the mergers are not allowed to be consummated, public confidence in these five small banks will be lessened, management initiative will be chilled and ultimate viability of the banks will be threatened. If, thereupon the mergers are ultimately denied, and C&S ordered to withdraw its support, it is my opinion that these five small banks will be in difficulty, compounded by withdrawal of C&S leadership and the large diversity of stock ownership among the banks . . . . whereas granting the motion to lift the stay and implementation of the plan of divestiture (should the mergers be denied) would enhance their potential for success, since among other things, they could be organized in fewer more efficient

unity and stockholder cohesion would promote effective leadership.

6.

The other four banks (C&S Chamblee; C&S South DeKalb; C&S North Fulton, C&S Sandy Springs) involved in the mergers are not presently national banks, but on the basis of past knowledge gained in the industry it is my opinion that if the Court rules against such mergers and orders severance with C&S, these banks would suffer competitively and have management problems.



WILLIAM B. CAMP
COMPTROLLER OF THE CURRENCY

Dated: February 7, 1972

Subscribed and sworn to before
me this 7th day of February 1972.

Notary Public

My commission expires May 31, 1975

DX-266

THE CITIZENS AND SOUTHERN

BANK OF EAST POINT

DX-266

E- 337

TABLE OF CONTENTS

Application of

The Citizens and Southern Bank of East Point
2833 Main Street, East Point, Georgia

Description	Page No.
Introduction	1
Application	4
Financial History and Condition	8
General Information	9
Statement of Assets and Liabilities	32
Analysis of Accounts	33
Adequacy of Capital Structure	34
Future Earnings Prospects	35
Management	37
Convenience and Needs of Community	39
Exhibit I	40
Exhibit II	46
Exhibit III	62
Exhibit IV	64
Exhibit V	77
Exhibit VI	78
Exhibit VII	81
Consistency of Corporate Powers	83
Effect of Proposed Transaction on Competition	
Exhibit A	83
Exhibit B & C	86
Exhibit D	108
Exhibit E	109
Exhibit F	110
Exhibit G	111
Exhibit H	114
Exhibit I	115
Exhibit J	116
Exhibit K	117
Attachment	
Charter of Applicant Bank	
Maps	
Supplementary Material - Separate Binder	
Agreements Between Participants	
Resolutions of Boards of Directors	

INTRODUCTION TO APPLICATION

An introductory statement is in order because this is not the usual of the mill Application.

This Application asks approval for the Citizens and Southern ("C&S") Bank of East Point to acquire the assets of the C&S Bank of Sandy Springs and the C&S Bank of North Fulton —all in Fulton County (outside of the City of Atlanta), Georgia. It is a companion to the Application of The C&S Emory Bank to acquire the assets of C&S Bank of Chamblee, C&S Bank of Tucker, C&S South DeKalb Bank, and C&S Park National Bank —all in DeKalb County, Georgia.

As the names suggest, this is a family affair—it is not the typical acquisition contemplated by the Bank Merger Act of 1966 or by any of the antitrust laws. It is the product of this sequence of circumstances:

(1) In the 1960's, branch banking in Georgia was restricted within municipal and village limits.

(2) The artificiality of that limitation was pronounced in the metropolitan Atlanta area, where the convenience and needs of the community at large demanded full service banking over the entire area—especially over all of Fulton and DeKalb Counties.

(3) To meet these needs and to supply C&S full service banking to those who sought it, the C&S Holding Company joined hands with business leaders in the various communities to give birth to C&S Sandy Springs and C&S North Fulton.

(4) These local business leaders supplied needed sponsorship and attracted shareholders and customers; C&S Holding made a 52 share investment permitted by law and supplied the heart of banking, C&S style, to-wit: Experienced, responsible

management, staff and employees trained in the C&S system; latest equipment, methods and know-how; accounting services and up-to-date systems; back-up lending capacity; coordinated community-wide C&S advertising program—in short, the total metropolitan banking capacity the communities had asked for. These new banks became known as "correspondent associates" to reflect the closeness of the relationship.

(5) The shareholders and customers of the correspondent associate banks were attracted and are retained by the sponsorship of C&S Holding Company; the closeness of the correspondent associate relationship within the C&S system and the supply of active management by C&S Holding. They have anticipated the perfection of ownership by C&S Holding as applicable laws permit . . . . C&S Holding has granted use of its name and has furnished these services, management and direction in reliance upon their being sought and followed and upon fulfillment of ownership as applicable laws permit . . . . . The sponsorship, name, services, management and direction have been furnished, used and followed and as a result the correspondent associate banks are virtually operated and directed as de facto branches in the C&S system. Stockholders, customers and competitors have recognized that fact.

(6) Through the 1960's the correspondent associates, along with the C&S National Bank and the whole C&S family, have supplied the best of banking services in their areas—limited and restrained only by the very legal artificialities that caused their creation.

(7) Effective January 1, 1971, branch banking is to be permitted countywide in Georgia, and so the de facto arrangements of the 1960's may become the de jure adoptions of 1971. Had the law been otherwise in the 1960's, the original arrangements would have been de novo branches of C&S Bank of East Point.

It is relevant to note that the two major competitors of the C&S in Atlanta, to-wit: Trust Company of Georgia and First National Bank of Atlanta, have experienced precisely the same history, for precisely the same reasons, and have filed or are filing precisely comparable applications with the Federal Reserve System and the Comptroller of the Currency, respectively. It is also relevant to our Application to note that the same sequences occurred in Richmond County with Georgia Railroad and Banking Company.

Finally, it is entirely relevant to note that all of the major banks competitive with C&S in Fulton and DeKalb Counties are applying for de novo branches to meet the convenience and the needs of the communities outside present city limits.

Considered together then, the acquisitions contemplated by this Application can produce no anti-competitive results under the Bank Merger Act or under any of the antitrust laws since no change is contemplated—except as to form. No competition now exists between C&S Bank of East Point and the two correspondent associate banks involved, and so no competition can be eliminated. The same relationship will continue so far as competitive factors with other banks and financial institutions and customers are concerned. The only change will be the simplification of these relationships.

Thus we ask favorable treatment of the Application—to perfect and fulfill the efforts we made in the 1960's to respond to the calls and give full service banking to the metropolitan Atlanta communities outside the city limits of Atlanta, Decatur and East Point and to make the stockholders of those fine little banks full-fledged stockholders of the C&S National—a fulfillment made possible for the first time by permitted countywide branch banking in 1971.

APPLICATION

TO THE FEDERAL DEPOSIT INSURANCE CORPORATION

by

The Citizens and Southern Bank of East Point
(Name of Applicant Bank)

2833 Main Street, East Point, Georgia
(Address)

FOR PRIOR WRITTEN CONSENT TO EFFECT A MERGER OR OTHER TRANSACTION PURSUANT TO SECTION 18(c) OF THE FEDERAL DEPOSIT INSURANCE ACT, AND INCIDENT THERETO, TO ESTABLISH A BRANCH OR BRANCHES UNDER SECTION 18(d) OF THE FEDERAL DEPOSIT INSURANCE ACT

* * * * *

The original and thirteen copies of this application and all documents, schedules, and exhibits are to be filed with the Supervising Examiner of the Federal Deposit Insurance Corporation of the District in which the head office of the Applicant Bank is located. Inquiries concerning the preparation of the application, schedules, and exhibits should be directed to that office.

The Federal Deposit Insurance Corporation reserves the right to require such additional information as it may deem necessary with respect to any matters in connection with this application, and also the Applicant Bank may supplement the data asked for, if desired. Although final action on an application will not be taken by the Federal Deposit Insurance Corporation until the State Banking Authority of the State in which the Applicant Bank is located has approved or expressed its intent to approve the proposed transaction, the filing of an application need not be delayed awaiting such action by State Authorities.

The Federal Deposit Insurance Corporation will furnish a form of notice and advise the Applicant Bank as to the appropriate intervals for publication of such notice under the requirements of Section 18(c) of the Federal Deposit Insurance Act, as amended. (12 USC 1828(c)). This subsection of the Federal Deposit Insurance Act is printed on the following page.

Section 18(c) of the Federal Deposit Insurance Act
(As Amended)

"Without prior written consent by the Corporation, no insured bank shall (1) merge or consolidate with any noninsured bank or institution or convert into a noninsured bank or institution or (2) assume liability to pay any deposits made in, or similar liabilities of, any noninsured bank or institution or (3) transfer assets to any noninsured bank or institution in consideration of the assumption of liabilities for any portion of the deposits made in such insured bank. No insured bank shall convert into an insured State bank if its capital stock, or its surplus will be less than the capital stock or surplus, respectively, of the converting bank at the time of the shareholders' meeting approving such conversion, without prior written consent by the Comptroller of the Currency if the resulting bank is to be a District bank, or by the Board of Governors of the Federal Reserve System if the resulting bank is to be a State member bank (except a District bank), or by the Corporation if the resulting bank is to be a State nonmember insured bank (except a District bank). No insured bank shall merge or consolidate with any other insured bank or, either directly or indirectly, acquire the assets of, or assume liability to pay any deposits made in, any other insured bank without the prior written consent (i) of the Comptroller of the Currency if the acquiring, assuming, or resulting bank is to be a national bank or a District bank, or (ii) of the Board of Governors of the Federal Reserve System if the acquiring, assuming, or resulting bank is to be a State member bank (except a District bank), or (iii) of the Corporation if the acquiring, assuming, or resulting bank is to be a nonmember insured bank (except a District bank). Notice of any proposed merger, consolidation, acquisition of assets, or assumption of liabilities, in a form approved by the Comptroller, the Board, or the Corporation, as the case may be, shall (except in a case where the furnishing of reports under the seventh sentence of this subsection is not required) be published, at appropriate intervals during a period (prior to the approval or disapproval of the transaction) at least as long as the period allowed under such sentence for furnishing such reports, in a newspaper of general circulation in the community or communities where the main offices of the banks involved are located (or, if there is no such newspaper in any such community, then in the newspaper of general circulation published nearest thereto). In granting or withholding consent under this subsection, the Comptroller, the Board, or the Corporation, as the case may be, shall consider the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and whether or not its corporate powers are consistent with the purposes of this Act. In the case of a merger, consolidation, acquisition of assets, or assumption of liabilities, the appropriate agency shall also take into consideration the effect of the transaction on competition (including any tendency toward monopoly), and shall not approve the transaction unless, after considering all of such factors, it finds the transaction to be in the public interest. In the interests of uniform standards, before acting on a merger, consolidation, acquisition of assets, or assumption of liabilities under this subsection, the agency (unless it finds that it must act immediately in order to prevent the probable failure of one of the banks involved) shall request a report on the competitive factors involved from the Attorney General and the other two banking agencies referred to in this subsection (which report shall be furnished within thirty calendar days of the date on which it is requested, or within ten calendar days of such date if the requesting agency advises the Attorney General and the other two banking agencies that an emergency exists requiring expeditious action). The Comptroller, the Board, and the Corporation shall each include in its annual report to the Congress a description of each merger, consolidation, acquisition of assets, or assumption of liabilities approved by it during the period covered by the report, along with the following information: the name and total resources of each bank involved; whether a report has been submitted by the Attorney General hereunder, and, if so, a summary by the Attorney General of the substance of such report; and a statement by the Comptroller, the Board, or the Corporation, as the case may be, of the basis for its approval. No insured State nonmember bank (except a District bank) shall, without the prior consent of the Corporation, reduce the amount or retire any part of its common or preferred capital stock, or retire any part of its capital notes or debentures."

A P P L I C A T I O N

The Citizens and Southern Bank of East Point (Name of Applicant Bank) East Point, Georgia (City and State)

hereby applies to the Federal Deposit Insurance Corporation, pursuant to Section 18(c) of the Federal Deposit Insurance Act and the attached certified copies of resolutions adopted by the Boards of Directors of the participating banks, for prior written consent to acquire the assets of, and to assume liability to pay deposits made in the following other Banks:

The Citizens and Southern Bank of Sandy Springs — Sandy Springs (Unincorporated Fulton County, Georgia

The Citizens and Southern Bank of North Fulton — Roswell, Georgia

under the Charter of

Applicant

and with the Title

The Citizens and Southern Bank of East Point

Application is also made, pursuant to Section 18(d) of the Federal Deposit Insurance Act, for written consent to the establishment of branches at the following locations occupied by the head office and branches or to be occupied by approved branches of

the Other Banks listed hereinabove

The Citizens and Southern Bank of Sandy Springs
(Main Office) 6075 Roswell Road, N.E., Sandy Springs
The Citizens and Southern Bank of North Fulton
(Main Office) 1155 Alpharetta Road, Roswell

There also are attached, and made a part of this application, a copy of the agreement between the participating banks relating to the proposal which provides the basis of this application, and supplementary statements, schedules and exhibits relative to the factors which the Federal Deposit Insurance Corporation and other Federal agencies are required to consider under the provisions of the Federal Deposit Insurance Act.

The Applicant Bank represents that the information contained in this application is true and complete to the best of its knowledge and belief.

Executed this _____ day of _____, 1970.

The Citizens and Southern Bank of East Poin
(Name of Applicant Bank)

(SEAL)

By _____
(Authorized Officer)

Attest:

_____
(Cashier)

GENERAL INFORMATION

Summarize the reasons and negotiations which led to the filing of this application, and explain fully the extent of common ownership or management of the participating banks.

See Financial History and Condition - General Information.

Has any consideration, monetary or otherwise, been paid, given, or offered to any stockholder, director, or officer of either of the participating banks as compensation or inducement for assistance in consummating the proposed transaction? If so, give full details and reasons therefor.

No.

The desired effective date for the transaction is January 4, 1971. (In selecting this date, take into consideration the requirements of Section 18(c) of the Federal Deposit Insurance Act relating to publication of notice of the proposed transaction.)

(1) FINANCIAL HISTORY AND CONDITION

Information provided by the Applicant should include the date of primary organization of each participating bank, and in chronological order with respect to each such bank the date of any reorganization, merger, consolidation, acquisition of assets, or assumption of deposit liabilities occurring during the past ten years, and the name and location of the head office and branches, description of area served, type of business conducted, total loans, and total deposits of each bank which discontinued operations as a result of such transactions.

Dates of Primary Organization.

The Citizens and Southern Bank of East Point - November 12, 1948
The Citizens and Southern Bank of Sandy Springs - May 13, 1960
The Citizens and Southern Bank of North Fulton - June 10, 1967

Other Acquisitions, etc.

None of the participating banks have within the past ten years participate in any other acquisition, merger, etc.

General Information

The Citizens and Southern Banks

Branch Banking Laws of the State of Georgia and Their Effect Upon Extension of Citizens and Southern Banking Services in the Atlanta Area

A. Georgia Laws Relating to Branch Banking 1919-1960.

The proposed acquisitions by The Citizens and Southern Emory and East Point Banks of substantially all of the assets and assumption by them of all deposit liabilities of, respectively, the Citizens and Southern Banks of Chamblee, Tucker, South DeKalb, and The Citizens and Southern Park National Bank, and The Citizens and Southern Banks of Sandy Springs and North Fulton affect most directly the Atlanta metropolitan trading area. The effects and benefits of this transaction are discussed in some detail later in this Application. It is essential, however, in understanding the reasons for the proposed transaction and in measuring its effects first to review the history of the laws of the State of Georgia which deal with branch banking. The current banking picture in the Atlanta area is basically a reflection of the history of the branch banking laws of the State of Georgia, and of the Citizens and Southern system's attempt to fulfill its corporate policy of furnishing a full range of banking services in all those areas of the State which, by reason of business and population expansion, require the presence of active and

competitive commercial banking alternatives to maintain and give impetus to the growth of their economies.

At the heart of the Citizens and Southern system is The Citizens and Southern National Bank. The Citizens and Southern National Bank was formerly The Citizens and Southern Bank (a Georgia banking corporation) which resulted from the merger in 1906 of the Citizens Bank of Savannah and the Southern Bank of Georgia. The principal office of the resulting banking institution was at that time in Savannah, Georgia. From 1906 through 1927, The Citizens and Southern Bank (as a state bank) established one or more branches in Athens, Atlanta, Augusta, Macon and Valdosta, Georgia. In 1927, the state bank, The Citizens and Southern Bank, was converted into The Citizens and Southern National Bank (hereinafter referred to as "C&S National"). The Citizens and Southern National Bank continued the previously established branches of The Citizens and Southern Bank. C&S National's home office has remained in Savannah, although its principal executive office is now located in Atlanta.

The Citizens and Southern Bank had been able to establish these branches because there was no legal restriction whatsoever on branch banking in Georgia prior to 1919, when the first comprehensive state banking law was adopted (Ga. Laws 1919, pp. 135, et seq.). The 1919 statute established no geographical limitations, but did set standards for the establishment of branch banks, subject to determination by the State Superintendent of Banks.

The year 1927 is a key year in the history of branch banking in the State of Georgia. In that year, the Georgia

Legislature passed a statute which prescribed the method of operation of branch banks already established and prohibited absolutely the establishment of new or additional branch banks thereafter. The Citizens and Southern (sometimes hereinafter referred to as "C&S") banking system therefore, as well as other banking institutions in the State of Georgia, were after the 1927 statute "frozen" into the alignment of offices which had been established prior to 1927—even though the population of Georgia continued to grow and shift from one location to another, and within the various communities.

Facing the restrictions placed upon branching in 1927, and to meet emerging community needs for banking services, three bank holding companies were created in the State of Georgia during the period from 1927 through 1929. These were (1) the Citizens and Southern Holding Company (hereinafter referred to as the "C&S Holding Company"), which is still actively in business today; (2) Trust Company of Georgia Associates (the holding company of Trust Company of Georgia, a major Atlanta-based bank), also today active in the State of Georgia, with affiliated banks in the cities of Augusta, Columbus, Macon, Savannah and Rome, and in unincorporated DeKalb County; and (3) Hamilton National Associates (a holding company of the Hamilton National Bank of Chattanooga, Tennessee, which today maintains an interest in one Georgia bank located in North Georgia close to the Tennessee line).

The primary business purpose of the Citizens and Southern Holding Company during the years 1927 through 1929 was to afford a means of carrying out The Citizens and Southern

National bank's corporate policy dedicated to the proposition that banking is, in the first instance, a public service. Through December of 1929, the activity of the Holding Company was limited to the acquisition of four state banks in smaller communities of Georgia—Dublin, Thomaston, Albany, and LaGrange. With the exception of the bank in LaGrange, each of these banks was acquired by the Holding Company in order to make banking services available in Georgia communities formerly served by banks which had failed. The bank in LaGrange was acquired from family owners desirous of selling in order to enter other business. Each of these banks is still owned and operated by the Holding Company today.

In 1929, the Georgia Legislature dealt again with branch banking, in three statutes passed at that time. The (1) first statute allowed the creation of new branch offices in cities having a population not less than 80,000 nor more than 125,000, by banks having their home office in such cities. (2) The second provided that banks having their home office in municipalities with a population of not less than 200,000 might establish branch offices in those municipalities. (3) The third statute, though not in terms a banking statute, provided for extension of the city limits of the City of Atlanta to include as "boroughs" of Atlanta, the communities of East Point, Hapeville, College Park (all in Fulton County); and Decatur, and Avondale Estates (in DeKalb County). Each of the latter five communities was at that time, and is now, a "suburb" of the City of Atlanta. Addition of the population of the City of Atlanta with the boroughs of East Point, Hapeville, College

Park, Decatur, and Avondale Estates, according to the 1930 Census, totalled in excess of 200,000. Pursuant to the 1929 law, the First National Bank of Atlanta and the Fulton National Bank of Atlanta (each having its home office in the City of Atlanta) established branch offices in the "borough" of Decatur and thus operate directly their own offices today in DeKalb County, the Georgia county with greatest recent population growth. C&S National, although it had at the time three branch offices in Atlanta proper, was not, under the terms of the new law, able to establish additional banking offices in Atlanta, since the home office of C&S National remained in Savannah. (It should be noted that the 1929 statute including in the City of Atlanta as boroughs the various suburbs noted above was repealed in 1931.)

Prior to the 1927 statute, of course, branch banks (that is to say, an office in one community of a bank whose home office was elsewhere) were on an equal competitive basis with "home office" banks in the same city. Thus, C&S National at that time was on an equal competitive footing in Atlanta through its Atlanta branch, with the various banks having their home offices in Atlanta. All this was changed by the 1927, and more particularly, by the 1929 statutes, which remained in effect until 1960.

As the economy of the State of Georgia grew, and the demand for banking services increased in metropolitan communities through the state, C&S National could not compete adequately with banks which, by accident of history, had their home offices in cities other than Savannah. This situation

was particularly acute in the fast growing metropolitan areas, especially where growth typically occurred outside the corporate limits of the municipality involved. If the C&S system were to grow in order to meet the needs of the State of Georgia, it could, and did, grow only through utilization of C&S Holding Company.

B. Extension of Citizens and Southern Services in the Atlanta Area, 1929-1960.

(1) The City of Atlanta.

A characteristic example of the efforts undertaken by the C&S system to meet the convenience and needs of a given metropolitan area is the history of the C&S National and the Holding Company in the Atlanta area. It has already been noted that for a time at the end of the 1920's, some of the home office Atlanta banks were able to establish direct branches in the suburbs of Atlanta, including Decatur. After 1929, the Fulton National Bank, Trust Company of Georgia, First National Bank of Atlanta and the Bank of Georgia (now National Bank of Georgia), major banking competitors of the C&S National all having their principal office in Atlanta, also undertook the establishment of new offices throughout the City of Atlanta proper. The C&S National, on the other hand, was unable to establish any additional banking offices in the City of Atlanta (or any other city except Savannah, for that matter) and thus found itself in an adverse competitive situation.

In the Atlanta area, therefore, C&S National by 1948 found itself locked in to the then rather restrictive

corporate limits of Atlanta, as the population of that city grew and moved away from the "center city," and, within the city itself, limited to its three branches established prior to 1927, all of which were located in the downtown area. In order that the C&S system could offer its banking services at other locations in the populous areas to the north of Atlanta, C&S Holding Company acquired in 1949 more than ninety per cent of the stock and control of the Citizens and Southern Bank of Atlanta and, thereafter, of the Citizens and Southern Buckhead Bank in 1951 (both of which were established, state-chartered banks). These banks were operated as part of the C&S system. Their customers had access to the technical services and facilities of C&S National. Management of the two banks was drawn from the staff of C&S National and could call upon the banking resources of C&S National. Later, these two "suburban" banks were merged. In the 1950's the city limits of Atlanta were extended to include the areas in which the resulting bank was located, and in 1960, laws making it possible for C&S National to operate offices in those areas were adopted. The "suburban" Holding Company Atlanta bank was thus merged into the C&S National Bank and its offices became offices of the C&S National branch located in the City of Atlanta.

(2) Extension of Citizens and Southern Services to Other Communities in Fulton and DeKalb Counties, 1929-1960.

Outside the city limits of Atlanta proper as they were extended over the years, the C&S System, through the Holding Company, undertook the management of three additional

affiliate banks in the Atlanta metropolitan area—East Point, Emory and DeKalb. These banks were located in communities having separate and distinct identities of their own--being primarily residential and small business towns or villages where residents and businesses had need of increased banking facilities to meet their needs. Two of these communities are in DeKalb County, and one in Fulton County. This Holding Company growth was permissible under the Georgia laws relating to branch banking, which at the times involved placed no restrictions on bank holding company expansion. In 1956, however, the Georgia Legislature passed a Bank Holding Company Act, freezing and limiting Georgia bank holding companies to the future acquisition of only 15% ownership in banks, and in 1960 a further limiting law was passed reducing permissible ownership a holding company could acquire in banks other than those it controlled to 5%. This latter Act is in effect today. Consequently, since 1956 the C&S System has been unable to expand by means of direct ownership of local banks by the Holding Company.

a. The Citizens and Southern Bank of East Point. This bank was the outgrowth of a series of unfortunate economic experiences on the part of a group of banks in the area of East Point, Georgia. The bank was chartered in 1946 as East Point Commercial Bank, and its assets and liabilities were in turn assumed in 1947 by the newly formed First National Bank of East Point. Thereafter, in November, 1948, when the "group" effort began to encounter difficulties, the Holding Company acquired an interest in the bank and ultimately expanded

this to approximately 90% of the stock of what is now the Citizens and Southern Bank of East Point.

East Point, Georgia has been an incorporated municipality, and a major growth area in Fulton County south of Atlanta—indeed, the City of East Point is now the seventh largest city in the State of Georgia, even though it is thought of as an Atlanta suburb. The Holding Company acquired its interest in the Citizens and Southern Bank of East Point in order adequately to serve an area of Fulton County which, though not initially growing as fast as Atlanta or the DeKalb suburbs, encompassed a significant residential and business community. As in the case of the suburban Atlanta banks in which interest was obtained by the Holding Company as set forth above, the Holding Company was used by the C&S system in the case of East Point for the purpose of extending C&S services to residents and businesses in an area of Atlanta where the National Bank itself was prohibited from operating directly.

b. The Citizens and Southern Emory Bank. Citizens and Southern Emory Bank is a banking corporation organized in 1950 under the laws of the State of Georgia, all of whose stock (save for directors' qualifying shares) was subscribed for initially and has been held since then by the Holding Company. The C&S Emory Bank is located in a community of DeKalb County which has historically been a center of residential and academic growth near Atlanta. Again, however, Georgia laws regarding branch banking prohibited the National Bank from providing banking services to residents of this

community. Utilization of the Holding Company was once again the answer.

As the community has grown, and as authorized by rulings of the State Banking Superintendent with respect to the limits of the unincorporated "village" of Emory, the Citizens and Southern Emory Bank has established two additional banking offices—one in 1964 and the second in 1968. In this way, the Citizens and Southern System has been able to serve not only the community as it originally existed, but also the expanding shopping and retail business areas in the vicinity as well.

c. The Citizens and Southern DeKalb Bank. This bank was chartered in 1948 and opened for business in August of 1949 as The Citizens Bank of DeKalb. The bank was located in the incorporated municipality of Avondale Estates, in DeKalb County. Avondale Estates was, and is, a small residential community with a central shopping district, surrounded by residences and some small businesses. The bank encountered business difficulty, and the Holding Company was offered the chance to acquire a substantial interest in the expectation that operation by the Holding Company would better serve the banking needs of the Avondale Estates community and, in 1954, the Holding Company acquired an interest of approximately 90%, and the bank's name was changed to The Citizens and Southern DeKalb Bank. Thereafter, the bank was operated as a part of the C&S system through the Holding Company.

By 1968, the character of the Avondale Estates community and its surrounding area had changed to a decidedly

more shopping center-apartment-subdivision nature than had previously been the case. Since Avondale Estates was incorporated, the Citizens and Southern DeKalb Bank could not locate banking offices outside its municipal limits, and this proved to be a substantial inconvenience for residents and businesses in the area. This problem was alleviated in 1966, when legislation was enacted changing the municipal boundary, with the result that the Citizens and Southern DeKalb Bank thereafter was located outside Avondale Estates. This made it possible for the Citizens and Southern Belvedere Bank, a state bank organized as a "correspondent associate" (see below) with the cooperation of the C&S system for the purpose of serving the newly opened Belvedere Shopping Center and surrounding areas. At the time of this merger, the bank continued under the name of The Citizens and Southern DeKalb Bank, and it presently operates two offices.

(3) Extension of Citizens and Southern Banking Services in the Atlanta Area After 1960.

After 1960, the Georgia laws regarding branch banking and bank holding company operation were such that, in the Atlanta area, the Citizens and Southern system could not operate its own offices (either offices of the National Bank or offices of the Holding Company affiliates in Atlanta and Fulton County described above) except within the City of Atlanta itself; within the City of East Point; within the incorporated municipality of Avondale Estates, and within the village of the community known as Emory (the limits of which

had been set by the Superintendent of Banking according to Georgia law). Given the relatively small areas of Fulton and DeKalb Counties occupied by Atlanta and the three communities other than Atlanta (and the extremely small area of DeKalb County included within the city limits of Atlanta) as compared to the great size of that portion of Fulton and DeKalb Counties located outside these communities, the consequence was that the C&S system was unable to offer banking services to most of Fulton and DeKalb Counties. And it was in 1960 that the remarkable growth of just this part of the Atlanta metropolitan area began in earnest. For instance, the population of DeKalb County has increased from 256,782 in 1960 to 414,085 in 1970. Fulton County has grown from 556,326 in 1960 to 596,700 in 1970, substantially all of this growth coming in areas located outside the City of Atlanta. Most of this growth was in the form of light industry, shopping centers, and office parks in the business sectors, together with subdivisions and apartment complexes in the residential sectors. This mix of growth, if it were to continue and if the prosperity of the Atlanta metropolitan area were to be maintained, required that the full range of banking services available from the C&S system be offered there. Local identification was in many ways important, but C&S felt that the remarkable expansion and prosperity of the Atlanta area outside the City could be maintained only if the full range of C&S services were available there.

C&S, therefore, in 1960 initiated a program of working in cooperation with local residents to establish C&S "correspondent associate" banks in areas where the convenience

and needs of the communities involved required the availability of full service banking and where interest was such as to encourage the establishment of a C&S banking alternative in the community. In effect, establishment of the correspondent associate banks constituted a form of de novo branching by the C&S system.

The C&S correspondent associate programs in Fulton and DeKalb Counties have worked generally as follows. C&S personnel in cooperation with interested residents and businessmen joined to establish, under state or federal law a bank, or, in the case of the community of Tucker, in DeKalb County, to reorganize an existing bank. The Holding Company purchased in the bank the allowable 5% interest. An officer of C&S system, with sufficient banking experience, was recommended by C&S to the Board of Directors of the correspondent associate bank for the office of President of the bank and, if elected, left the employment of C&S to take up these duties. In most cases there also was an infusion of additional management by C&S, and such infusion continued through the years as circumstances required. Management of each correspondent associate has been responsive to the general policy decisions of C&S. Officers of the correspondent associates attend the regular meetings of C&S officers in Atlanta. The correspondent associate banks received all aid which C&S gives to its branches and affiliates in serving the banking needs of the public. The various banking resources of C&S National, such as advice in connection with investment portfolio, market research, computer services for handling banking transactions, and credit and accounting procedures were placed at the disposal of the correspondent associates. Permission was given to each correspondent associate bank to use the "C&S" name and logo, and these banks also benefitted from coordinated advertising campaigns for C&S services. Employees of these banks have been eligible to participate in C&S pension and profit sharing plans and C&S's various employee

benefits (such as group life, hospitalization, accident and long-term disability insurance) have been extended to cover employees of the correspondent associate banks in the Atlanta area.

In response to the patterns of growth and development in Fulton and Dekalb Counties the six correspondent associate banks whose acquisition by the C&S system is the subject of the two current companion Applications were organized from late 1959 through 1969 as follows.

(1) The Citizens and Southern Bank of Sandy Springs ("Sandy Springs"). Sandy Springs, Georgia, is a "bedroom" community adjoining the City of Atlanta, to the north, in Fulton County. The Sandy Springs area represented the first example of the new "boom" in residential and business growth in North Fulton County in the early 1960's. Sandy Springs was organized with the assistance of C&S as a national banking association in December, 1959, as The Citizens National Bank of Sandy Springs. The Holding Company purchased a 5% interest in the outstanding stock of the Sandy Springs bank. In October, 1969, Sandy Springs was converted to a State chartered bank under the laws of the State of Georgia as the Citizens and Southern Bank of Sandy Springs. It conducts full service banking operations as a main office in Sandy Springs. Substantial development of residential, commercial, medical and retail facilities in the immediate area of Sandy Springs all resulted in part from the availability of full C&S banking services through and from Citizens and Southern Bank of Sandy Springs.

Mr. Louis J. Fortuna, President of Sandy Springs since January, 1965, had been employed by C&S National since 1948. Two other officers of Sandy Springs had been employed by C&S National before coming to Sandy Springs.

(2) The Citizens and Southern Bank of Chamblee ("Chamblee"). The Citizens and Southern Bank of Chamblee was organized as a national banking association in May, 1960, as Chamblee National Bank. C&S participated with a group of businessmen from the Chamblee, Georgia area of DeKalb County in the organization of the Bank, and the Holding Company purchased 5% of the bank's outstanding stock. In October, 1969, Chamblee converted to a state-chartered bank under the laws of Georgia, as The Citizens and Southern Bank of Chamblee.

The town of Chamblee is typical of the several communities in the Atlanta area which have contributed to growth in the Atlanta area. The town includes both residential and business areas. Businesses are both local in nature, such as car dealerships and pharmacies, and national and regional in the scope of their activities. Chamblee conducts full service banking operations through a main office and one branch office. Substantial development of residential and commercial real estate in its primary service area has been significant to Chamblee's success. Chamblee today operates, in addition to its home office, one other office within the town of Chamblee.

The current President of Chamblee is Mr. Hubert L. Harris, who has served in that post since January, 1964. Prior to joining Chamblee, Mr. Harris had been employed by C&S National since 1926. An Assistant Vice President of Chamblee,

serving there since 1963, had previously been an employee of C&S since 1946.

(3) The Citizens and Southern Bank of Tucker ("Tucker"). This bank was chartered under the laws of Georgia as the Bank of Tucker in 1919. Through the early 1950's the community of Tucker, in DeKalb County, was predominantly rural in character and this bank served a very limited market, and, consequently, offered very limited banking services. The bank was controlled by a single family prominent in the Tucker community, and owning substantial other businesses there. As the Tucker area began to develop rapidly as both a significant suburban residential market as well as a center for industrial and commercial growth, the bank because of limited services and lack of adequate management, found itself unable to meet the increasing need for a full range of banking services in the Tucker area. The principal stockholders did not desire to undertake direction of a full service bank. To meet these needs effectively, the principal stockholders of the Bank of Tucker requested the cooperation of C&S. Thereupon, in 1965, the Holding Company acquired a 5% interest in the outstanding stock of the Bank of Tucker and cooperated in its upgrading, and Tucker became a correspondent associate. At this time, stockholders also voted to change the name of the bank to the Citizens and Southern Bank of Tucker. The Citizens and Southern Bank of Tucker now operates two offices in the Tucker area, offering the full range of C&S banking services.

Mr. Gus L. Connelly has been President of the Citizens and Southern Bank of Tucker since 1955, and prior to that time had been employed by C&S National since 1958. Two other officers of Tucker have substantial previous employment with C&S National.

(4) The Citizens and Southern Bank of North Fulton ("North Fulton"). The Citizens and Southern Bank of North Fulton was organized by residents of the area located in the further northern portion of Fulton County—characterized by a number of small incorporated municipalities, some farms, and rapidly developing residential areas—with the cooperation of C&S in May, 1967. North Fulton conducts full service banking operations from a main office in Roswell, Georgia, an established and growing municipality. The Holding Company owns the permissible 5% interest in the outstanding stock of North Fulton.

The President of North Fulton is Mr. Hugh F. Lane, who, prior to his assuming that office, had been employed since 1960 by C&S National. North Fulton's Cashier also had substantial prior experience with C&S National before being elected to that office in January, 1969.

(5) The Citizens and Southern Park National Bank ("Park National"). Since the mid-1960's, the intersection of Interstate Highway 85 and North Druid Hills Road in DeKalb County, an area adjacent to the City of Atlanta to the northeast, has developed as the largest suburban office development complex in metropolitan Atlanta—including Executive Park,

Landmark, and Corporate Square--"planned suburban major office complexes." To meet the increasing need for convenient banking services in this area, and to provide C&S services there, leading businessmen whose firms were located in the area requested the assistance of C&S in the organization of a correspondent associate. The Citizens and Southern Park National Bank thus was organized as a national banking association and began business in 1967, 5% of its outstanding stock being purchased at the time of organization by the Holding Company.

The President of Park National since its organization has been Mr. Thomas W. Hazelrig, who had been employed by C&S National since 1951. Two other officers of Park National also had substantial prior experience with C&S National.

(6) The Citizens and Southern South DeKalb Bank ("South DeKalb"). The Citizens and Southern South DeKalb Bank was organized pursuant to the laws of the State of Georgia in 1969 as a C&S correspondent associate, C&S participating with local residents and businessmen and acquiring through the Holding Company at the time of organization 5% of the outstanding stock of the bank. South DeKalb is located in an area of DeKalb County which has developed rapidly as a residential and shopping center for the southern part of the County. The bank's main office is located on the primary traffic artery between the county seat, Decatur, to the north, and the residential subdivisions and new shopping centers in the fast-growing South DeKalb area, which has enjoyed explosive growth since the opening of Interstate Highway 20 between that area and downtown Atlanta. Together with this residential

growth, and associated expansion of retail businesses, establishment of substantial commercial enterprises has established a great need for the availability of the full range of C&S services. The Superintendent of Banking has recently authorized the establishment of an additional office for South DeKalb.

The President of South DeKalb, Mr. Warren L. Berry, had been employed since 1967 by C&S National. One other officer of South DeKalb also has substantial prior employment with C&S National.

D. Branch Banking Laws of Georgia—1970—and C&S in the Atlanta Metropolitan Area.

In 1970, the Georgia Legislature amended the Georgia banking laws to expand the authority of banks to establish additional banking offices in counties where the banks already operated home offices, branch banks or offices thereof (subject to certain restrictions based on population of the county, not material here). The effect of this change in the Georgia banking laws is to make it possible for (1) C&S to establish additional offices in Fulton and DeKalb Counties; (2) the Holding Company's Emory affiliate to establish additional offices in DeKalb County, and (3) the Holding Company's East Point affiliate to establish additional offices in Fulton County. This change in the Georgia laws relating to branch banks is effective as of 1970.

It is relevant to note here that the other major banks competing with C&S in the Atlanta market have also followed a course of association with localized banking organizations in order to provide their own banking services in Fulton and DeKalb Counties where direct establishment of offices was not possible.

First National Bank of Atlanta ("First National"), the second largest bank in the City, in addition to operation of its Decatur branch, cooperated in the operation of The First National Bank of Doraville (a municipality in DeKalb County adjoining Chamblee); The First National Bank of Glenwood (a residential-small business community in DeKalb County); The First National Bank of Tucker, and The First State Bank of

South DeKalb Trust Company of Georgia Associates (a holding company owned by The Trust Company of Georgia—"Trust Company") has operated directly The Trust Company of Georgia Bank of DeKalb (located at Executive Park, DeKalb County) and also has been associated with Peachtree Bank and Trust Company (in the Brookhaven community of DeKalb County) and Trust Company of Georgia Bank of Sandy Springs. Fulton National Bank, which has a branch in Decatur, is believed to have assisted in the organization of Northeast Commercial Bank (located in Doraville) and has been associated with that bank and the Bank of the South (in the municipality of College Park, Fulton County, Georgia).

Now, two of these competitors—First National and Trust Company—are presently filing with the appropriate bank regulatory applications similar to this one, for approval to incorporate these associated banks directly into the corporate system of the particular banks involved. In each case the reason for the application is the same—the 1970 change in Georgia's banking laws to make possible the completion now of a branching process which originally took the form of association only because of Georgia's artificial restrictions on branch banking in the Atlanta metropolitan area.

C&S management has determined that the C&S system can best serve Fulton and DeKalb Counties (those portions outside the City of Atlanta) by utilizing the two above-named Holding Company affiliates as "county banks"—each identified with the county it will serve. For this reason applications are submitted for C&S Emory to acquire the assets of the C&S correspondent associates in DeKalb County outside Atlanta,

and for C&S East Point to acquire the assets of the C&S correspondent associates in Fulton County outside Atlanta. This plan, if approved, would have, of course, the same overall effect as acquisition of the correspondent associates by C&S National--full integration of the correspondent associates into the C&S system.

The reason for the filing of these applications is simple. The stockholders of the correspondent associates have made clear their desire to bring to their respective communities, banks which offer the full range of services, and, more important, which are guided by the banking philosophy of service to the community which characterizes C&S. The correspondent associates have been organized (in the case of Tucker, strengthened and redirected) solely for the purpose of accomplishing this end.

Similarly, C&S has responded to these needs by identifying itself with these banks. By making the unique attributes of C&S banking services available to them and their customers and their communities, C&S has an investment in the correspondent associate banks; more important, C&S has a commitment to the banks, their customers, their stockholders, and their communities.

The changes in Georgia's banking laws now make it possible for C&S to implement fully its commitment, and for the stockholders of the correspondent associate banks and the communities represented thereby to realize fully their expectations of direct service by the C&S system.

The directors of the correspondent associate banks believe that the proliferation of separate banks each bearing the C&S name is undesirable and inefficient. The boards of each such bank have discussed with C&S personnel the best means of eliminating the artificial separation of the banks from each other and from C&S. The results of these discussions are the proposed plans of reorganization and these applications.

In summary, the purpose of these applications is to seek approval of transactions which will harmonize form with substance: The changes in Georgia's banking laws allow C&S to incorporate in one system of banking that which had to be kept separate in order to comply with those banking laws. C&S met its responsibilities to offer within all applicable banking laws another meaningful banking alternative to growing communities which sought C&S banking services on the only basis then available. Approval of these applications, then, will be the final step in a process begun some ten years ago—expansion by the C&S system of its banking services to all those parts of Fulton and DeKalb Counties where the convenience and needs of the communities involved justified this action.

STATEMENT OF ASSETS AND LIABILITIES

As of June 30, 1970

	Applicant Bank East Point	Other Banks North Fulton	Other Banks Sandy Springs	Total Other Banks	Adjustments	Pro Forma Statement Resulting Bank
	(In Thousands of Dollars)					
ASSETS						
Cash and due from banks	$ 1,781	$ 206	$ 1,845	$ 2,051		$ 3,832
U.S. Government obligations direct & fully guaranteed	1,751	388	1,885	2,273		4,024
Obligations of States and political subdivisions	2,653	626	1,718	2,344		4,997
Other securities	19	515	593	1,108		1,127
Loans and Discounts	23,993	5,217	14,011	19,228		43,221
Bank premises, furn. & fix.	574	185	129	314		888
Other assets	203	81	301	382		585
TOTAL ASSETS	$30,974	$7,218	$20,482	$27,700		$58,674
LIABILITIES						
Demand deposits	$13,978	$2,011	$ 9,258	$11,269		$25,247
Time and savings deposits	11,910	3,810	8,479	12,289		24,199
TOTAL DEPOSITS	$25,888	$5,821	$17,737	$23,558		$49,446
Funds purchased and securities sold under agreements to repurchase	-	-	-	-		-
Other liabilities for borrowed money	-	-	-	-		-
Other liabilities	$ 2,434	$ 642	$ 1,184	$ 1,826		$ 4,260
RESERVES ON LOANS AND SECURITIES						
Reserve for bad debt losses on loans	$ 463	$ 31	$ 229	$ 260		$ 723
CAPITAL ACCOUNTS						
Capital notes and debentures	$ -	$ 200	$ 225	$ 425		$ 425
Capital	450	200	450	650	(a)(650) (b) 437	887
Surplus	675	200	175	375	(a) 650 (b)(437)	1,263
Undivided profits	518	79	268	347		865
Reserve for contingencies and other capital reserves	546	45	214	259		805
TOTAL CAPITAL ACCOUNTS	$ 2,189	$ 724	$ 1,332	$ 2,056		$ 4,245
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	$30,974	$7,218	$20,482	$27,700		$58,674

DESCRIPTION AND EXPLANATION OF ADJUSTMENTS

(a) Transfer of combined Capital Stock of "Other Banks" to Surplus of "Applicant Bank".
(b) Par value of stock issued as per purchase agreements and resolutions.

	Applicant Bank East Point	Other Banks North Fulton	Other Banks Sandy Springs
	(In Thousands of Dollars)		
ANALYSIS OF LOAN ACCOUNT			
Commercial and industrial loans	$ 4,043	$ 407	$ 2,099
Loans to farmers (not on real estate)	-	-	-
Single payment loans to individuals	1,636	1,064	1,757
TOTAL	$ 5,679	$1,471	$ 3,856
Loans on farm real estate	$ -	$ -	$ -
Loans on residential property - FHA & GI	-	-	-
Loans on residential property - not guaranteed	6,235	1,925	2,451
Loans on business and other property	2,697	-	510
TOTAL	$ 8,932	$1,925	$ 2,961
Loans to brokers and dealers in securities	$ -	$ -	$ -
Other loans on securities	-	-	240
TOTAL	$ -	$ -	$ 240
Installment loans on automobiles	$ 1,522	$ 585	$ 833
Installment loans on consumer goods	-	30	6
FHA - Title I loans (modernization loans)	408	241	282
Other installment loans	1,329	960	5,826
TOTAL	$ 3,259	$1,816	$ 6,947
All other loans *	$ 6,123	$ 5	$ 7
LOANS AND DISCOUNTS - GROSS	$23,993	$5,217	$14,011
DEMAND DEPOSITS			
Individuals, partnerships & corporations	$10,081	$1,885	$ 8,742
United States Government	719	101	445
States and political subdivisions	542	22	54
Banks	2,589	-	-
Certified and officers' checks	47	3	17
Other demand deposits	-	-	-
TOTAL DEMAND DEPOSITS	$13,978	$2,011	$ 9,258
TIME DEPOSITS			
Individuals, partnerships and corporations	$11,336	$3,245	$ 7,832
United States Government	-	-	-
States and political subdividions	574	565	647
Banks	-	-	-
Other time deposits	-	-	-
TOTAL TIME DEPOSITS	$11,910	$3,810	$ 8,479
TOTAL DEPOSITS	$25,888	$5,821	$17,737

* Loans to financial institutions included in other loans above $ 6,077

(2) ADEQUACY OF CAPITAL STRUCTURE

If additional capital is to be supplied as a part of the proposed transaction, full details should be furnished including the number of shares to be sold, the selling price per share, and to whom warrants to purchase the new shares will be issued.

The capital accounts of applicant bank will be increased by the sum of the total capital accounts of the acquired banks.

In the opinion of the management of the Applicant Bank this proposal, if approved and effected, will result in total deposit liabilities of $ 55,875,000 at the end of one year, $ 63,140,000 at the end of two years, and $ 71,330,000 at the end of three years.

FUTURE EARNINGS PROSPECTS

Statements of Current Operating Income and Expense

The following statements include actual current operating income and expenses for the participating banks for the last full calendar year. The estimate for the Resulting Bank gives effect to anticipated economy in operations and any increase or reduction in income or expense which is expected to result from the proposed transaction.

	Applicant Bank East Point 12/31/69	Other Banks North Fulton	Other Banks Sandy Springs	Total Other Banks	Estimate First Twelve Months' Operations of Resulting Bank
		(In Thousands of Dollars)			
Operating Income:					
Interest and fees on loans	$1,574	$337	$ 887	$1,224	$3,714
Income on Fed. funds & repurchase agreements	-	-	-	-	-
Interest and dividends on investments					
1. U.S. Govt. securities	114	68	126	194	320
2. U.S. agencies and corporations	-	-	-	-	-
3. State and political subdivisions	98	-	91	91	210
4. Other	-	-	1	1	10
Trust department income	-	-	-	-	-
Service charges on deposit accounts	192	107	186	293	504
Other service charges, etc.	41	-	1	1	32
Other operating income	46	19	47	66	98
TOTAL OPERATING INCOME	$2,065	$531	$1,339	$1,870	$4,888
Operating Expenses:					
Salaries and wages	$ 241	$ 73	$ 192	$ 265	$ 640
Pension and employee benefits	64	19	51	70	170
Interest on deposits	578	157	358	515	1,320
Interest on other borrowed money	-	-	2	2	2
Interest on Capital Notes & Debentures	-	-	12	12	12
Occupancy expense of bank (net)	27	16	27	43	150
Furn. & equip., depr., rental service, etc.	19	26	26	52	74
Provision for loan losses (or actual net losses)	27	32	19	51	81
Other operating expenses	359	68	147	215	637
TOTAL OPERATING EXPENSES	$1,315	$391	$ 834	$1,225	$3,086
INCOME BEFORE INCOME TAXES AND SECURITIES GAINS OR LOSSES	$ 750	$140	$ 505	$ 645	$1,802

Income Before Income Taxes and Security Gains or Losses Previous Five Calendar Years

	Applicant Bank East Point	Other Banks North Fulton	Other Banks Sandy Springs	Total Other Banks
1965	$ 361,621	$	$ 69,435	$ 69,435
1966	391,706		150,061	150,061
1967	430,556	9,585	187,673	197,258
1968	504,486	49,393	276,081	325,474
1969	750,690	140,683	505,316	645,999
Total	$2,439,059	$199,661	$1,188,566	$1,388,227
Average	$ 487,812	$ 66,554	$ 237,713	$ 304,267

Net Operating Income Real Estate Holding Companies

	East Point
1965	$ 8,840
1966	$ 8,845
1967	$ 8,815
1968	$ 9,281
1969	$ 14,234

(4) MANAGEMENT

List the proposed directors and principal executive officers of the Resulting Bank, and under each name furnish pertinent information relating to banking experience and qualifications, major business or professional occupation, and other bank and business affiliations.

PROPOSED DIRECTORS

Name Principal Business & Address	Age	Title	Salary	Par Value of Stock to be Owned in Resulting Bank
Robert E. Anderson, Jr. Pres. C&S Bank of East Point 2833 Main St. East Point, Ga. 30044	45	Director and President	$25,000	$1,000
Joseph S. Adams The Adams Co. P. O. Box 90387 East Point, Ga.	60	Director	None	$1,500
Darby T. Coker Coker Realty Co. Suite 107 Brodgon Bldg. East Point, Ga.	55	Director	None	$1,500
P. Hal Goldsmith East Point Chevrolet 2443 Main St. East Point, Ga.	61	Director	None	$1,500
R. Dan Handley, Jr. E.V.P. The C&S National Bank P.O. Box 4899 Atlanta, Ga. 30303	42	Director	None	$1,000
William L. Mathis V.P., The C&S National Bank P. O. Box 4899 Atlanta, Ga.	41	Director	None	$1,000
Thomas M. Miller Delta Air Lines Atlanta Airport Atlanta, Georgia 30320	59	Director	None	$1,500
Griffin Patrick, Jr. Partner, Archer, Patrick, Sidener, & Thomason Attys. P. O. Box 91068 East Point, Ga.	41	Director	None	$1,500
Donald M. Tollison Pres., Atlanta Gas Equipment Co. 2550 Piney Woods Lane East Point, Ga. 30344	53	Director	None	$1,000
James H. Aldredge Pres., Aldredge Supply Co. 2560 Bankhead Hwy. N.W. Atlanta, Ga.	63	Director	None	$1,000
J. Howard Chatham Pres. Chathambilt Homes, Inc. 6077 Roswell Rd., N.E. Atlanta, Ga. 30328	49	Director	None	$1,000

Name Principal Business & Address	Age	Title	Salary	Par Value of Stock to be Owned in Resulting Bank
Archie Lindsey Pres., Archie Lindsey Realty 1166 Highway 19 Roswell, Georgia 30075	59	Director	None	$1,000
W. Andrew Irwin D.V.M. 118 Spring Dr. Roswell, Georgia	56	Director	None	$1,000

PRINCIPAL EXECUTIVE OFFICERS

It is contemplated that Robert E. Anderson, currently president of C & S East Point, will be president of the Resulting Bank. Also, current principal officers of each of the participating banks will also likely be retained in an official capacity with the Resulting Bank. These officers are as follows:

Name and Title	Age	Salary	Number of Years Banking Experience	Previous Employment
Robert E. Anderson, Jr. Pres. C & S East Point	45	$25,000	14 years	Mgr., Truscott Florist, Atlanta
Enoch J. Prow Cashier, C & S East Point	30	$11,500	10 years	Mannelly Finance Corp., Atlanta
Louis J. Fortuna Pres. C & S Sandy Springs	53	$23,500	22 years	Legal and Personnel
Kenneth K. Ingram Cashier, C & S Sandy Springs	35	$14,300	7 years	Abbeville Mills
Hugh F. Lane Pres. C & S North Fulton	35	$17,000	10 years	Southern Bell - (self) Lane Grocery
James W. Lewis Cashier, C & S North Fulton	26	$11,000	8 years	None

(5) CONVENIENCE AND NEEDS OF COMMUNITY

	Population of Head Office (H.O.) City or Town	Service Area
	See EXHIBIT I	
Applicant Bank		
Other Bank	CONVENIENCE AND NEEDS OF COMMUNITY	
Resulting Bank	which follows	

Assign consecutive numbers and provide the following information with respect to the head office of the Applicant Bank, Other Bank, and each other bank competing within the "service areas"[1] of the participating banks.

No.	Name and location of Bank	Total Banking Offices	Estimated "IPC"[1] Deposits of H.O. Service Area	Road Miles (M) and Direction (D) from H.O. of Applicant (M)	(D)	Other Bank (M)	(D)

See EXHIBIT II

CONVENIENCE AND NEEDS OF COMMUNITY
which follows

Continue assignment of consecutive numbers and provide the following information with respect to each branch office of (a) Applicant Bank and (b) Other Bank, and (c) each branch office of each other bank competing within the "service areas" of the participating banks.

No.	Name and Location of Bank	Estimated Population Branch Service Area	Estimated "IPC" Deposits Branch Service Area	Road Miles (M), Direction (D), and Number (N) Nearest Listed Office (N)	(D)	(N)

See EXHIBIT II

CONVENIENCE AND NEEDS OF COMMUNITY

which follows

Prepare and attach a map which shows clearly (a) the approximate geographical limits of the "service areas" of each of the participating banks, including the overlapping area or areas, if any, (b) the assigned number and location of each office of the participating banks, and (c) the assigned number and location of the above listed offices of each other bank competing within the service areas of the participating banks. A key to office numbers, scale of miles, and compass points should be shown on the map.

[1]"Service area" as used herein and applied to a participating bank, a competing bank, or any head office or branch office means the geographical area from which the bank or the office derives 75 per cent or more of its deposits, both demand and time, of individuals, partnerships, and corporations. Such deposits are shown in published reports of condition of banks and are referred to herein as "IPC" deposits.

EXHIBIT I

CONVENIENCE AND NEEDS OF COMMUNITY

An analysis of the geographic distribution of both demand and time deposits of individuals, partnerships, and corporations of C & S East Point, C & S North Fulton, and C & S Sandy Springs was made by the Marketing Research Department of The C & S Holding Company. This analysis was based on randomly selected samples of personal and commercial checking account customers ("IPC" demand); and regular savings account, savings bonds, time deposit open accounts, and individual certificates of deposit customers ("IPC" time). These samples were matched against the U.S. Bureau of the Census address coding guide for the Atlanta Metropolitan Area, prepared for the 1970 Census of Population and Housing, to determine both block and census tract locations for each customer included in the sample groups.

Since the samples were selected on a strictly random basis, the statistical accuracy of the results can be stated. At the 95 percent confidence level, the results of these analyses have a statistical reliability of plus or minus 5 percent.

Primary Service Area, C & S East Point

The primary service area, from which C & S East Point derives approximately 75 percent of its total "IPC" dollar deposits, includes the City of East Point and adjacent sectors of the cities of College Park, Hapeville, and Atlanta; as well as a portion of unincorporated South Fulton County. As defined, the C & S East Point primary service area, as shown on the attached map, encompasses all of 13 census tracts and a portion of another.

As of April 1, 1970, the defined C & S East Point primary service area had a total population of 78,367 persons. Of this total approximately one-half were residents of the City of East Point. The following table shows comparative 1960 - 70 population trends for the C & S East Point primary service area, South Fulton County, and Fulton County, as a whole.

Population Trends C & S East Point
Primary Service Area, South Fulton, and Fulton County,
1960 - 70

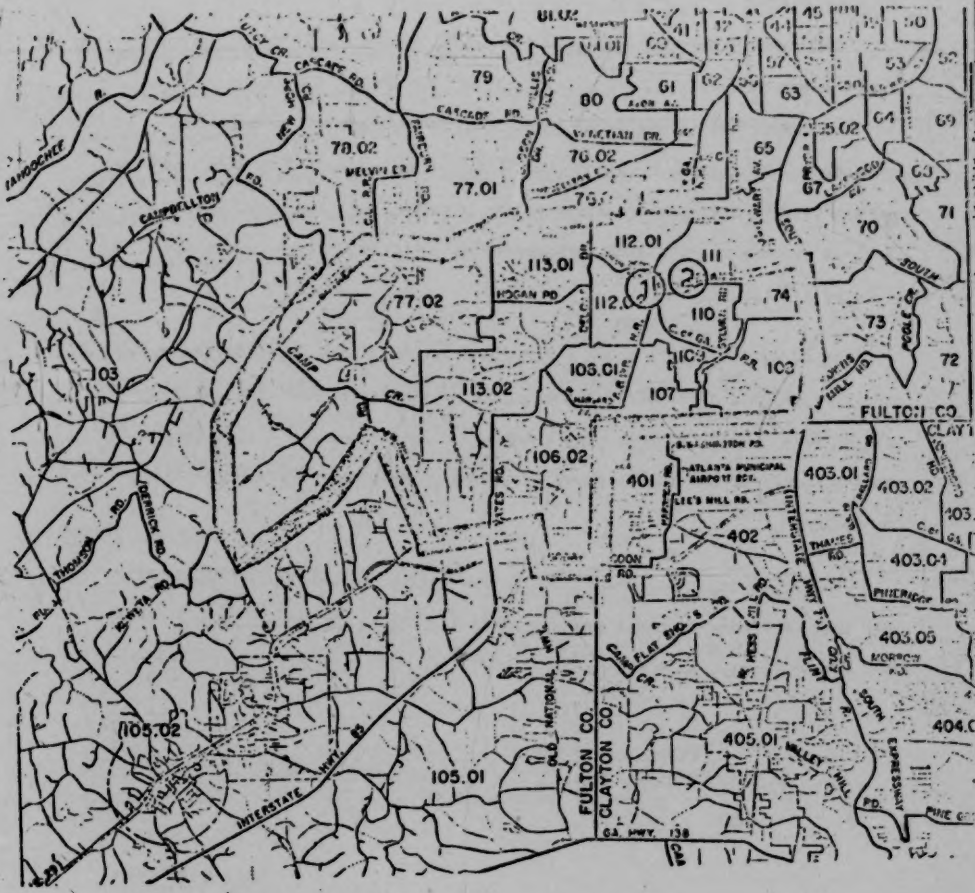
Primary Service Area	1960	1970	Change 1960-70 Number	Percent
City of East Point	35,633	39,399	3,766	10.6%
Rest of P. S. A.	31,123	38,968	7,845	25.2%
Total Primary Service Area	66,756	78,367	11,611	17.4%
South Fulton County	80,523	100,800	20,277	25.2%
Total Fulton County	556,326	596,700	40,374	7.2%

Sources: 1960 and 1970 (preliminary figures)
U.S. Bureau of the Census

The following summary shows the percentage share of both number and dollar balances of "IPC" accounts of C & S East Point within its defined primary service area, South Fulton County, and Fulton County, as a whole.

Number of Accounts	"IPC" Demand	"IPC" Time	Total "IPC"
Primary Service Area	76.8%	75.9%	76.5%
South Fulton	74.4%	74.5%	74.7%
Total Fulton County	89.7%	90.0%	90.0%
Dollar Balances			
Primary Service Area	79.8%	77.5%	76.5%
South Fulton	74.7%	76.7%	76.0%
Total Fulton County	88.9%	92.9%	91.4%

The principal concentration of C & S East Point's "IPC" accounts are within the city limits of East Point -- 60.4 percent of total "IPC" accounts and 54.8 percent of "IPC" dollar balances.



THE CITIZENS AND SOUTHERN BANK OF EAST POINT

PRIMARY SERVICE AREA BOUNDARY

(1) MAIN OFFICE

(2) CLEVELAND BRANCH

FEET 0 8000 16000 24000

MILES 0 1 2 3 4 5

NORTH

Primary Service Area, C & S Sandy Springs

The primary service area of C & S Sandy Springs, from which the Bank derives approximately 75 percent of total "IPC" dollar deposits, includes the unincorporated community of Sandy Springs and adjacent portions of unincorporated Fulton, Cobb, and DeKalb counties, as well as a small section of the City of Atlanta. As shown on the attached map, the C & S Sandy Springs primary service area encompasses all of three census tracts and portions of six others.

As of April 1, 1970 the C & S Sandy Springs primary service area had a total population of 44,813 persons. This represents a more than doubling of the primary service area population since April 1, 1960 -- with over three-fourths of the 23,158 increase taking place within the Sandy Springs community.

The following table shows comparative 1960 - 70 population trends for the C & S Sandy Springs primary service area, North Fulton County, and Fulton County, as a whole.

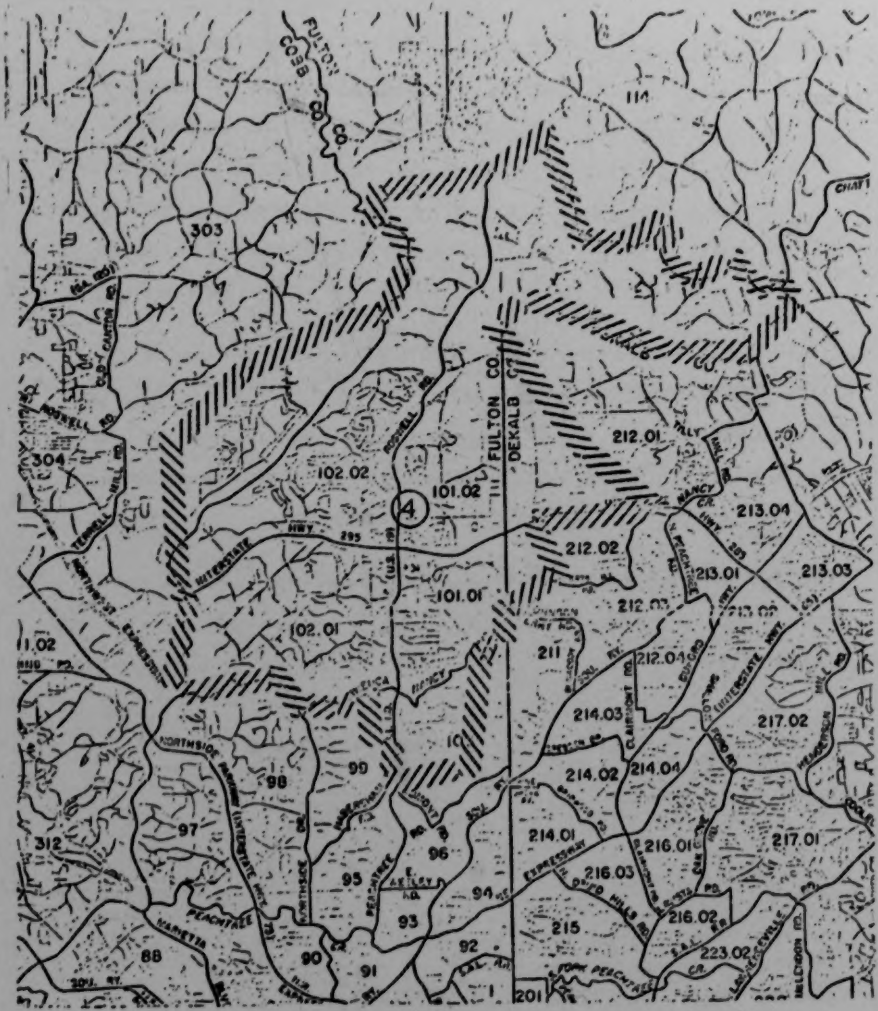
Population Trends C & S Sandy Springs
Primary Service Area, North Fulton, and Fulton County,
1960 - 70

Primary Service Area	1960	1970	Change 1960-70 Number	Percent
Sandy Springs Community	14,838	32,718	17,880	120.5%
Rest of P. S. A.	6,817	12,095	5,278	77.4%
Total Primary Service Area	21,655	44,813	23,158	106.9%
North Fulton County	29,680	55,000	25,320	85.3%
Total Fulton County	556,326	596,700	40,374	7.2%

Sources: 1960 and 1970 (preliminary figures)
U.S. Bureau of the Census

The following summary shows the percentage share of both number and dollar balances of "IPC" accounts of C & S Sandy Springs within its defined primary service area, North Fulton County, and Fulton County, as a whole. The principal concentration of C & S Sandy Springs "IPC" accounts (63.9 percent) and "IPC" dollar balances (56.5 percent) are within the Sandy Springs community.

Number of Accounts	"IPC" Demand	"IPC" Time	Total "IPC"
Primary Service Area	78.4%	78.7%	78.0%
North Fulton	65.9%	65.6%	65.8%
Total Fulton County	72.9%	75.7%	74.6%
Dollar Balances			
Primary Service Area	78.5%	72.5%	74.9%
North Fulton	67.9%	57.9%	61.8%
Total Fulton County	76.5%	68.4%	71.7%



THE CITIZENS AND SOUTHERN BANK OF SANDY SPRINGS

PRIMARY SERVICE AREA BOUNDARY

4 MAIN OFFICE

FEET 0 8000 16000 24000

MILES 0 1 2 3 4 5

NORTH

Primary Service Area, C & S North Fulton

The C & S North Fulton primary service area, from which the Bank derives approximately 75 percent of its total "IPC" dollar deposits, includes the City of Roswell and adjacent sectors of North Fulton County, as well as small portions of nearby Cobb and DeKalb counties. As shown on the attached map, the defined C & S North Fulton primary service area encompasses all of three census tracts and a portion of four others.

The defined C & S North Fulton primary service area had a total population of 36,925 persons as of April 1, 1970. This represents an increase of 16,907 persons, or 84.4 percent, since April 1, 1960. Of the total current primary service area population, approximately 15 percent -- 5,412 persons -- are located within the City of Roswell.

The following table shows comparative 1960 - 70 population trends for the C & S North Fulton primary service area, North Fulton County, and Fulton County, as a whole.

Population Trends C & S North Fulton
Primary Service Area, North Fulton, and Fulton County,
1960 - 70

Primary Service Area	1960	1970	Change 1960-70 Number	Percent
City of Roswell	2,983	5,412	2,429	81.4%
Rest of P. S. A.	17,035	31,513	14,478	85.0%
Total Primary Service Area	20,018	36,925	16,907	84.4%
North Fulton County	29,680	55,000	25,320	85.3%
Total Fulton County	556,326	596,700	40,374	7.2%

Sources: 1960 and 1970 (preliminary figures)
U.S. Bureau of the Census

The following summary shows the percentage share of both number and dollar balances of "IPC" accounts of C & S North Fulton within its defined primary service area, North Fulton County, and Fulton County as a whole. The principal concentration of C & S North Fulton's "IPC" accounts (48.7 percent) and "IPC" dollar balances (30.2 percent) are in census tract 114, which includes the City of Roswell and its adjacent unincorporated area.

	"IPC" Demand	"IPC" Time	Total "IPC"
Number of Accounts			
Primary Service Area	67.3%	72.0%	70.4%
North Fulton	66.3%	71.4%	69.6%
Total Fulton County	75.7%	79.1%	77.7%
Dollar Balances			
Primary Service Area	74.9%	72.1%	75.3%
North Fulton	78.3%	62.7%	68.6%
Total Fulton County	88.7%	78.1%	83.0%

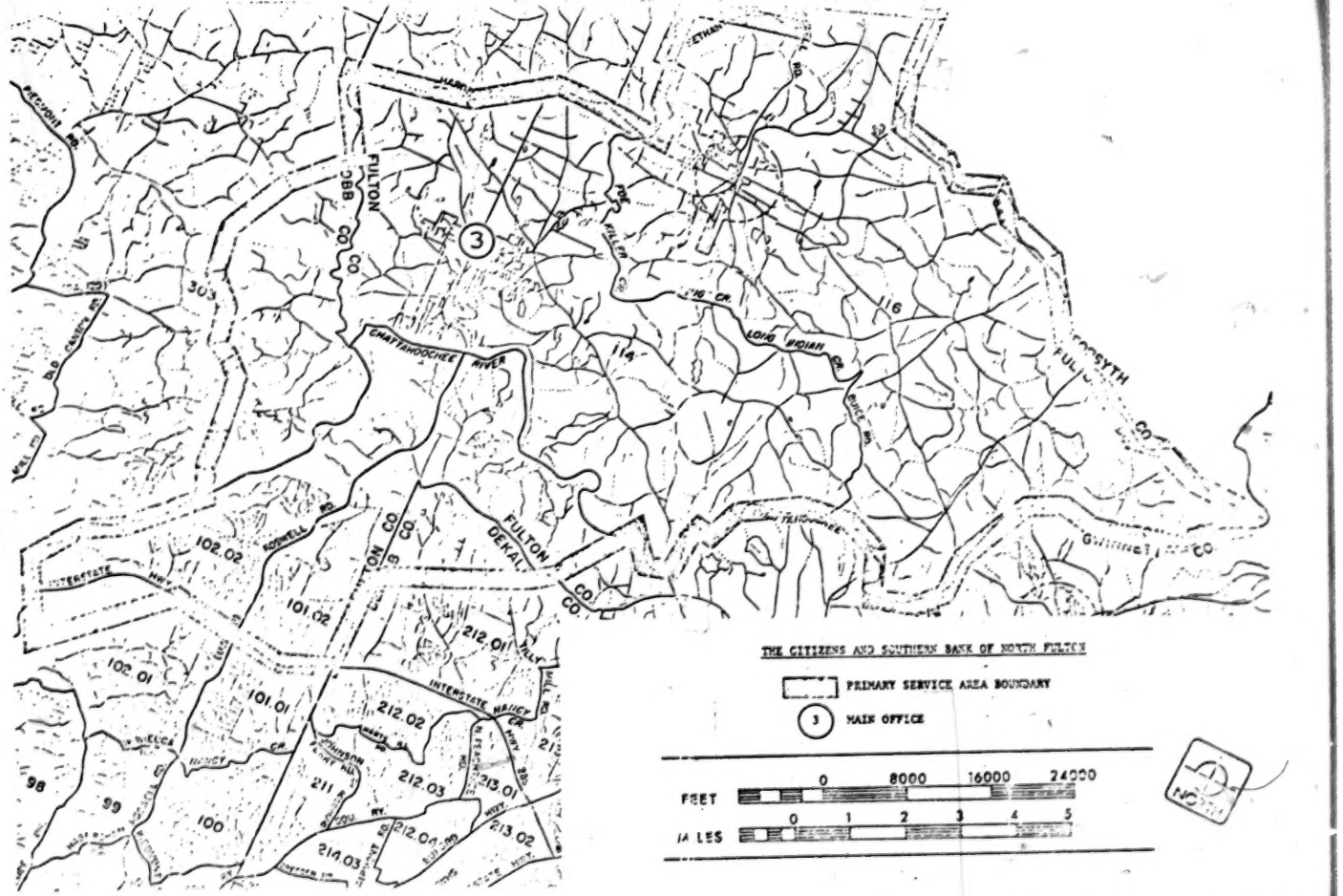

FULTON
DEKALB
CO.
CHATTAHOOCHEE RIVER
FORSYTH CO.
Gwinnett CO.
INTERSTATE HWY.
3
THE CITIZENS AND SOUTHERN BANK OF NORTH FULTON
PRIMARY SERVICE AREA BOUNDARY
MAIN OFFICE
FEET
0
8000
16000
24000
MILES
0
1
2
3
4
5

EXHIBIT 11

CONVENIENCE AND NEEDS OF COMMUNITY

The following table shows the map key number and name and location of the Main Office and Cleveland Branch of The Citizens and Southern Bank of East Point (Applicant) and The Citizens and Southern Bank of North Fulton and The Citizens and Southern Bank of Sandy Springs (Other Banks); as well as for each of the other existing 120 banking offices (17 head offices and 103 branch offices) located in Fulton County, the six approved and not open banking offices, and the nine banking offices for which applications are pending. The distances (road miles) and directions from the head office of the Applicant Bank (C & S East Point) and Other Banks (C & S North Fulton and C & S Sandy Springs); and the dates began business for each existing bank are also shown.

The basic source for arriving at total "IPC" deposits for the 20 existing banks in Fulton County is the June 30, 1970 Report of Condition. Totals shown for the Fulton National Bank, The Citizens and Southern National Bank, The First National Bank of Atlanta, The National Bank of Georgia, and Trust Company of Georgia are adjusted totals to reflect estimates of "IPC" deposits of these banks held by their branches located in adjacent DeKalb County. Both the Fulton National Bank and The First National Bank have branch operations in the City of Decatur (the county seat of DeKalb County). The Fulton National Bank, The Citizens and Southern National Bank, The National Bank of Georgia, and Trust Company of Georgia, each have a branch office located in portions of the City of Atlanta which extend into DeKalb County.

The following maps are enclosed with this application.

North Fulton County
City of Atlanta
South Fulton County

On each of these maps are shown the locations of all existing banking offices, approved and not open banking offices, and pending branch applications in each of these sectors of Fulton County. The primary service areas of C & S North Fulton and C & S Sandy Springs (Other Banks) are shown on the North

Fulton County map. The primary service areas of C & S East Point (Applicant Bank) are shown on the South Fulton County map.

Also, a separate map of Fulton County is attached, which shows the relationship of the Applicant and Other Banks to each other.

POOR COPY

BANKING OFFICES FULTON COUNTY
Existing, Approved-Not Open, and Applications Pending
September 1, 1970

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	Applicant East Point (D)	Other Banks North Fulton (M)	Other Banks North Fulton (D)	Other Banks Sandy Springs (M)	Other Banks Sandy Springs (D)
1	The Citizens and Southern Bank of East Point Main Office 2833 Main St., East Point	1946	$ 21,417	-	-	30.2	S	21.2	S
2	Cleveland Branch 1133 Cleveland Ave., East Point	1969		1.2	E	30.8	S	21.8	S
3	The Citizens and Southern Bank of North Fulton 1155 Alpharetta Rd., Roswell	1967	$ 5,130	29.4	N	-	-	9.0	N
4	The Citizens and Southern Bank of Sandy Springs 6075 Roswell Rd., N.E., Atlanta	1959	$ 16,574	21.2	N	9.0	S	-	-
5	Citizens Trust Company Main Office 175 Houston St., Atlanta	1921	$ 20,281	6.0	N	23.2	S	14.2	S
6	Westside Branch 965 Hunter St., N.W., Atlanta	1955		5.6	N	25.6	S	16.6	S
7	Fulton National Bank Main Office 55 Marietta St., N.W., Atlanta	1909	$192,163	5.6	N	26.0	S	17.0	S
8	Buckhead Branch 3039 Peachtree Rd., N.E., Atlanta	1939		12.0	N	15.0	S	6.0	S
9	Buckhead Motor Bank 259 Buckhead Ave., Atlanta	1966		12.4	N	15.0	S	6.0	S
10	Capitol Area Branch 118 Pryor St., N.W., Atlanta	1960		5.6	N	25.8	S	16.8	S

E-388

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	(D)	Other Banks North Fulton (M)	(D)	Springs Springs (M)	(D)
11	Chattahoochee Industrial Branch 1539 Chattahoochee Ave., N.W., Atlanta	1969		10.6	N	21.0	S	12.0	S
12	Fort MacPherson Branch Building 421 Fort MacPherson	1953		2.6	N	28.6	S	19.6	S
13	Gordon Road Branch 3520 Gordon Road, S.W., Atlanta	1965		11.2	N	19.2	S	10.2	S
14	Lenox Branch 3414 Peachtree Rd., N.E., Atlanta	1962		13.2	N	14.6	S	5.6	S
15	Luckie Street Branch 317 Luckie St., N.W., Atlanta	1951		6.4	N	24.8	S	15.8	S
16	Peachtree Place Branch 76 Peachtree Pl., N.E.	1951		9.0	N	24.0	S	15.0	S
17	Peachtree Branch 161 Peachtree St., N.E., Atlanta	1938		5.6	N	26.2	S	17.2	S
18	Peters Street Branch 335 Peters St., N.W., Atlanta	1930		6.0	N	26.4	S	17.4	S
19	Ponce de Leon Branch 1037 Ponce de Leon Ave., N.E., Atlanta	1951		10.5	N	24.8	S	15.8	S
20	South Fulton Branch 291 Cleveland Ave.	1970		2.6	S	32.4	S	23.4	S
21	Twenty-fifth and Peachtree Branch Twenty-fifth and Peachtree Intersection	1969		22.6	S	12.4	S		

E-389

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	(D)	Other Banks North Fulton (X)	(D)	Other Banks Sandy Springs (X)	(D)
22	West-end Branch 633 Evans St., S. W., Atlanta	1952		4.6	N	27.8	S	18.8	S
23	Georgia Savings Bank and Trust 74 Peachtree St., N.W., Atlanta	1899	$ 11,468	5.8	N	26.2	S	17.2	S
24	Mercantile National Bank 70 Broad Street, Atlanta	1968	$ 5,798	5.8	N	26.2	S	17.2	S
25	Peoples American Bank of Atlanta Main Office 127 Peachtree St., N.W., Atlanta	1935	$ 20,377	5.8	N	26.4	S	17.4	S
26	Ansley Mall Branch 1544 Piedmont Rd., N.E., Atlanta	1967		9.8	N	17.4	S	8.4	S
27	Buckhead Branch 2970 Peachtree Rd., N.W., Atlanta	1965		12.2	N	15.0	S	6.0	S
28	Marietta Street Branch 58 Marietta St., N.W., Atlanta	1935		5.8	N	26.2	S	17.2	S
29	Pershing Point Branch 1409 Peachtree St., N.E., Atlanta	1966		10.2	N	23.4	S	14.4	S
30	The Citizens and Southern National Bank Main Office 35 Broad St., Atlanta	1919	$552,492	5.6	N	26.4	S	17.4	S
31	Ansley Mall Branch 1674 Monroe Dr., N.E., Atlanta	1969		9.8	N	17.4	S	8.4	S
32	Buckhead Branch 2050 Buckhead Hwy., N.W., Atlanta	1961		9.8	N	20.4	S	11.4	S

EXHIBIT 360

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	Applicant East Point (D)	Other Banks North Fulton (M)	Other Banks North Fulton (D)	Other Banks Sandy Springs (M)	Other Banks Sandy Springs (D)
33	Bolton Branch 2301 Marietta Blvd., N.W., Atlanta	1965		11.8	N	20.0	S	11.0	S
34	Broadview Branch 2731 Piedmont Rd., N.E., Atlanta	1959		12.2	N	15.0	S	6.0	S
35	Buckhead Branch 3005 Peachtree Rd., N.E., Atlanta	1951		12.0	N	15.0	S	6.0	S
36	Campbellton Plaza Branch 2034 Campbellton Rd., S.W., Atlanta	1957		2.2	N	27.0	S	18.0	S
37	Capitol Area Branch 92-94 Mitchell St., S.W., Atlanta	1963		6.8	N	26.4	S	17.4	S
38	Cascade Heights Branch 2358 Cascade Rd., S.W., Atlanta	1960		3.6	N	26.0	S	17.0	S
39	Electric Plaza Branch One Electric Plaza	1970		6.8	N	29.4	S	20.4	S
40	Fulton Industrial Branch 3685 Old Gordon Rd., N.W., Atlanta	1966		12.8	N	20.0	S	11.0	S
41	Greenbriar Branch 3011 Headland Dr., S.W., East Point	1969		3.0	W	27.8	S	18.8	S
42	Howell Mill Branch 1775 Howell Mill Rd., N.W., Atlanta	1956		14.2	N	16.6	S	7.6	S
43	Mitchell Street Branch 206 Mitchell St., S.W., Atlanta	1922		6.0	N	25.6	S	16.6	S
44	North Avenue Branch 603 West Peachtree St., N.E., Atlanta	1969		8.2	N	23.4	S	14.4	S

E-291

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	(D)	Other Banks North Fulton (M)	(D)	Sandy Springs (M)	(D)
45	Northside Parkway Branch 1280 W. Paces Ferry Rd., N.W., Atlanta	1963		12.8	N	16.6	S	7.6	S
46	Northwest Branch 890 Marietta St., N.W., Atlanta	1948		5.2	N	19.6	S	10.6	S
47	Peachtree Branch 140 Peachtree St., N.W., Atlanta	1950		5.6	N	26.0	S	17.0	S
48	Peachtree-Baker Branch 270 Peachtree St., N.W., Atlanta	1959		6.0	N	25.6	S	16.6	S
49	Peachtree-Battle Branch 2367 Peachtree Rd N.E., Atlanta	1968		12.2	N	19.6	S	10.6	S
50	Peachtree-Lenox Branch 3475 Peachtree Rd., N.E., Atlanta	1959		12.8	N	14.6	S	5.6	S
51	Peachtree-Palisades Branch 1819 Peachtree Rd., N.E., Atlanta	1961		10.6	N	22.6	S	13.6	S
52	Perimeter-Jonesboro Branch 807 Conley Rd., S. E., Atlanta	1970		4.6	E	33.0	S	24.0	S
53	Pershing Point Branch 1447 Peachtree St., N.E., Atlanta	1964		10.2	N	24.2	S	15.2	S
54	Peyton Village Branch 2600 Gordon Rd., S.W., Atlanta	1969		6.8	N	28.0	S	19.0	S
55	Piedmont-Cain Branch 148 Cain St., N.E., Atlanta	1967		5.6	N	26.0	S	17.0	S
56	Roswell-East Andrews Branch 3200 Roswell Rd., N.E., Atlanta	1965		12.0	N	15.2	S	6.2	S

E-392

EXISTING BANKING OFFICES

Map No.	Name and location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	Applicant East Point (D)	Other Banks: North Fulton (M)	Other Banks: North Fulton (D)	Other Banks: Sandy Springs (M)	Other Banks: Sandy Springs (D)
57	Roswell-Wieuca Branch 4192 Roswell Rd., N.E., Atlanta	1963		14.8	N	15.0	S	5.0	S
58	South Expressway Branch 3714 Crown Rd., S.W., Atlanta	1961		3.0	E	31.8	S	22.8	S
59	South Moreland Branch 1250 Moreland Ave., S.E., Atlanta	1966		8.4	N	30.2	S	21.2	S
60	Stewart-Lakewood Branch 2034 Stewart Ave., S.E., Atlanta	1961		3.0	N	22.6	S	13.6	S
61	Tenth Street Branch 1088 Peachtree Rd., N.E., Atlanta	1922		9.0	N	24.2	S	15.2	S
62	First National Bank of Atlanta Main Office 2 Peachtree St., Atlanta	1865	$520,774	5.6	N	27.6	S	18.6	S
63	Airport Terminal Branch Atlanta Airport	1961		2.4	S	26.4	S	17.4	S
64	Buckhead Branch 3040 Peachtree Rd., N.E., Atlanta	1952		12.2	N	15.0	S	5.0	S
65	Chattahoochee Branch 1071 Chattahoochee Ave., N.W., Atlanta	1956		9.0	N	20.2	S	11.2	S
66	Cheshire Bridge Branch 2419 Cheshire Bridge Road, N.E., Atlanta	1965		11.2	N	16.6	S	7.6	S
67	Equitable Building Branch 100 Peachtree St., Atlanta	1969		5.6	N	27.6	S	18.6	S
68	Greenbriar Branch 2541 Greenbriar Parkway	1965		3.0	W	27.6	S	18.6	S

E 3393

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	Applicant East Point (D)	Other Banks North Fulton (M)	Other Banks North Fulton (D)	Other Banks Sandy Springs (M)	Other Banks Sandy Springs (D)
69	Hemphill Branch 645 State St., Atlanta	1957		5.2	N	19.6	S	10.6	S
70	Lenox Towers Branch 3390 Peachtree Rd., N.E., Atlanta	1963		12.8	N	14.4	S	5.4	S
71	Merchandise Mart Branch 240 Peachtree St., N.W., Atlanta	1961		5.8	N	25.6	S	16.6	S
72	North Avenue Branch 615 Peachtree St., N.E., Atlanta	1928		5.8	N	23.4	S	14.4	S
73	Phipps Plaza Branch 3500 Peachtree Road, N.E., Atlanta	1969		16.8	N	14.2	S	5.2	S
74	Piedmont-Cheshire Branch 1678 Piedmont St., N.E., Atlanta	1956		10.6	N	16.2	S	7.2	S
75	Roswell-Wieuca Branch 4454 Roswell Rd., Atlanta	1965		9.0	N	12.0	S	3.0	S
76	Seventeenth Street Branch 1375 Peachtree St., N.E., Atlanta	1961		10.2	N	23.4	S	14.4	S
77	Seventeenth Street Drive-In Spring and Seventeenth St., Atlanta	1970		9.8	N	23.4	S	14.4	S
78	South Expressway Branch 3750 Crown Rd., S.W., Atlanta	1968		3.0	E	31.8	S	22.8	S
79	Stewart-Lakewood Branch 2891 Lakewood Ave., S.W., Atlanta	1955		3.0	N	22.6	S	13.6	S
80	Twenty-Sixth Branch 1776 Peachtree Rd., N.W., Atlanta	1952		10.6	N	22.6	S	13.6	S

E-1 394

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	Applicant East Point (D)	Other Banks: North Fulton (M)	Other Banks: North Fulton (D)	Other Banks: Sandy Springs (M)	Other Banks: Sandy Springs (D)
81	West End Branch 612 Lee St., S.W., Atlanta	1928		3.8	N	30.2	S	21.2	S
82	National Bank of Georgia Main Office 34 Peachtree St., N.W., Atlanta	1911	$ 83,924	5.8	N	26.4	S	17.4	S
83	Buckhead Branch 3272 Peachtree Rd., N.E., Atlanta	1959		12.8	N	14.4	S	5.4	S
84	Cascade Branch 2318 Cascade Rd., S.W., Atlanta	1960		4.6	N	28.0	S	19.0	S
85	Doctor's Building Branch 494 Peachtree Rd., N.E., Atlanta	1963		8.4	N	23.4	S	14.4	S
86	Moreland-Custer Branch 1401 Moreland Ave., S.E., Atlanta	1961		8.4	N	30.2	S	21.2	S
87	Northside Fourteenth Branch 1112 Northside Dr., N.W., Atlanta	1960		4.6	N	20.4	S	11.4	S
88	Northside Parkway Branch 3330 Northside Pkwy, N.W., Atlanta	1967		12.8	N	16.6	S	7.5	S
89	Pershing Point Branch 1430 W. Peachtree St., N.W., Atlanta	1955		9.8	N	23.4	S	14.4	S
90	Ponce de Leon East Branch 676 Ponce de Leon Ave., Atlanta	1970		9.0	N	24.2	S	15.2	S
91	Ponce de Leon Branch 494 Ponce de Leon Ave., N.E., Atlanta	1949		8.8	N	24.6	S	15.6	S

FILED
SEP 25 1970
395

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	Applicant East Point (D)	Other Banks: North Fulton (M)	Other Banks: North Fulton (D)	Other Banks: Sandy Springs (M)	Other Banks: Sandy Springs (D)
92	Roswell Mineuca Branch 4475 Roswell Rd., N.E., Atlanta	1965		9.0	N	12.0	S	3.0	S
93	West End Branch 874 Gordon St., S.W., Atlanta	1950		6.0	N	23.2	S	14.2	S
94	Trust Company of Georgia Main Office 35 Pryor St., N.E., Atlanta	1891	$340,885	5.6	N	26.0	S	17.0	S
95	Ben Hill Branch 3720 Campbellton Rd., N.W., Atlanta	1963		4.6	W	27.0	S	18.0	S
96	Buckhead Branch 3020 Peachtree Rd., N.W., Atlanta	1958		12.2	N	15.2	S	6.2	S
97	Chattahoochee Branch 1221 Chattahoochee Ave., N.W., Atlanta	1964		10.0	N	21.2	S	12.2	S
98	Colony Square Branch 1175 Peachtree St., N.E., Atlanta	1970		9.4	N	24.6	S	15.6	S
99	Fulton Industrial Branch 711 Fulton Industrial Blvd.	1967		12.8	N	20.0	S	11.0	S
100	Greenbriar Branch 3170 Greenbriar Parkway	1969		3.0	W	28.0	S	19.0	S
101	Hartford Building Branch 100 Edgewood Ave., N.E., Atlanta	1955		5.6	N	26.0	S	17.0	S
102	Jonesboro-Conley Road Branch Jonesboro Rd. and Old Conley Rd.	1970		6.8	E	37.8	S	28.8	S
103	Lakewood Branch 1700 Lakewood Ave., S.W., Atlanta	1969		10.0	N	28.0	S	19.0	S

E-396

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	(D)	Other Banks North Fulton (M)	(D)	Sandy Springs (M)	(D)
104	Lenox Square Branch 3393 Peachtree Rd., N.E., Atlanta	1959		12.8	N	14.4	S	5.4	S
105	N.E. Freeway Branch 2160 Monroe Dr., N.E., Atlanta	1962		11.4	N	17.4	S	8.4	S
106	Northside Parkway Branch 3300 Northside Parkway, N.W., Atlanta	1968		12.8	N	16.6	S	7.6	S
107	Peachtree Center Branch 225 Peachtree Street, N.W., Atlanta	1969		12.8	N	25.6	S	16.6	S
108	Pershing Point Branch 1593 Peachtree St., N.E., Atlanta	1970		10.2	N	23.4	S	14.4	S
109	Phipps Plaza Branch 3500 Peachtree Rd., N.E., Atlanta	1969		12.8	N	14.4	S	5.4	S
110	Roswell Branch 3724 Roswell Rd., Atlanta	1968		13.2	N	13.6	S	4.6	S
111	West End Branch 670 Stewart Ave., S.W., Atlanta	1950		5.4	N	30.2	S	21.2	S
112	West Peachtree Branch 600 W. Peachtree, N.W., Atlanta	1949		8.4	N	22.8	S	14.4	S
113	Fulton Exchange Bank 244 S. Main St., Alpharetta	1920	$ 7,217	20.4	N	3.8	N	12.8	S
114	Roswell Bank Main Office 617 Atlanta St., Roswell	1901	$ 13,040	19.0	N	1.1	S	7.9	N
115	Facility 1232 Alpharetta St., Roswell	1965		20.0	N	.4	N	9.4	N

LISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	Applicant East Point (D)	Other Banks North Fulton (M)	Other Banks North Fulton (D)	Other Banks Sandy Springs (M)	Other Banks Sandy Springs (D)
116	Trust Company of Georgia Bank of Sandy Springs 5898 Roswell Rd., Sandy Springs	1968	$ 3,920	13.2	N	9.4	S	.4	S
117	Bank of Fulton County Main Office 2791 East Point St., East Point	1934	$ 20,632	.4	W	30.2	S	21.2	S
118	Headland Branch 2855 Headland Dr., East Point	1969		3.0	W	28.0	S	19.0	S
119	Bank of The South Main Office 2093 Roosevelt Highway, College Park	1969	$ 10,059	.4	S	30.2	S	21.2	S
120	Branch 1676 Princeton Ave., College Park	1946		4.6	S	28.0	S	19.0	S
121	Citizens Bank of Hapeville Main Office 560 S. Central Ave., Hapeville	1945	$ 11,233	3.0	E	33.2	S	24.2	S
122	International Park Branch Atlanta Airport	1963		3.0	S	33.2	S	24.2	S
123	Fairburn Banking Company 65 Washington St., Fairburn	1902	$ 6,028	11.4	S	39.2	S	30.2	S
124	First Palmetto Bank 27 Toombs St., Palmetto	1918	$ 2,153	18.2	S	46.0	S	37.0	S

APPROVED--NOT OPENED

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	(D)	Other Banks: North Fulton (M)	(D)	Other Banks: Sandy Springs (M)	(D)
125	Fulton National Bank Cheshire Bridge Rd. and Northeast Expy., Atlanta	-	-	11.2	N	16.6	S	7.6	S
126	Fulton National Bank 3067 Campbellton Rd., S.W., Atlanta	-	-	3.0	N	28.0	S	19.0	S
127	The Citizens and Southern National Bank 580 Ponce de Leon Ave., N.E., Atlanta	-	-	9.0	N	24.2	S	15.2	S
128	The Citizens and Southern National Bank Cheshire Bridge Rd. and LaVista Rd., Atlanta	-	-	11.2	N	16.6	S	7.6	S
129	The Citizens and Southern National Bank Oak and Lee Streets, S. W., Atlanta	-	-	5.1	N	21.8	S	12.8	S
130	The National Bank of Georgia 315 Boulevard, S.E., Atlanta	-	-	7.6	N	23.4	S	14.4	S

APPLICATIONS PENDING

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	(D)	Other Banks: North Fulton (M)	(D)	Other Banks: Sandy Springs (M)	(D)
131	The Citizens and Southern Bank of East Point Roswell Road and Dalrymple Rd., Atlanta	-	-	21.2	N	6.4	S	2.6	N
132	Fulton National Bank Washington Ave. and Church St., East Point	-	-	.8	W	31.0	S	22.0	S
133	Fulton National Bank Mt. Vernon Highway and Johnson Ferry Rd., Atlanta	-	-	21.6	N	8.5	S	.4	S

LICATIONS PENDING

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)	Applicant East Point (M)	(D)	Other Banks: North Fulton (M)	(D)	Other Banks: Sandy Springs (M)	(D)
134	Fulton National Bank Fulton Industrial Blvd. and Selig Dr., Atlanta	-	-	11.4	N	26.4	S	17.4	S
135	First National Bank of Atlanta 4790 Fulton Industrial Blvd., Atlanta	-	-	12.8	N	19.6	S	10.6	S
136	First National Bank of Atlanta Roswell Road and Cromwell Road, Atlanta	-	-	21.6	N	8.6	S	.4	N
137	The National Bank of Georgia 6260 Roswell Road, Atlanta	-	-	21.6	N	8.6	S	.4	N
138	Fulton Exchange Bank Old Roswell Bank Bldg., Roswell	-	-	19.6	N	.4	S	7.6	N
139	Roswell Bank Roswell Road and Dairymple Rd., Atlanta	-	-	21.2	N	6.4	S	2.6	N

E-400

(5) CONVENIENCE AND NEEDS OF COMMUNITY
(Continued)

If the Applicant Bank or Other Bank has pending applications for approval of bra or has received authority to establish branches which are not yet open for business, furnish pertinent details. Such branches should be listed and assigned numbers consis the sequence established in the foregoing schedules, and should be shown and appropriat identified on the map.

See EXHIBIT III

CONVENIENCE AND NEEDS OF COMMUNITY.

which follows

List the assigned numbers of any branches of the participating banks, including branches approved or applied for, which it is planned to discontinue or abandon if the proposed transaction is effected, and furnish pertinent details.

No branches of participating banks, including branches applied for, are planned to be discontinued or abandoned, if the proposed transaction is effected.

State whether the service area or areas of the Resulting Bank will be predominately agricultural, industrial, residential, or mixed, and describe the growth trend over the past ten years and the present economic outlook. (A concise general statement, rather than statistical data, is desired.)

See EXHIBIT IV

CONVENIENCE AND NEEDS OF COMMUNITY

which follows

Discuss the lending power and capacity of each of the participating banks in relatio to the credit needs of its service area, and how the lending power and capacity of the Resulting Bank will relate to those needs.

See EXHIBIT V

CONVENIENCE AND NEEDS OF COMMUNITY

which follows

Discuss the types of service which the Resulting Bank will offer which are not now offered by the participating banks in their respective service areas, indicating the ext to which such services are offered by other banks competing within such areas.

See EXHIBIT VI

CONVENIENCE AND NEEDS OF COMMUNITY

which follows

EXHIBIT III

CONVENIENCE AND NEEDS OF COMMUNITY

The Applicant Bank (C & S East Point) has submitted an application to the Superintendent of Banks, State of Georgia, and the Federal Deposit Insurance Corporation for permission to establish a branch office under the Banking Law, State of Georgia, as amended 1970:

Map No.	Location
131	Roswell Rd. & Dalrymple Rd. Atlanta

EXHIBIT IV

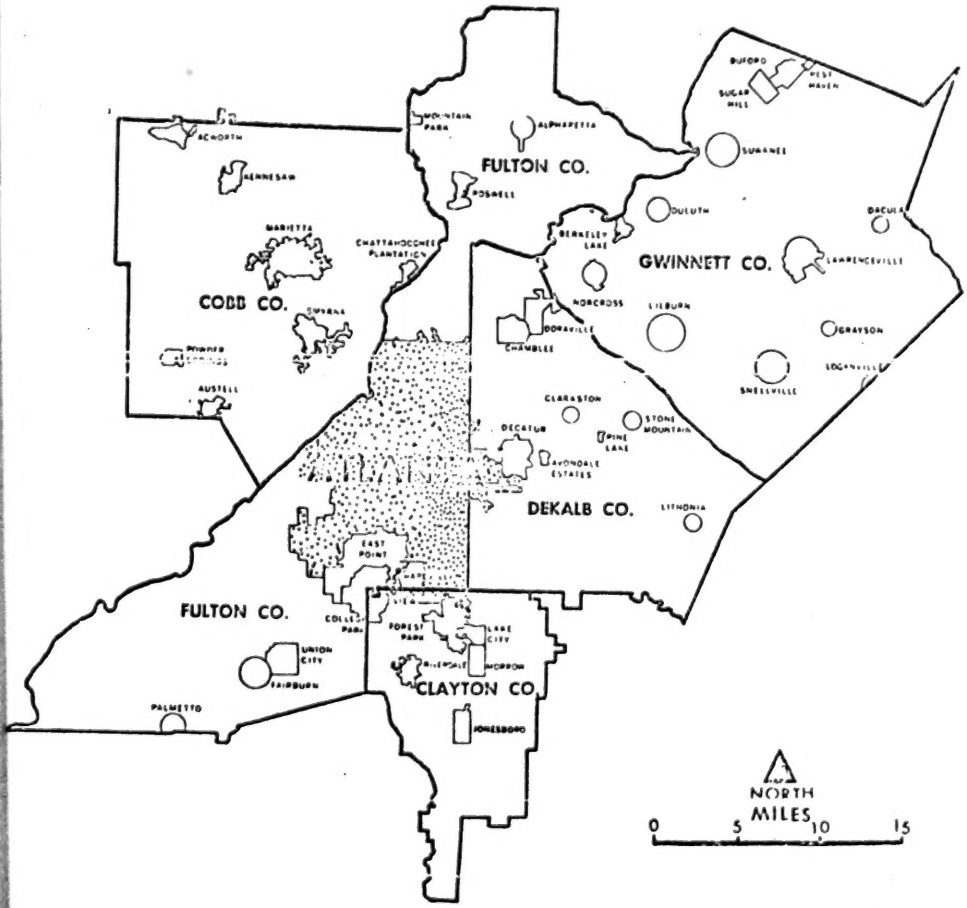
CONVENIENCE AND NEEDS OF COMMUNITY

Fulton County is the largest of the five counties making up the five - county Atlanta Standard Metropolitan Statistical Area (SMSA). Of its total 1970 population of 596,700 persons, almost 85 percent are residents of the City of Atlanta.

Since World War II, Fulton County, along with other Metropolitan Atlanta counties, have greatly benefitted by the emergence of Atlanta as the economic center of the rapidly growing Southeast Region, as well as a city of national prominence. Within Fulton County, itself, Atlanta's requirements have generated growing "sub-economies" in both the North and South Fulton County areas outside of the City of Atlanta.

The following map of the Atlanta SMSA shows the relationship of Fulton County (and its North and South areas) -- and other metropolitan area counties -- to the central City of Atlanta. Following the map, is presented a review of major economic trends taking place in the Atlanta SMSA and Fulton County.

METROPOLITAN ATLANTA



The Atlanta Standard Metropolitan Statistical Area

The Atlanta Standard Metropolitan Statistical Area is the dominant economic hub of the Southeast. Although Atlanta has long been a regional distribution center, it has emerged during the 1960 - 70 decade to a new level -- taking on stronger characteristics as a city tied to the nation as well as the region it serves.

The Atlanta SMSA currently consists of five counties -- Clayton, Cobb, DeKalb, Fulton, and Gwinnett. Preliminary 1970 census figures show that as of April 1, 1970 Metropolitan Atlanta had a population of 1,375,746 persons. This is a 35.2 percent increase since 1960, compared to a 13.9 percent gain for the State of Georgia, and 14.6 percent for five of the southeastern states. Currently 30.6 percent of the State of Georgia's population resides in the Atlanta SMSA, compared to 25.8 percent in 1960

Looking ahead, the Atlanta SMSA is expected to reach a population of 1,572,900 persons by 1975, 2 million by 1983.

A review of a number of indicators clearly reflect Metropolitan Atlanta's dominant economic role in the Southeast and its emerging role as an important national center.

1. Preliminary 1970 census figures place Metropolitan Atlanta 21st in population among the nation's 231 Standard Metropolitan Statistical Areas.

2. Among the top 20 metropolitan areas in the nation, Atlanta ranked second during the 1960 - 69 period in percentage growth in non-agricultural employment, with a gain of 61.6 percent. Approximately 26,000 jobs were created in Metropolitan Atlanta each year during the 1960's for an annual average of 577,900 in 1969. Total employment should reach 780,000 by 1975. Similar to other inland regional centers (Dallas, Minneapolis - St. Paul and Kansas City) a greater proportion of Atlanta's employment is concentrated in the service-oriented categories of finance, - insurance - real estate, transportation - communications - utilities, wholesale, retail trade, and services. This employment distribution reflects Atlanta's position as the management center for the region, not only as a physical collection and distribution point, but in the central centered activities such as finance, business services, and government.

3. Total private construction during the 1959 - 69 period exceeded $3.3 billion in Metropolitan Atlanta. Construction increased from $186.7 million in 1959 to almost $450 million in 1969.

4. Indication of Atlanta's strong regional role as trade capital of the region is the presence of operations of 413 of the Fortune 500 list of the nation's largest industrial corporations. Also represented in Atlanta are 46 of the 50 largest life insurance companies, 19 of the 50 largest retailing companies and 39 of the largest transportation companies.

5. Atlanta is one of the nation's major government centers. There are 90 agencies, departments, or divisions of Federal government operations in Atlanta with approximately 28,500 employees. Total government employment exceeded 89,000 in 1969.

6. Metropolitan Atlanta easily leads the State in per household effective buying income, $11,544 compared to $9,117. It also leads the South Atlantic States ($9,294) and the United States ($10,048). By 1975 Atlanta families should have a disposable income of $15,850.

7. Retail sales more than doubled during the 1958 - 1969 period, from $1.23 billion to $2.73 billion.

8. Reflecting Metropolitan Atlanta's distribution role, wholesale sales increased from almost $4 billion in 1958 to $8.5 billion in 1967, well over a 100 percent increase.

9. Almost 160,000 housing units were constructed in Metropolitan Atlanta in the 1960 - 1969 period. Approximately 40 percent of the total were in multi-family structures. It is expected that 250,000 new housing units will be required during the 1970 - 1980 decade to meet the needs of a growing population. This means that even higher annual rate of production will take place. 25,000 units each year as compared to the 9-year average of almost 18,000 units.

In the same manner, the following list of selected national rankings illustrate the economic vigor of Metropolitan Atlanta:

	National SMSA Ranking
Total residential construction, 1969	11th
Downtown construction, 1967	8th
Residential units authorized for construction, 1969	13th
Postal receipts, 1968	10th
Wholesale trade, 1967	8th
Bank clearings, 1968	9th
Air traffic (enplaned passengers), 1968	4th
Mercantile construction, 1969	6th

Fulton County

Until shortly after World War II, Fulton County was largely the sole economic beneficiary of the presence of the City of Atlanta within its borders. The growth and prosperity of the County was directly proportional to the growth of Atlanta, and the other seven Fulton municipalities were of little consequence, so overriding was Atlanta's importance. This is still true to a great extent, but Atlanta's requirements have spawned a new set of economic generators in sectors of Fulton County, outside of the City of Atlanta, as well as in the other four metropolitan area counties.

A growing "sub-economy" has grown up in the Tri-Cities area (East Point, College Park, and Hapeville) in South Fulton based, to a large degree, on the Atlanta Airport. With the opening of important traffic arteries -- I-85 and I-285 -- through the southern portion of Fulton County, the influence of this "sub-economy" is spreading southward into a predominantly rural region.

In a similar fashion, to the north in the Sandy Springs - Roswell area -- North Fulton -- new supporting and independent activities are taking place.

Basic economic trends taking place in Fulton County, as a whole, as well as in the "sub-economies" of South Fulton (in which the applicant bank -- C & S East Point -- has its main office and branch) and North Fulton (in which both C & S North Fulton and C & S Sandy Springs are located) are presented in the following pages.

Population Trends, Fulton County

As Metropolitan Atlanta's economic growth has spread into surrounding counties, its share of the total Atlanta SMSA population has decreased -- from 65.1 percent in 1950 to 43.4 percent in 1970. However, Fulton County's population base continues to grow, and with a total 1970 population of 596,700 persons it still remains well ahead of the second - largest metropolitan area county -- DeKalb -- with its 1970 population of 414,085.

Population data for the Atlanta SMSA, by counties, is summarized in the following table:

POPULATION, ATLANTA SMSA,
BY COUNTIES, 1950, 1960 and 1970

	1950	1960	1970
Clayton	22,872	46,365	96,172
Cobb	61,830	114,174	196,645
DeKalb	136,395	256,782	414,085
Fulton	473,572	556,326	596,700
Gwinnett	32,320	43,541	72,144
Total	726,989	1,017,188	1,375,746

Percent of Total
Atlanta SMSA

Clayton	3.1%	4.6%	7.0%
Cobb	8.5	11.2	14.2
DeKalb	18.8	25.2	30.1
Fulton	65.1	54.7	43.4
Gwinnett	4.5	4.3	5.3
Total	100.0%	100.0%	100.0%

Sources: 1950, 1960, and 1970 (preliminary figures)
U. S. Bureau of the Census

In 1950 over 95 percent of Fulton County's population resided in one of its eight municipalities. During the past twenty years this ratio has been reduced to 87 percent due to the growth of residential areas in unincorporated Fulton, principally north of the Atlanta city limits in the Sandy Springs area. The largest of these municipalities, exclusive of Atlanta, are the South Fulton cities of College Park, East Point, and Hapeville. The largest of these, East Point, increased in population by approximately 3,700 during the past decade to 39,399. The other two lost as Atlanta Airport expansion activity chewed through residential areas.

Population trends for the incorporated areas and unincorporated area of Fulton County are summarized in the following table:

Population Trends, Incorporated and Unincorporated Fulton County, 1950, 1960, and 1970

Incorporated Areas	1950	1960	1970	Average Annual Net Change 1950-60	Average Annual Net Change 1960-70
Atlanta (in Fulton)*	399,536	446,123	440,900	4,659	(522)
Alpharetta	917	1,349	2,482	43	113
College Park*	15,260	23,469	19,875	821	(359)
East Point*	21,797	35,633	39,399	1,384	377
Fairburn	1,889	2,470	3,053	58	62
Hapeville	8,560	10,082	7,646	152	(244)
Roswell	2,123	2,983	5,412	86	243
Union City	1,490	2,118	2,897	63	78
Total	451,572	524,227	521,704	7,266	(252)
Unincorporated Area	22,000	32,099	74,996	1,009	4,290
Total Fulton	473,572	556,326	596,700	8,275	4,038

* 1950 population adjusted to 1960 city limits.

Sources: 1950, 1960, and 1970 (preliminary figures)
U. S. Bureau of the Census

Looking ahead, Fulton County's population is expected to increase by some 33,300 persons during the next five years. With a projected 1975 population of 630,000, Fulton County will account for 40.1 percent of the Atlanta SMSA total 1975 population.

Personal Income

Fulton County ranks third among Metropolitan Atlanta's five counties in average disposable income per household with $11,133 -- following DeKalb ($13,023) and Cobb ($11,782). This is due primarily to the "heavy drag" on the average by the densely populated low-income areas in central Atlanta. Looking ahead, by 1975 it is estimated that Fulton County's average disposable income per household will reach $14,424 -- equivalent to 91 percent of the average of $15,850 projected for the Atlanta SMSA, as a whole.

Construction

During the 1964-69 period, a total of 36,855 residential building permits were issued in the City of Atlanta and unincorporated Fulton County -- with the City of Atlanta accounting for 65 percent of the total. Similar to other major cities, the great bulk of the City of Atlanta's new residential construction has been in multi-family (apartment units). Multi-family developments have also spilled over to a large degree into the unincorporated areas of the county -- which still, however, account for most of the county's new single - family construction.

Building Permits Issued
City of Atlanta and Unincorporated Fulton County
1964 - 69

	Single Family	Multi-Family	Total
City of Atlanta	3,822	20,120	23,942
Unincorporated Fulton	6,917	5,996	12,913
Total	10,739	26,116	36,855

Sources: Office of Building Inspector, City of Atlanta and Fulton County.

The total value of new construction (as per building permits) in the City of Atlanta and unincorporated Fulton County totaled almost $1.2 billion for the 1964-69 period. Of this total, the City of Atlanta accounted for 71 percent of the value of new residential construction (reflecting primarily the city's substantial apartment development) and over 85 percent of the total value of non-residential construction. Atlanta's total of over one-half billion dollars in non-residential reflects, to a large degree, the major construction, still underway, in Downtown Atlanta.

Major construction currently underway in the Atlanta downtown area included the 26-story Coastal States Life Building to cost $12 million and Stouffers Hotel, a 23 story 525 room facility which will join some 50 other hotels and motels that have been built in the metropolitan area during the past decade. Of the current inventory of 14,000 hotel and motel rooms in Atlanta, almost 10,000 were built in this decade.

Major projects on the drawing boards include the $200 million Park Place/Atlanta development near the State Capitol, and a new Federal office and courthouse building near City Hall. This building will rise 20-40 stories, depending on ground space, and will have 1,150,000 square feet of space with a daytime population of 4,700.

Downtown Atlanta added 17 new buildings with 15 or more floors in height, including the second largest merchandise mart in the nation with two million square feet and the 1,000 room Regency Hyatt House Hotel. Plans are for a 70-story office building, another 1,000 room hotel and high-rise apartments in the Peachtree Center area.

Major public facilities constructed during the 1960's include Atlanta Stadium ($18 million), Civic Center ($10 million), Memorial Arts Center ($13 million), and Atlanta Airport expansion ($20 million).

Value of New Construction
as per Building Permits, City of Atlanta
and Unincorporated Fulton County, 1964-69

	Residential ($000)	Non-Residential ($000)	Total ($000)
City of Atlanta	$408,271	$522,603	$930,874
Unincorporated Fulton	166,449	88,930	255,379
Total	$574,720	$611,533	$1,186,253

Sources: Office of the Building Inspector, City of Atlanta and Fulton County.

Employment

The Fulton-DeKalb County economies are so inter-twined that the Georgia Department of Labor does not break out employment between the two in its annual county employment estimates, reporting them as a single unit. Thus, reliable source for data on Fulton employment from which a time series can be formulated is the County Business Patterns of the Bureau of the Census. These statistics include only those jobs covered by FICA, excluding government employees, self-employed, domestics and certain railroad employees. Nevertheless, certain important trends can be gleamed from these reports.

In 1968, 72.7 percent of Metropolitan Atlanta jobs were in Fulton County -- down from 77.7 percent 1962 -- as other maturing counties in the SMSA have increased their share of area employment growth. During the 1962-68 period, total Fulton County employment increased from 325,527 workers to 470,240 workers.

Looking ahead, Fulton County's total employment is expected to reach over 638,000 workers by 1975 -- excluding government workers, self-employed persons, and domestics.

Fulton County employment trends for the 1962-68 period are summarized in the following table:

FULTON COUNTY EMPLOYMENT[1]

	1959	1962	1965	1968
FULTON COUNTY TOTAL	234,311	252,831	297,458	341,958
Agricultural Services	600	736	685	692
Contract Construction	13,573	14,336	23,039	22,850
Manufacturing	57,693	61,853	64,648	69,064
Transportation, Utilities, Communication	25,657	26,268	33,338	39,852
Wholesale Trade	31,677	33,346	41,525	51,142
Retail Trade	45,977	46,957	53,685	61,439
Finance, Insurance, Real Estate	21,586	26,466	30,138	33,459
Services	35,766	39,307	49,698	62,147

[1]Employment as of mid-March pay period each year. Excludes government employees, self-employed persons, farm workers and domestics.

Note: Columns do not add to totals due to figures withheld to avoid disclosure of operations of individual units and employment in unclassified establishments.

Source: Bureau of The Census, County Business Patterns

Fulton County has an awkward geographical configuration which stems from the absorption of a neighboring county and portion of another one in earlier years. The county stretches 57 miles north - south. In addition the city limits of Atlanta, which extend from Fulton's western border at the Chattahoochee River east to the DeKalb County line, separates South Fulton -- site of C & S East Point -- and North Fulton -- site of C & S North Fulton and C & S Sandy Springs. Therefore it is worthwhile to examine these two sectors of Fulton County, separately. For this analysis, North Fulton includes all of the area of Fulton County north of the Atlanta city limits -- South Fulton, the area in Fulton County south of the corporate limits of Atlanta.

In 1950, the two small municipalities in North Fulton, Alpharetta and Roswell, contained only 3,040 residents. Sandy Springs, an unincorporated area generally bounded on the south by the Atlanta city limits, west and south by the Chattahoochee River and on the east by DeKalb County, had approximately 4,000 residents, leaving 8,457 scattered throughout the rest of the North Fulton area. From 3.3 percent of the total Fulton County population in 1950, North Fulton now has 9.2 percent - 55,000 - and should reach 10.8

percent, or 60,000, by 1975. Alpharetta and Roswell advanced to a combined total of 7,894 in 1970, leaving most of the growth during the past decade to the Sandy Springs area.

South Fulton, like North Fulton, is increasing its relative share of the total county population. From 12.4 percent in 1950, South Fulton advanced to an estimated 16.9 percent - 100,800 - in 1970, and is expected to contain 19.4 percent by 1975. The Tri-Cities of College Park, East Point and Hapeville immediately south of the corporate limits of Atlanta contain most of the incorporated population. The smaller towns of Union City and Fairburn in the southwest portion are not experiencing significant growth.

Population Trends, North Fulton,
City of Atlanta, and South Fulton, 1950, 1960 and 1970

	1950	1960	1970
North Fulton	15,497	29,680	55,000*
City of Atlanta (in Fulton)	399,536	446,123	440,900
South Fulton	58,539	80,523	100,800*
Total Fulton	473,572	556,326	596,700

* Estimated from preliminary Census results, and recent census tract estimates by Atlanta Region Metropolitan Planning Commission.

Sources: 1950, 1960, and 1970 (preliminary figures)
U. S. Bureau of the Census.

Commercial and apartment developments in North Fulton are concentrated in a narrow corridor along Roswell Road, extending north from the corporate limits of Atlanta to Interstate 285 and on to Abernathy Road. This area is bi-sected by I-285 in an east-west direction. North Fulton Expressway, under construction from I-285 north, will bisect North Fulton in a north-south direction and eventually tie into the metropolitan expressway network, extending south across I-85 and through central Atlanta. This will bring heretofore isolated sections of North Fulton within minutes of a major portion of the metropolitan area.

DeKalb County, adjacent to North Fulton on the east, is building up rapidly, particularly with office parks and apartment complexes along I 285. This is also true of Cobb County to the west. These pressures plus a new direct, limited-access transportation route scheduled to be opened in late 1970 north to Alpharetta, portends rapid development for North Fulton during the next 5 - 10 years.

The Sandy Springs area is basically a bedroom suburb for people who work in Atlanta. Average family incomes are nearly twice the metropolitan average. The relatively high income level, coupled with low-density development, make the automobile an important part of life. There is one car for every 2.2 people, compared with one car for every 3.1 people in the metropolitan area.

Sandy Springs accounted for 1,500 of the 1,702 housing units constructed in North Fulton in 1968, and 1,913 of the 2,329 units constructed in 1969.

Since North Fulton is not served by rail and the far north portion does not have good accessibility to downtown Atlanta by automobile, industrialization has not materialized. The largest employer is Western Electric Company, just north of the Sandy Springs business area, with 2,385 employees. A new office park, Landmark VI, has been proposed for the intersection of the North Fulton Expressway and I-285.

Shopping centers in North Fulton include Sandy Springs North Plaza and Harmond Square, both in the Sandy Springs business area.

As with other parts of the metropolitan area, the opening of the interstate Highway System provided the impetus for development in South Fulton during the later years of the past decade. I-20 west from central Atlanta to Cobb County, I-285 south to Atlanta Airport, I-85 southwest to Fayette County, and the Lakewood Extension from I-75 south to I-285 provided corridors for development.

Industrialization began with the opening of the county-owned Fulton Industrial District along the Chattahoochee River six miles west of Atlanta. This 2,000 acre district now has 125 firms with a total employment of 3,500.

North and adjacent to this district is the Fulton County Airport, the busiest general aviation airport in the Southeast with approximately 300 employees. Great Southwest Industrial Park, a 3,000 acre planned development, is located south and adjacent to Fulton Industrial District. From 1965 to 1969, 71 sites were sold to industrial users. Over 90 industrial firms and 3.6 million square feet of industrial building are in the park. There are eight other industrial districts in South Fulton in various stages of development.

The Atlanta Airport employs approximately 13,000 workers. By 1980 the number should increase to approximately 30,000, making the airport an employment center next in size to downtown Atlanta. Since an estimated 85 percent of airport workers live in the southeast and southwest quadrants of the metropolitan area, this employment center has a major economic impact on South Fulton. An expansion program is currently underway that will increase investment in this facility to $200 million. Adjacent to the airport, the Ford Motor Company assembly plant employs 3,850.

With the extension of I-85 south through Fulton County, industrialization has started in the southwestern portion of the county. Owens-Corning Fiberglass Corporation has a 200,000 square foot facility under construction near Fairburn that will initially employ 200 workers with a $2.5 million annual payroll.

International Office Park, across Virginia Avenue from Atlanta Airport, currently has about 385,000 square feet of space and houses approximately 1,000 employees. Another new office park in the vicinity, Landmark XII, projects 300,000 square feet. The economy of this area is almost entirely airport-oriented, and has merged with the northern portion of Clayton County. Part of the airport property is located in Clayton County, and serious attention is being given to the possibility of expanding the airport across I-285 into Clayton County. There seems to be little question that the airport will be expanded considerably, even beyond the current expansion program. The City administration is dedicated to keeping this airport in operation when a new one is built, which will be some 5 - 10 years in the future. In any event, South Fulton will continue to thrive economically on Atlanta Airport for an indefinite period.

New developments in the near South Fulton area include the construction of Delta Airlines' reservation center near Greenbriar Shopping Center. Greenbriar is the only regional shopping center in South Fulton and is just inside the Atlanta city limits. Unannounced plans are for Delta to construct its corporate headquarters in this area in a 4-building $6 million complex. Announcement has been made for a $92 million 832 acre planned total community about 11 miles southwest of Atlanta.

EXHIBIT V

CONVENIENCE AND NEED OF COMMUNITY
LENDING POWER AND CAPACITY OF PARTICIPATING BANKS

The lending power and capacity of participating banks (as well as other banks) are limited in meeting the credit needs of an individual borrower on an unsecured basis to 10% of capital and unimpaired surplus, and on a secured basis to 20% of capital and unimpaired surplus. For both state - chartered in Georgia and national chartered banks capital is defined to include: capital notes and debentures, preferred stock and common stock. For state - chartered banks in Georgia unimpaired surplus includes the surplus account only. For national - chartered banks unimpaired surplus is defined to include: surplus, undivided profits, reserve for contingencies and other capital reserves, plus 50% of the reserve for bad debt losses on loans.

As per call reports of June 30, 1970, the dollar loan limits of each of the participating banks and the Resulting Bank would be as follows:

	Dollar Loan Limit to an Individual Borrower	
	Unsecured	Secured
The Citizens and Southern Bank of East Point	$112,500	$225,000
The Citizens and Southern Bank of North Fulton	60,000	120,000
The Citizens and Southern Bank of Sandy Springs	85,000	170,000
RESULTING BANK	$257,500	$515,000

As shown above, the Resulting Bank would be in a position to meet the increasing capital needs of individual market area borrowers -- especially growing small and moderate size businesses -- which now, in many cases, can only be handled by the sale of loan participations.

EXHIBIT VI

CONVENIENCE AND NEEDS OF COMMUNITY

The consummation of the proposed transaction will result in more effective service to present customers of the participating banks. Present customers of C&S Sandy Springs and C&S North Fulton will have direct access to the full scope and variety of services of the C&S system—which services are available directly to customers of all C&S Holding Company affiliate banks—including: personal and corporate trust services, factoring, real estate lending, enterprise capital loans, international banking, and travel department.

With the availability of a single C&S bank in various areas of Fulton County outside Atlanta, suburban businesses which operate in more than one part of the County outside Atlanta will not be required to maintain banking accounts with more than one bank in order to have ready access to C&S facilities where their business is transacted. Likewise, residents living in one part of the suburban County but working in another part, will have the convenience of dealing with the same bank both at home and where they work.

In summary, there will be no decrease in the types of services now being offered by the participating banks if the proposed transaction is approved. While approval will not bring any immediate expansion of the types of banking services available through the participating banks, it will make the wide range of C&S services directly and more conveniently available to customers of the participating banks.

In addition, the Resulting Bank, because of its larger capital base will be able to serve larger corporate customers —many of which require banks of a certain size before designating them as depositories. It is believed that this factor will enable the Resulting Bank to play a more important role in the community which it will serve. Identification of businesses located in Fulton County outside Atlanta with a bank having its main office there will focus the attention of these corporate customers upon the unique opportunities and problems of the rapidly growing community served by the Resulting Bank. Similarly, the resultant larger capital base will make it possible for the Resulting Bank to service larger credit needs without the necessity of having to sell participations in loans in order to meet these needs.

The unique range and depth of banking services offered by C&S are not duplicated by other banks serving the areas served by the participating banks. Customers of the C&S correspondent associate banks have, it is felt, chosen them to do business with because of the availability of the C&S services through the banks, even though the correspondent associate status meant that in certain cases the services were available indirectly and by reference. Approval of the transaction would, therefore, enable the participating banks more fully to recognize this choice of their customers and to enlarge their abilities to implement the customer's chosen banking program.

(5) CONVENIENCE AND NEEDS OF COMMUNITY
(Continued)

Discuss the past record of the participating banks with respect to their growth, awareness of their responsibilities to the community, and alertness to provide new and services.

See Exhibit VII
CONVENIENCE AND NEEDS OF COMMUNITY
Attached

Other supporting information relative to the factor of convenience and needs of the communities served by the participating banks and to be served by the Resulting Bank is as follows:

None

(6) CONSISTENCY OF CORPORATE POWERS

The Applicant Bank is organized pursuant to Article VIII State Banking Law of Georgia; Chapter 13-9, Code of Georgia, as amended
(Give citation of State statutory provisions)

There is attached hereto a true copy of the Articles of Incorporation or Association of the bank, together with all amendments thereto. (If previously submitted, only subsequent amendments are to be attached.)

(7) EFFECT OF PROPOSED TRANSACTION ON COMPETITION
(Including Any Tendency Toward Monopoly)

The Applicant Bank is requested to furnish herewith as part of this application the following exhibits:

Exhibit A - Schedules showing the total "IPC" deposits, both demand and time, and total loans and discounts of:

1. Applicant Bank, Other Bank, and each other bank competing within the service area or areas of the Applicant Bank;

2. Other Bank, Applicant Bank, and each other bank competing within the service area or areas of the Other Bank;

3. Resulting Bank and each other bank competing within the service area or areas of the Resulting Bank;

and showing for each service area the percentages of "IPC" deposits and loans and discounts of each bank in relation to the aggregates for that particular service area.

EXHIBIT VII

CONVENIENCE AND NEEDS OF COMMUNITY

With the support of the C&S system, the participating banks have actively expanded their services to the communities in which they are located. Implementation of the C&S philosophy that a primary requirement of full-service banking is the service of meeting the growing credit needs of growing communities is illustrated in the following table which sets forth the total loans made by the participating banks during the years 1965-1970 (June 30):

Total Loans ($000)	C&S East Point	C&S North Fulton	C&S Sandy Springs
December 31, 1965	9,147.9		3,754.1
December 31, 1966	11,969.7		5,188.0
December 31, 1967	12,777.8	1,119.7	6,161.0
December 31, 1968	15,784.0	2,485.8	8,929.7
December 31, 1969	24,002.0	5,006.0	13,248.2
June 30, 1970	23,992.7	5,216.6	14,010.6

Similarly, the commitments of the participating banks to provide the resources necessary for support of the growing communities served by them is shown in the following table, which reflects the total deposits held by each of the participating banks during the years 1965-1970 (as of June 30):

Total Deposits ($000)	East Point	North Fulton	Sandy Springs
December 31, 1965	14,538.2		6,447.5
December 31, 1966	16,198.5		8,478.7
December 31, 1967	18,652.4	1,749.7	10,497.9
December 31, 1968	22,345.7	3,526.0	13,956.8
December 31, 1969	27,528.7	5,333.1	16,807.2
June 30, 1970	25,888.2	5,820.6	17,736.8

The response to the needs of their communities which is demonstrated by the growth shown on the above tables is one measure

of the records of the banks involved in this transaction. Equally as important is their record of bringing to their communities the opportunity of participating in the innovative banking services and programs originated by the C&S system, such as individual tax return preparation, payroll accounting plans, bank credit cards and "enterprise lending" (specialized lending programs for small high-risk businesses). This record of expanding the types and numbers of banking services to meet the needs of changing, more economically complex communities, together with the measureable growth in banking resources and activity, demonstrates the awareness of the participating banks to the needs of their communities, and their alertness to provide needed services.

BANKING OFFICES IN FULTON COUNTY

including banking offices in business as of year-end 1960, and as of September 1, 1970 -- -- approved - not open banking offices -- applications pending for new banking offices.

	In Business 1960	In Business 1970	Approved Not Open	Applications Pending
The Citizens and Southern Bank of East Point	1	2	-	1
The Citizens and Southern Bank of North Fulton	-	1	-	-
The Citizens and Southern Bank of Sandy Springs	1	1	-	-
City of Atlanta:				
Citizens Trust Company	2	2	-	-
Fulton National Bank	10	16	2	3
Georgia Savings Bank and Trust Company	1	1	-	-
Mercantile National Bank	-	1	-	-
Peoples American Bank of Atlanta	2	5	-	-
The Citizens and Southern National Bank	13	32	3	
The First National Bank of Atlanta	9	20	-	2
The National Bank of Georgia	7	12	1	1
Trust Company of Georgia	5	19	-	-
North Fulton:				
Fulton Exchange Bank	1	1	-	1
Roswell Bank	1	2	-	1
Trust Company of Georgia Bank of Sandy Spring	-	1	-	-
South Fulton:				
Bank of Fulton County	1	2	-	-
Bank of the South	1	2	-	-
Citizens Bank of Hapeville	1	2	-	-
Fairburn Banking Company	1	1	-	-
First Palmetto Bank	1	1	-	-
TOTAL	58	124	6	9

E-424

TOTAL "IPC" DEPOSITS AND LOANS
FULTON COUNTY JUNE 30, 1970

	"IPC" Deposits June 30, 1970 ($000)	% of Total	Total Loans June 30, 1970 ($000)	% of Total
The Citizens and Southern Bank of East Point	$ 21,417	1.1%	$ 23,993	1.2%
The Citizens and Southern Bank of North Fulton	5,136	.3	5,217	.2
The Citizens and Southern Bank of Sandy Springs	16,574	.9	14,011	.7
RESULTING BANK	$ 43,131	2.3%	$ 43,221	2.1%
City of Atlanta:				
Citizens Trust Company	20,281	1.1	10,779	.5
Fulton National Bank	192,103(a)	10.3	200,079(a)	9.8
Georgia Savings Bank and Trust Company	11,468	.6	10,077	.5
Mercantile National Bank	5,758	.3	4,512	.2
Peoples American Bank of Atlanta	20,317	1.1	19,589	1.0
The Citizens and Southern National Bank	552,492(b)	29.6	742,049(c)	36.5
The First National Bank of Atlanta	520,774(c)	27.9	545,004(a)	26.8
The National Bank of Georgia	83,914(a)	4.5	65,242(a)	3.2
Trust Company of Georgia	340,885(a)	18.4	337,696(a)	16.7
North Fulton:				
Fulton Exchange Bank	7,217	.4	6,100	.3
Roswell Bank	13,049	.7	9,964	.5
Trust Company of Georgia Bank of Sandy Springs	3,970	.2	1,478	.1
South Fulton:				
Bank of Fulton County	20,632	1.1	14,414	.7
Bank of the South	10,039	.5	5,933	.3
Citizens Bank of Hapeville	11,223	.6	9,459	.5
Fairburn Banking Company	6,228	.3	4,030	.2
First Palmetto Bank	2,153	.1	1,322	.1
TOTAL	$1,865,565	100.0%	$2,031,149	100.0%

Sources: Reports of Condition, June 30, 1970.
(a) Total "IPC" Deposits and Loans as per Report of Condition, June 30, 1970, less estimates for DeKalb County branches of these banks made by Marketing Research Department. The Citizens and Southern Holding Co.
(b) FDIC Call Summary of Deposits, June 30, 1970 less Portland Branch in DeKalb County.
(c) Comptroller's Department, The Citizens and Southern National Bank.

E-1 425

(2) [illegible]
(Including any [illegible] only)
(Continued)

Exhibit B - Comment on the extent and intensity of competition in the service areas of the Applicant Bank and Other Bank provided by (a) [illegible] and loan companies, (b) industrial banks, and (c) [illegible] and furnish a schedule showing the total [illegible] areas and total items of each such institution operating an office or office within the respective service areas.

Exhibit C - Comment on the extent and intensity of competition in the service areas of the Applicant Bank and Other Bank provided by (a) insurance companies, (b) credit unions, (c) sales finance companies, (d) personal loan companies, (e) factors, (f) direct lending agencies of government, and (g) financial institutions located outside such service areas.

Exhibit D - Comment on the extent to which the Applicant Bank and Other Bank have deposit accounts and loan accounts of the same individuals, partnerships, and corporations, and estimate the aggregate number and dollar amount of such accounts in each bank.

Exhibit E - Comment on the extent to which deposits and loans of the Applicant Bank and Other Bank originate in each other's service area or areas.

Exhibit F - Schedule showing the number and total dollar amount of loans originated during the preceding calendar year by (a) Applicant Bank, and (b) Other Bank, which were shared or placed with each other or with any other bank or banks, indicating the dollar amount of such loans retained by the originating bank and comment on the reasons why such placements were made.

Exhibit G - Schedule showing interest rates and service charges on loans and deposits of each of the participating banks, and the proposed interest rates and service charges for the Resulting Bank in relation to such rates and charges of other competing banks and financial institutions.

Exhibit H - Comment on trust department activities of the Applicant Bank and Other Bank, the extent to which each bank has trust department business originating in the other's service area or areas, and compare the aggregate holdings, including the number of accounts, for each major type of fiduciary or agency appointment. (Indicate the bases for assigning book carrying values.)

Exhibit I - If five per cent or more of the stock of any bank, including the participating banks, is owned by any director or officer of the participating banks, or any pension or profit sharing trust established or administered by such banks, state the name of the owner, name and location of the bank, and the percentage of shares owned.

Exhibit J - Statement as to whether the Applicant Bank or Other Bank is affiliated with or has a stock interest in any other bank, the stock of which is owned by a bank holding company as defined in the Bank Holding Company Act of 1956.

Exhibit K - Comment on the over-all effect of the proposed transaction on the competitive situation, both with respect to commercial and trust business, in the service area or areas of the Resulting Bank, noting both favorable and unfavorable considerations, and state whether the field of competition of the Resulting Bank will be local, regional, national, or international.

EXHIBITS B AND C
COMPETITION IN THE RELEVANT FULTON COUNTY MARKET
FROM OTHER FINANCIAL INSTITUTIONS

Competition from non-bank financial institutions in the relevant Fulton County market has historically been strong, and can be expected to remain a significant factor in the future. Growth trends for various categories of non-bank lending institutions -- both in terms of number of offices in operation and lending activities -- are decribed more fully in the following schedules.

Savings and Loan Associations

Atlanta and Fulton County savings and loans, unlike commercial banks, are unrestricted as to branching across county lines and consequently open new offices throughout the five-county Atlanta metropolitan area and beyond.

City of Atlanta and Fulton County savings and loan associations are active competitors for both savings deposits and loan customers, and can readily be considered bank competition in the City of Atlanta and Fulton County. While the number of existing savings and loan offices in Fulton County increased only slightly, from 30 to 35 between 1965 and 1970, total assets of all Fulton County savings and loan associations increased from $683,070,000 to $927,568,000 during the same period.

In addition to the existing S & L offices in Fulton County, as of September 1, 1970, there are currently three approved but unopened offices and one branch application pending. These offices are indicated in the following table.

SAVINGS AND LOAN OFFICES
CITY OF ATLANTA AND FULTON COUNTY
AS OF SEPTEMBER 1, 197[illegible]

IN BUSINESS	Date Open	January 1, 1970 Deposits ($000)	Loans ($000)	Assets ($000)
Atlanta Federal Savings and Loan Association				
Main Office: 20 Marietta St., Atlanta	1928	$[illegible]6,438	$338,130	$395,088
Branch Offices: 3235 Peachtree Rd., Atlanta	1956			
3080 Campbellton Rd., Atlanta	1965			
2881 Lakewood Ave., Atlanta	1959			
1124 Peachtree St., N.E., Atlanta	1953			
921 Gordon St., S.W., Atlanta	1951			
1605 Monroe Drive, N.E., Atlanta	1969			
3581 Main Street, College Park	1961			
4605 Roswell Rd., N.E.	1968			
Fidelity Federal Savings and Loan Association				
Main Office: 300 W. Peachtree St., N.W., Atlanta	1952	$ [illegible]0,740	$ 11,876	$ 13,396
Branch Office: 3393 Peachtree Rd., N.W., Atlanta	1960			
First Federal Savings and Loan Association				
Main Office: 40 Marietta Street, N.W., Atlanta	1924	$ 69,346	$ 75,288	$ 87,445
Branch Offices: 1870 Piedmont Rd., N.E., Atlanta	1956			
2267 Marietta Blvd., N.W., Atlanta	1970			
1612 Cleveland Avenue, East Point	1950			
6160 Roswell Rd.	1965			

E-428

	Date Open	January 1, 1970 Deposits ($000)	Loans ($000)	Assets ($000)
Fulton Federal Savings and Loan Association				
Main Office: 21 Edgewood Ave., N.E., Atlanta	1933	$183,592	$200,879	$237,783
Branch Offices: 3024 Peachtree Rd., N.W., Atlanta	1956			
979 Virginia Ave., N.E., Atlanta	1961			
2357 Sewell Rd., S.W., Atlanta	1962			
740 W. Peachtree St., N.W., Atlanta	1967			
2860 East Point St., East Point	1950			
1184 Alpharetta Rd., Roswell	1965			
Home Federal Savings and Loan Association				
Main Office: 77 Forsyth St., N.W., Atlanta	1929	$ 15,681	$ 17,364	$ 19,783
Mutual Federal Savings and Loan Association				
Main Office: 205 Auburn Ave., N.E., Atlanta	1925	$ 8,349	$ 8,289	$ 9,950
Branch Office: 2563 Gordon Rd., N.W., Atlanta	1962			
Peachtree Federal Savings and Loan Association				
Main Office: 3030 Peachtree Rd., N.W., Atlanta	1948	$ 30,327	$ 29,552	$ 33,319
Branch Office: 6343 Roswell Rd., N.E., Roswell	1962			
Southern Federal Savings and Loan Association				
Main Office: 712 W. Peachtree St., N.W., Atlanta	1936	$ 22,239	$ 25,705	$ 28,978
Standard Federal Savings and Loan Association				
Main Office: 44 Broad St., N.W., Atlanta	1927	$ 69,549	$ 75,685	$ 86,959
Branch Offices: 3121 Campbellton Rd., S.W., Atlanta	1962			
3485 Northside Parkway, N.W., Atlanta	1963			
1829 Peachtree Rd., N.E., Atlanta	1967			

	Date Open	January 1, 1970 Deposits ($000)	Loans ($000)	Assets ($000)
Tri-City Federal Savings and Loan Association Main Office: 606 S. Central Avenue, Hapeville Branch Office: 27 Smith St., Fairburn	1950 1962	$ 12,553	$ 12,935	$ 14,867
APPROVED--NOT OPENED				
Atlanta Federal Savings and Loan Roswell Rd. near I-285 and Abernathy Rd.	-	-	-	-
Home Federal Savings and Loan Cheshire Bridge Rd. and LaVista Rd.	-	-	-	-
Standard Federal Savings and Loan 1149 Ponce de Leon Ave., N.E.	-	-	-	-
APPLICATIONS PENDING				
Fulton Federal Savings and Loan Peachtree Rd., N.E. and Peachtree - Dunwoody Rd., N.E.	-	-	-	-

Credit Unions

Credit unions in the relevant Fulton County market, as in other major metropolitan areas, are becoming increasingly competitive for personal savings and loan customers.

There are currently some 138 State and Federally-chartered credit unions in Fulton County, of which 123 are located within the City of Atlanta and 15 are situated elsewhere in Fulton County.

Year-end 1969 total asset figures are available for State-Chartered credit unions and are included in this exhibit along with names and addresses of the individual credit unions. Comparable total asset figures are not available for the same date from the United States Department of Health, Education, and Welfare, the agency regulating Federal-Charter credit unions. However, the approximate total asset sizes of the reported Federal Credit Unions in Fulton County is indicated by the accompanying key.

FEDERAL CREDIT UNIONS ASSET CODE KEY
(ASSET AMOUNTS AS OF YEAR-END 1969)

0

1 Less than $100,000 Total assets

2

3

4 $100,000 - $250,000 Total assets

5 $250,000 - $500,000 Total assets

6 $500,000 - $1,000,000 Total assets

7 $1,000,000 - $2,000,000 Total assets

8 Greater than $2,000,000 Total assets

* Chartered, but not in operation. No assets.

The names and locations of Federal and State-chartered credit unions in Fulton County, along with available asset information, are listed on the following pages.

ATLANTA

Name	Address	Asset Code
AMAE	624 Exit Building 30303	4
AAD	Atlanta Army Depot	8
ABACO	933 Lee St. S.W. 30310	6
AFGC Employees	1039 Grant St. S.E. 30315	2
Aslith Employees	53 Magnum St. S.W. 30303	4
Atlanta CCS	3850 Browns Mill Rd. 30315	3
Atlanta Car for Hire	792 Bankhead Ave. S.W. 30318	3
Atlanta Forest Service Employees	1720 Peachtree Rd. N.W. 30309	4
Atlanta Model Cities	679 Capitol Ave. S.W. 30314	*
Atlanta Penitentiary	U.S. Penitentiary 30315	6
Atlanta Teachers	261 Ashby St. N.W. 30314	6
Atlanta University Center	671 Beckwith St. S.W. 30314	3
Beulah Baptist Church	170 Griffin St. N.W. 30314	*
CDC	1600 Clifton Rd. N.E. 30333	7
Circle 34	402 McDonough Blvd. S.E. 30315	6
Community Chest	Box 1038 30301	*
Complete Atlanta	465 Savrell Ave. S.E. 30315	4
COSLICO	1459 Peachtree St. N.E. 30309	3
CPA Employees	3348 Peachtree Rd. N.E. 30326	4
Davison's Employees	180 Peachtree St. N.E. 30303	4
DIXSEA	1955 Monroe Dr. N.E. 30324	5
EOA	101 Marietta St. Building 30303	1
FAA Southern	Box 20636 30320	6
FULCO Employees	165 Central Ave S.W. 30303	4
Fulton Mills Employees	Box 1726 30301	4
GHE	2090 Jonesboro Rd. 30315	6
GMHI	1256 Briarcliff Rd. N.E. 30306	1
GRCE	4770 N. Peachtree Rd. 30341	*
Georgia Methodist	1200 Ponce de Leon Ave. N.E. 30306	4
Georgia Optometric	Box 18617 30326	3
Georgia Power Atlanta	Box 4545 30302	7
Glasrock Employees	Box 19566 Station N 30325	*
Gordy Tire	151 14th St. N.W. 30318	3
HEW Atlanta	50 Seventh St. N.E, 30323	7
Holsey Temple CME	704 Charlotte Place N.W. 30318	*
Holy Family Hospital Employees	Fairburn & Sewell Rds. 30331	*
Kennesaw Life Employees	1447 Peachtree St. N.E. 30309	*
King Hardware Employees	4555 Frederick Dr. S.W. 30336	1
Kroger ADC	Atlanta	*
LPIU Local 251	881 Peachtree St. N.E. 30309	*
Local Two Eighteen	157 Forsyth St. S.W. 30303	*
Local 613 IBEW	501 Pulliam St. S.W. 30312	1
MOCO	Box 432 Blair Village 30054	5
OBS Employees	1445 Marietta Blvd. N.W. 30318	*
OIPPD Atlanta	3200 Lakewood Ave. S.E. 30310	3
Peachtree	50 7th St. N.E. 30323	7
Powerco	Box 4545 30302	6
PUROL	Box 4147 30302	4
Red Disk	P.O. Drawer 1734 30301	5
Regency Hyatt	265 Peachtree St. N.E. 30303	0
Sears Atlanta Employees	675 Ponce de Leon Ave N.E. 30308	7
SINCO Atlanta Employees	353 Jones Ave. N.W. 30314	4
Southern Airways	Atlanta Airport Station Box 20621 30320	5
Southern Central	2094 Moraun Dr. 30329	0
Saint Paul of the Cross	551 Barwell Rd. N.W. 30318	0
Terminal Transport Employees	1328 Boulevard S.E. 30315	6
Texaco SE	864 W. Peachtree St. N.W. 30308	5
Transit	609 Virginia Ave. N.E. 30306	6
Ward A	Box 892 30301	*
WU Georgia	56 Marietta St. N.W. 30303	*
Warren Methodist Church	181 Ashby St. 30314	*
West Fifth Church	18 Y... St. N.E. 30312	*
Yard Ma...	Box ...	*

FULTON COUNTY (Outside City of Atlanta)

Name	Address	Asset Code
Atlanta Kenba	1239 Oakleigh Dr., East Point 30044	3
Atlanta Onized	3107 Sylvan Rd., Hapeville 30354	6
Atlanta WW	670 College Park Rd., College Park 30022	2
IHAPD	1171 Oakleigh Dr., East Point 30044	3
Prestolite Atlanta	2316 Lawrence St., East Point 30344	2
Rexall Atlanta	1120 Oakleigh Dr., East Point 30044	2
SFH	1170 Cleveland Ave., East Point 30044	1

STATE CHARTERED CREDIT UNIONS YEAR-END 1969

ATLANTA

Name	Address	Total Asse
A[illegible] Co. Employees Credit Union	777 Memorial Dr. S.E.	107
AMCO Credit Union	221 Ivy St. N.E.	252
AMILSCO Credit Union	451 Stephens St. S.W.	9
USSAC Credit Union	802 Title Building	341
ARMCO Credit Union	593 Glenn Iris Dr. N.E.	83
Arrow Credit Union	2022 Murphy Ave. S.W.	504
Associated Credit Union	38 Auburn Ave. N.E.	1,379
Atlanta City Employees Credit Union	660 City Hall	2,255
Atlanta Cooperative Credit Association	529 Merchandise Mart	265
Atlanta Greyhound Terminal Employees C. U.	81 Cain St. N.W.	16
Atlanta Postal Credit Union	M-102 Federal Annex	20,940
Atlanta Railway Postal Clerks Credit Union	111-M Federal Annex	1,499
Atlanta Teachers Credit Union	462 Eighth St. N.E.	1,831
Atlanta Terminal Employees Credit Union	71 Spring St. S.W.	39
Atlantic Steel Credit Union	1300 Mecaslin St. N.W.	1,384
Ben Franklin Credit Union	1400 W. Peachtree St. N.W.	51
Circle "K" Credit Union	1299 Northside Dr. N.W.	8
Delta Employees Credit Union	Atlanta Airport	10,429
DuPont Atlanta Employees Credit Union	1737 Ellsworth Industrial Dr.	117
Employers Group Credit Union	1438 W. Peachtree St. N.W.	8
Employees Credit Union Swift Company	244 Peters St. S.W.	114
Employment Service Credit Union	1 Peachtree St. N.E.	79
Essell Credit Union	1197 Peachtree St. N.E.	98
Federal Employees Credit Union	87 Walton St. N.W.	13,248
GA-KY General Office Credit Union	4 Hunter St. S.E.	70
Genuine Parts Credit Union	299 Piedmont Ave. N.E.	122
Georgia E.S.A. Credit Union	474 State Labor Building	87
Georgia Health Department Credit Union	516 State Office Building	515
Georgia International Credit Union	615 Peachtree St. N.E.	40
Georgia Standard Oil Employees C. U.	1800 Fulton National Bank	453
Georgia State Dept. of Education C. U.	249 State Office Building	712
Georgia State Hwy. Dept. Employees C. U.	271 Capitol Ave. S.W.	1,683
Georgia Telco Credit Union	424 Hurt Building	21,383
Hospital Authority Employees Credit Union	80 Butler St. S.E.	408
John Rogers Employees Credit Union	1040 Huff Rd. N.W.	27
Journal-Constitution Employees C. U.	10 Forsyth St. N.W.	1,656
L & P Credit Union	196 Marietta St. N.W.	38
Marion Mfg. Credit Union	174 Chester Ave. S.E.	19
Mead Packaging Employees Credit Union	1040 W. Marietta St. N.W.	494
Merchants Mutual Credit Corp.	70 Broad St. N.W.	1,566
Montag Employees Credit Association	245 N. Highland Ave N.E.	255
Mutual Savings Credit Union	1219 Caroline St. N.E.	1,654
Orange Disc Credit Union	1375 Peachtree St. N.E.	1,183
Presbyterian Center Credit Union	341 Ponce de Leon Ave N.E.	76
R.F.A. Employees Credit Union	99 University Ave. S.W.	73
Rothschild Employees Credit Union	295 Peachtree St. N.E.	31

Name	Address	Total Assets
Rich's Employees Credit Union	P.O. Box 4539	3,552,
Ruralist Credit Union	713 Glenn St. S.W.	459,
Russell Co. Employees Credit Union	117 Central Ave.	18,
S.M.C.R.C. Credit Union	1307 Peachtree St. N.E.	68,
S.O.S. Credit Union	214 State Capitol	102,
SID DO CO Savings Plan Credit Union	1301 Chattahoochee Ave. N.W.	8,
Small Agencies Credit Union	1 Hunter St.	639,
Southern Freight Bureau Employees C. U.	101 Marietta St. Building	134,
State Revenue Dept. Credit Union	309 Trinity-Washington Building	104,
T.C. Employees Credit Union c/o Tenn. Corp.	55 Marietta St.	79,
Thompson, Boland & Lee Employees C. U.	201 Peachtree St.	73,
The Thrift Credit Union	Terminal Station Building	1,230,
United Family Employees Credit Union	494 Spring St. N.W.	91,
White Columns Credit Union	1601 W. Peachtree St. N.E.	59,

FULTON COUNTY (Outside City of Atlanta)

Associated Grocers Credit Union	1286 Milledge St., East Point	1,496,675
Colonial Stores Employees Credit Union	2251 N. Sylvan Rd., East Point	2,452,914
East Point Municipal Employees Credit Union	City Hall, East Point	373,180
Fort McPherson Credit Union	Building T-213, Fort McPherson	2,013,473
Fulton Teachers Credit Union	3420 Whipple Ave., Hapeville	884,476
IPCO Employees Credit Union	2323 N. Sylvan Rd., East Point	21,850
Tri-City Postal Credit Union	2905 East Point St., East Point	10,541
W.A.S.E. Credit Union	2675 Martin St., East Point	43,115

Sales Finance Companies

While total loan data and other financial statistics are not available for Fulton County sales finance companies, local offices of such national organizations as GMAC, Ford Motor Credit, Chrysler Credit Corporation, Allstate, State Farm, and others, are estimated to provide a substantial degree of competition for automobile loans.

Personal Loan Companies

Personal consumer finance companies in the relevant Fulton County market are active competitors for numerous personal loan services, including automobile, appliance, and short-term individual loans.

As of year-end, 1969, there were some 173 personal loan company offices in operation in Fulton County with a total dollar amount of loans outstanding of $71,142,578, according to data provided by the Georgia Comptroller General's office, the governmental agency regulating these offices. Loan outstanding dollar amounts are shown for individual Fulton County consumer finance companies in the following pages.

CONSUMER FINANCE OFFICES, YEAR-END 1969

ATLANTA

Name	Address	Loans Outstanding
Acme Investment Co.	5 Auburn Ave. N.E.	$ 82,42[illegible]
Allied Finance Co.	131 Luckie St. N.W.	$186,101
Allied Finance Co.	127 Whitehall St.	$288,614
Allied Finance Co.	81 Poplar St.	$180,691
American Finance Co.	77 Alabama St. S.W.	$170,567
American Plan Corp. of Atlanta	3½ Edgewood Ave.	$533,691
Apex Loan & Finance Co., Inc.	13 Houston St. N.E.	$ 59,093
Associates Finance Co.	793 Peachtree St. N.E.	$385,318
Atlanta Acceptance Corp.	321 Peachtree St. N.E.	$585,782
Atlanta Finance Co.	90 Plaza Way	$ 99,930
Avco Finance Co.	23 Exchange Place N.E.	$588,029
Avco Finance Co.	950 Gordon St. S.W.	$873,655
Avco Finance Co.	1801 Peachtree St. N.E.	*
Avco Finance Co.	2581 Piedmont Rd.	$349,026
Banner Finance Co., Inc.	136 Mitchell St. S.W.	$ 83,380
Beneficial Finance Co. of Atlanta	42 Forsyth St. N.W.	$752,287
Beneficial Finance Co. of Atlanta	35 D. West Paces Ferry Rd. N.W.	$305,789
Beneficial Finance Co. of Atlanta	1917 Stewart Ave. S.W.	$421,494
Beneficial Finance Co. of Atlanta	1033 Peachtree St. N.E.	$606,903
Bolton Credit Co.	2332 Marietta Blvd. N.W.	$ 45,561
Broad Finance Co., Inc.	12½ Broad St. N.W.	$125,437
Central Loan & Finance Corp.	64 Plaza Way	$ 75,965
Century Finance Co. #1	223 Peachtree St. N.E.	$[illegible]
Century Finance Co.	3061 Peachtree Rd. N.E., Buckhead	$166,227
Century Finance Co.	603 Stewart Ave. S.W.	$457,037
Century Finance Co.	815 Hollywood Rd. N.W., Grove Park	$257,928
CFC Loans	1028 Peachtree St. N.E.	$303,072
Chesterfield Finance Co.	12 Forsyth St. S.W.	$104,183
Citizens Finance Co.	329 Standard Federal Building	$ 10,185
City Finance Corp.	35 Whitehall St. S.W.	$119,817
C.M.I. Personal Loans	195 Auburn Ave. N.E.	$ 50,916
Coburn Finance Corp.	8 Walton St.	$278,956
Coburn Finance Corp.	141 North Ave.	$562,441
Coburn Finance Corp.	2035 Stewart Ave. S.W.	$359,959
Commercial Credit Plan, Inc.	707 Spring St. N.W.	$442,959
Commercial Credit Plan, Inc.	61 Forsyth St. N.W.	$339,697
Community Loan Corp. of East Atlanta	1239 Moreland Ave. S.E.	$401,528
Community Loan & Investment Corp.	98 Alabama St. S.W.	$745,499
Community Loan & Investment Corp.	622 Lee St. S.W.	$685,093
Community Loan & Investment Corp. of Buckhead	3102 Roswell Rd. N.W.	$636,272
Community Loan & Investment Corp. of Five Points	47 Pryor St. N.E.	$797,983
Community Loan & Investment Corp. of Fulton County	778 Marietta St. N.W.	$592,862

*New office--Data unavailable

Community Loan & Investment Corp. of Georgia	45 Forsyth St. N.W.	$837,700
Community Loan & Investment Corp. of North Georgia	72 Forsyth St. N.W.	$560,412
Community Loan & Investment Corp. of West End	603 Ashby St. S.W.	$343,780
Courtesy Finance Co.	553 Ashby St.	$490,577
Courtesy Finance Co.	3240 Peachtree Rd.	$197,030
Courtesy Finance Co.	337 W. Peachtree St.	$299,194
C.T.C. Finance Corp.	945 Marietta St. N.W.	$837,672
C.T.C. Finance Corp.	652 Peachtree St. N.E.	$849,282
C.T.C. Finance Corp.	62 Pryor St. N.E.	$836,790
C.T.C. Finance Corp.	1739 Stewart Ave. S.W.	$588,014
C.T.C. Finance Corp.	88 Walton St.	$832,043
C.T.C. Finance Corp.	821 Gordon St. S.W.	$659,629
Customers Loans Corp.	5-A Forsyth St. N.W.	$599,074
Customers Loans Corp.	585 Peachtree St. N.E.	$681,484
Delta Finance Co.	600 Peachtree St.	$301,595
Dial Finance Co. of Atlanta	820 Gordon St. S.W.	$333,617
Dial Finance Co. of Georgia	127 Peachtree St. Rm. 212 N.E.	$607,764
Dixie Company	82 Pryor St. N.E.	$ 99,941
Dixie Finance Corp.	1992 A Hankhead Ave.	$382,627
Dollar Loan Co.	86 Ivy St. N.E.	$120,352
Domestic Loans of Broadview, Inc.	2581 Piedmont Rd. N.E.	$264,128
Domestic Loans of Atlanta	3131 Campbellton Rd.	$484,796
Employees Finance Co.	43-45 Walton St. N.W.	$688,521
Finance Management, Inc.	4080 Peachtree Rd. N.E.	$ 88,584
Ford Finance Co.	83 Alabama St. S.W.	$145,293
Ford Motor Credit Co.	3376 Peachtree Rd. N.E.	$489,100
Franklin Finance Co.	2796 Lakewood Ave. S.W.	$377,299
Franklin Finance Co.	1080 Peachtree St. N.E.	$285,772
Freeman Finance & Thrift Co., Inc.	651 Lee St. S.W.	$703,[illegible]
G.A.C. Finance Corp.	1401 Peachtree St. Building N.W.	$626,[illegible]
G.A.C. Finance Corp. of Atlanta	6 Pryor St. S.W.	$670,427
G.A.C. Finance Corp. of Atlanta	19½ Peachtree St.	$652,431
G.A.C. Finance Corp. of Atlanta	56½ Broad St. Healy Building	$402,010
G.A.C. Finance Corp. of Atlanta	948 Gordon St. S.W.	$806,000
G.A.C. Finance Corp. of Atlanta	1045 Peachtree St. N.E.	$529,837
General Finance Corp. of Atlanta West End	816 Gordon St. S.W.	$787,926
General Finance Corp. of Atlanta Downtown	82 Forsyth St. N.W.	$472,950
General Finance Corp. of Atlanta N.E.	947 Peachtree St. N.E.	$1,045,979
General Finance Corp. of Fulton County	3079 Peachtree St. N.E.	$395,178
General Finance Corp.	714 Moreland Ave.	$ 60,642
Geiger Finance Co.	1182 W. Peachtree St. N.W.	$257,087
Hartsfield Co., Inc. #3	1831 Delowe Dr. S.W.	$256,049
Hartsfield Co., Inc.	112 Forsyth St. N.W.	$201,961
Home Credit Co.	19 Decatur St. N.W.	$883,877
Home Credit Co.	378 Peachtree St. N.E.	$472,031

Home Credit Co. of Fulton	940 Gordon St. S.W.	$582,[illegible]
Home Credit Co. of Atlanta	935 Peachtree St. N.E.	$605,[illegible]
Home Credit Co.	35 Forsyth St. S.W.	$731,[illegible]
Homemakers Loan & Consumer Discount	2964 Peachtree Rd. N.W.	$681,[illegible]
Household Finance Corp. of Atlanta	852 Gordon St. S.W.	$1,260,[illegible]
Household Finance Corp. of Atlanta	193 Peachtree St. N.E.	$1,539,[illegible]
Household Finance Corp.	2841 Greenbriar Pkwy. S.W.	$897,[illegible]
Household Finance Corp. of Atlanta	3093 Peachtree St. N.E.	$553,[illegible]
Ideal Loan & Finance Corp.	114½ Alabama St. S.W.	$ 83,[illegible]
Impala Finance Corp.	3581 Gordon Rd. S.W.	$117,[illegible]
Interstate Securities Co., Inc.	1065 Gordon St. S.W.	$504,[illegible]
Jackson Loan & Finance Co.	72 Alabama St. S.W.	$159,[illegible]
King Finance Co.	103 Broad St. S.W.	$ 81,[illegible]
Legal Finance Co.	80 Pryor St. S.W.	$103,[illegible]
Liberty Loan Corp. of Atlanta	133 Carnegie Way N.W.	$473,[illegible]
Liberty Loan Corp. of West End	549 Ashby St. S.W.	$359,[illegible]
Liberty Loan Corp. of Lakewood	1687 Lakewood Ave. S.E.	$289,[illegible]
Liberty Loan Corp.	95 Spring St. N.W.	$429,[illegible]
Liberty Loan Corp. of Peachtree	1095 Ponce de Leon Ave. N.E.	$359,[illegible]
Liberty Loan Corp. of Shoals	1250 Custer Ave. S.E.	$275,[illegible]
Merit Finance Co. #1	79 Broad St. S.W.	$408,[illegible]
Midland Guardian Co. of Georgia	312 Pharr Rd. N.E.	$191,[illegible]
Midtown Finance Corp.	11 Edgewood Ave.	$ 55,[illegible]
Modern Finance & Investment Co.	89 Alabama St.	$ 84,[illegible]
Motor Contract Co. of Atlanta	635 W. Peachtree St. N.E.	$320,[illegible]
Mutual Finance Corp. of Georgia	84 Peachtree St. N.W.	$272,[illegible]
National Discount Co.	1228 Stewart Ave. S.W.	$293,[illegible]
National Credit Plan	1040 N. Highland Ave.	$ 6,[illegible]
Nationwide Finance Co.	1385 Moreland Ave. S.E.	$211,[illegible]
Nationwide Finance Co.	973 Peachtree Rd. N.E.	$133,[illegible]
Oliver Enterprises, Inc.	71 Alabama St. S.W.	*
Pacific Finance Loans	934 Gordon St. S.W.	$536,[illegible]
Pacific Finance Loans	56 Lenox Square, Building B	$479,[illegible]
Pacific Finance Loans	111 Marietta St. N.W.	$373,[illegible]
Pacific Finance Loans	649 W. Peachtree St. N.E.	$570,[illegible]
Personal Loans Corp.	35 Pryor St.	$299,[illegible]
Piedmont-Tenth Finance Co.	33 Peachtree Pl.	$235,[illegible]
Planned Credit, Inc.	1182 W. Peachtree St. N.W.	$555,[illegible]
Premier Loan Co.	1164 Spring St.	$146,[illegible]
Public Finance Corp. of Atlanta #2	449 Ponce de Leon Ave N.E.	$533,[illegible]
Public Finance Corp. of Atlanta #3	587 Ashby St. S.W.	$449,[illegible]
Quality Finance Co.	886 Peachtree St. N.E.	$352,[illegible]
Seaboard Finance Co.	5 Forsyth St. N.W.	$481,[illegible]
Seaboard Finance Co.	11 Decatur St. S.E.	$977,[illegible]
Seaboard Finance Co.	111 Whitehall St. S.W.	$346,[illegible]
Southern Discount Co. of Atlanta	878 Gordon St. S.W.	$441,[illegible]
Southern Discount Co.	54 Broad St. N.W.	$594,[illegible]
Southern Discount Co.	919 W. Peachtree St. N.E.	$763,[illegible]
State Loan & Thrift Corp	91 Alabama St. S.W.	$127,[illegible]

*New office--Data unavailable

Sterling Acceptance Corporation	1023 W. Peachtree St. N.W.	$968,1[illegible]
Sun Finance Co.	399 Cleveland Ave. S.W.	$313,4[illegible]
Sun Finance Co.	3585 Buford Hwy.	$328,3[illegible]
Terrplan, Inc.	688 W. Peachtree St. N.W.	$500,761
Terrplan, Inc. of Atlanta	44 Tenth St. N.W.	$489,[illegible]
Terrplan, Inc. of East Atlanta	453 Moreland Ave. N.E.	$383,[illegible]
Terrplan, Inc. of Georgia	8 Pryor St. S.W.	$601,972
Terrplan, Inc.	2323 Marietta Blvd.	$296,0[illegible]
Terrplan, Inc.	801 Cascade Ave. S.W.	$255,0[illegible]
Tine Finance Service	145 Alabama St. S.W.	$135,49[illegible]
Town Finance Corp. of Atlanta	57 Auburn Ave. N.E.	$454,739
United Service Security Corp.	3½ Edgewood Ave.	$1,502,95[illegible]
Universal C.I.T. Credit Co.	1795 Peachtree Rd. N.E.	$404,95[illegible]
Walton Loan Co.	143 Alabama St. S.W.	$105,231
Welcome Finance Co.	75 Plaza Way	$ 39,347

FULTON COUNTY (Outside City of Atlanta)

Advance Finance Co.	1711 W. Washington St., East Point	$223,650
Airport Credit Corp.	3450 International Blvd., Hapeville	$220,187
American Credit Corp.	1776 W. Washington Rd., East Point	$234,859
American Finance System	2697 Main St., East Point	$345,073
Associates Financial Services	535 E. Central Ave., Hapeville	$260,7[illegible]
Beneficial Finance Co.	2052 Headland Dr., East Point	$670,714
Century Finance Company	1606 Cleveland Ave. S.E., East Point	$217,150
Credithrift of America	3169 Main St., East Point	$267,874
Community Finance Corp.	1603 Cleveland Ave., East Point	$216,529
Dixie Finance Corp.	43 Sloan St., Roswell	$219,791
C.A.C. Finance Corp.	617 N. Central Ave., Hapeville	$320,566
General Finance Corp. of East Point	1618 Willingham Dr., East Point	$561,9[illegible]
Home Credit Co.	1776 Washington Rd., East Point	$355,369
Liberty Loan Corp. of College Park	1861 W. Harvard Ave., College Park	$254,921
Liberty Loan Corp. of Hapeville	628 S. Central Ave., Hapeville	$250,965
Martin Finance Co. of Sandy Springs	6124 Roswell Rd. N.E., Sandy Springs	$413,260
National Finance Co.	2761 Main St., East Point	$153,777
Peoples, Inc. of Fairburn	50 Hudson Plaza, Fairburn	$103,493
Public Finance Corp. of Georgia #2	3284 S. Main St., College Park	$520,649
Southern Discount Co.	1749 E. Virginia Ave., College Park	$300,125
Southern Discount Co. of Hapeville	768 N. Central Ave., Hapeville	$567,139
Universal C.I.T. Credit Co.	2519 Main St., East Point	$376,352

Factors

Detailed statistics on Atlanta factoring operations are not available. However, The C & S National Bank, since its 1965 acquisition of Joel Hurt Factors, has operated one of the major Atlanta-based factoring operations, as a department of the bank. Trust Company of Georgia has for many years had a factoring department, and the First National Bank of Atlanta now operates a factoring department in affiliation with Walter E. Heller and Company, New York.

Atlanta and Fulton County factoring operations are shown in the following list.

C & S National Bank
120 Marietta St., N.W.

Civic Southern Factors Corporation
3224 Peachtree Rd., N.W.

Crompton-Richmond Co., Inc. Factors
235 Peachtree St., N.E.

Eastern General Factor Corporation
2750 Stewart Ave., S.W.

Heller Factors, Inc.
First National Bank Tower

Georgia Factors, Inc.
1430 W. Peachtree St., N.W.

National Factor and Investment Corp.
1447 Peachtree St., N.E.

Piedmont Factors, Inc.
3110 Maple Dr., N.E.

Rawleigh, Moses and Co., Inc.
First National Bank Building

Southern Acceptance Corporation
270 Peachtree St., N.W.

James Talcott, Inc.
2 Peachtree St., N.W.

Trust Company of Georgia
25 Pryor St., N.E.

Mortgage Companies

At present there are 93 mortgage company offices operating in Fulton County, with virtually all of them headquartered in the City of Atlanta.

Several major Atlanta banks, including The Citizens and Southern National Bank, have acquired or are in the process of acquiring mortgage companies to supplement their existing commercial real estate operations. In 1969 The C & S National Bank purchased General Mortgage and Realty Company, Inc., of Atlanta, which has been incorporated into the Bank's real estate department. Trust Company of Georgia has announced plans to acquire the mortgage loan operations of Adair Realty and Loan Company, Atlanta, and The First National Bank of Atlanta is purchasing the mortgage loan operations of Tharpe and Brooks, another major Atlanta mortgage company.

A list of Atlanta and Fulton County mortgage company offices in operation as of December, 1969 follows.

MORTGAGE COMPANY OFFICES, YEAR-END 1969

ATLANTA

Adair Realty and Loan Company
56 Peachtree St. N.W.

Adams Cates Company
Hurt Building

Advance Mortgage Company
230 Peachtree St. N.E.

Allied Mortgage Consultants, Inc.
Candler Building

American Funding Company of Georgia, Inc.
3400 Peachtree Rd. N.E.

Atlanta Mortgage Brokerage Company, Inc.
847 Hunter St. N.W.

Frederick W. Berens, Inc.
225 Peachtree St. N.W.

Cameron Brown Company
Peachtree Center South

Catalina Pools
1720 Peachtree St. N.E.

Charter Commercial & Investment Loan Company
Equitable Building

Cheves - Green Enterprises
95 Fairlie St. N.W.

Collateral Investment Company
Peachtree Center Building

Commercial Acceptance Corporation
30 Pryor St. S.W.

Commercial Loan Insurance Corporation
20 Marietta St. N.W.

Consolidated Mortgage & Investment Company
195 Auburn Ave. N.E.

Continental Acceptance Corporation
1164 Spring St. N.W.

Mrs. Ben S. Coop
First National Bank Building

Customers Loan Corporation
5 Forsyth St. N.W.
585 Peachtree St. N.E.

Draper - Owens Company
44 Broad St. N.W.

Equitable Investment Corporation
465 E. Paces Ferry Rd. N.E.
15 Peachtree St. N.E.

Etheridge & Company, Inc.
3110 Maple Dr. N.E.

J. H. Ewing & Sons
Healy Building

Federal National Mortgage Association
34 Peachtree St. N.W.

Fickling and Walker, Inc.
Peachtree Center Building

Fidelity Trust Company
First National Bank Building

Financial Associates
Candler Building

Financial Consultants, Inc.
Fulton National Bank Building

First Mortgage Advisory Group
3355 Lenox Rd. N.E.

Georgia Loan & Trust Company
141 Carnegie Way N.W.

Georgia Mortgage & Development Corporation
3379 Peachtree Rd. N.E.

B. M. Grant & Company
730 Ponce de Leon Ave. N.E.

Great American Management Corporation
100 Peachtree St. N.W.

Freeman E. Groover
Carnegie Building

Guardian Mortgage Corporation
Hurt Building

Gulf South Mortgage & Investment Company
Candler Building

Haas & Dodd
Haas - Howell Building

John C. Haislip Company
Atlanta Gas Light Tower Building

Harris Mortgage Company
Fulton National Bank Building

Walter E. Heller and Company
First National Bank Building

Herlis Realty Company
10 Pryor St.

Holleman Emerson
Rhodes Haverty Building

IDS Mortgage Corporation
First National Bank Building

Inland Mortgage Company
32 Peachtree St. N.W.

Investment Mortgage Company
148 Cain St. N.E.

Investors Diversified Services, Inc.
830 W. Peachtree St. N.W.

Investors Research Corporation of America
William Oliver Building

J. A. R. Realty Company
First National Bank Building

J.J. Corley Company
Atlanta Federal Savings Building

J. I. Kislak Mortgage Corporation
230 Peachtree St. N.E.

Kissell Dimension Mortgage Loans
Hartford Building

C. D. Le Ley & Company
Trust Company of Georgia Building

W. B. Leedy & Company, Inc.
443 E. Paces Ferry Rd. N.E.

Legal Messenger Service International, Inc.
1720 Peachtree St. N.W.

Lincoln Home Mortgage Company
First National Bank Building

Martin & Bazzell, Inc.
Georgia Life & Health Building

Massell Mortgage Company
40 Pryor St. S.W.

K. H. McEvoy
Rhodes Haverty Building

Mc Intyre Realty Company
Healy Building

Miller - Terrell Company, Inc.
615 Peachtree St. N.E.

Mortgage Acceptance & Credit Corporation
465 Boulevard S.E.

Mortgage Associates, Inc.
730 Peachtree St. N.E.

Mortgage Investments, Inc. of Georgia
90 Fairlie St. N.W.

Mortgage Securities, Inc.
600 W. Peachtree St. N.E.

National Home Acceptance Corporation
Peachtree Center Building

North American Acceptance Corporation
1720 Peachtree St. N.E.

Northwestern Mutual Life Insurance Company of Milwaukee
Trust Company of Georgia Building

Peachtree Mortgage Corporation
925 W. Peachtree St. N.E.

Pine State Securities Corporation
Fulton Federal Building

Prudential Mortgage Company of America
828 W. Peachtree St. N.W.

Ravenel Company, Inc.
National Bank of Georgia Building

Real Estate Loan Company
Atlanta Federal Savings and Loan Building

Real Estate Loans & Investment Company
355 Peachtree St. N.E.

R. T. Roberts Realty Company
93 Stratford Dr. N.W.

Security Mortgage Corporation
1365 Peachtree St. N.E.
2192 Campbellton Rd. S.W.

Security Mortgage Investors
1718 Peachtree St. N.W.

Yancey L. Shaver
1371 Peachtree St. N.E.

Southern Acceptance Mortgage Corporation
Peachtree Center Building

Southwestern Life Insurance Company
1800 Peachtree St. N.E.

Spratlin, Harrington & Thomas, Inc.
620 Peachtree St. N.E.
288 E. Paces Ferry Rd. N.E.

Statewide Mortgage Company
Rhodes Haverty Building

J. T. Stewart Mortgage Company, Inc.
830 W. Peachtree St. N.W.

D. L. Stokes & Company, Inc.
1789 Peachtree Rd. N.E.

Summerlin, William Company
William Oliver Building

Tharpe & Brooks, Inc.
728 W. Peachtree St. N.W.

Thomas & Hill, Inc.
230 Peachtree St. N.E.

United Mortgage Servicing Corporation
Atlanta Gas Light Tower Building
805 Peachtree St., N.E.

Roy D. Warren Company, Inc.
Title Building

Weyman and Company
William Oliver Building

William Mortgage Company
National Bank Building

FULTON COUNTY (Outside City of Atlanta)

Scott Hudgins Realty & Mortgage, Inc.
Scott Hudgins Building, Hapeville

Security Mortgage Corporation
805 Main St., College Park

Tharpe & Brooks, Inc.
3419 International Blvd., Hapeville

Tri-City Realty & Mortgage, Inc.
3270 Main, College Park

Insurance Companies

Atlanta and Fulton County have a number of locally-based insurance companies which, along with regional offices of many of the major insurance companies, actively compete in the real estate lending field. However, there are no available statistics indicating the extent of this lending activity in the relevant Fulton County market.

EXHIBIT D

EFFECT OF PROPOSED TRANSACTION ON COMPETITION

Competition between C & S East Point (Applicant) and C & S North Fulton and C & S Sandy Springs (Other Banks), to all extent, is non-existent. Of the total randomly selected sample of 2,509 C & S East Point and 1,969 C & S Sandy Springs IPC deposit customers there was only one mutual customer. The balance of this account was $3,000 -- compared to the total IPC sample for these two banks of $10,861,512. No mutual IPC deposit customers were found between C & S East Point and C & S North Fulton.

The same basic finding also holds true for C & S North Fulton and C & S Sandy Springs. Of the total randomly selected sample of 1,024 C & S North Fulton and 1,969 C & S Sandy Springs IPC deposit customers there were only two mutual customers. The balance of these accounts was only $279 -- compared to the total IPC sample for these two banks of $7,464,613.

A review by the participating banks shows the existence of no mutual loan customers.

EXHIBIT E

EFFECT OF PROPOSED TRANSACTION ON COMPETITION

The number of "IPC" deposit accounts of both C & S North Fulton and C & S Sandy Springs that "originate" in the primary service area of C & S East Point are almost non-existent. Of the total randomly selected sample of 1,024 C & S North Fulton "IPC" accounts, only one was located in the C & S East Point primary service area. Also, only five of the randomly selected sample of 1,969 Sandy Springs accounts were located in the C & S East Point primary service area.

In the same manner, few "IPC" deposit accounts of C & S East Point "originate" in the primary service areas of C & S North Fulton and C & S Sandy Springs. Of the total randomly selected sample of 2,509 C & S East Point "IPC" deposit accounts, only 13 "originate" in the C & S North Fulton primary service area; and 20 "originate" in the C & S Sandy Springs primary service area.

The primary service areas of C & S North Fulton and C & S Sandy Springs overlap in that sector of North Fulton County extending north from Interstate Highway 285 to the Chattahoochee River. C & S Sandy Springs -- which has been in business since 1959 -- still serves a substantial number of customers in this area. Of the randomly selected sample of 1,969 C & S Sandy Springs "IPC" deposit customers, 47.5 percent reside in this area. However, C & S North Fulton, which has been in business since 1967, has only 15 percent of its "IPC" deposit customers (based on a randomly selected sample of 1,024 customers) in the C & S Sandy Springs primary service area.

EXHIBIT F

EFFECT OF PROPOSED TRANSACTION ON COMPETITION

The following schedule indicates the number and dollar amount of loans originated during calendar year 1969 by the Applicant Bank (C & S East Point) and the Other Banks (C & S Sandy Springs and C & S North Fulton). The reasons these placements were made was that these banks were unable to meet the total credit needs of their borrowers due to their legal lending limits.

Participations Sold By:

	Number of Loans	Amount of Loans	Amount Sold	Amount Retained
C & S East Point 1969	14	$1,389,458	$905,712	$483,746
C & S Sandy Springs 1969	61	$2,523,878	$1,707,826	$816,052
C & S North Fulton 1969	35	$1,939,630	$1,643,000	$296,630

EXHIBIT G

EFFECT OF PROPOSED TRANSACTION ON COMPETITION

The following schedule shows the interest rates and service charges on loans and deposits of the Applicant Bank (C & S East Point) and Other Banks (C & S North Fulton and C & S Sandy Springs). A similar schedule of rates and charges would be used by the Resulting Bank.

Schedules of rates and charges of competing banks are not of public information, but are assumed to be quite similar in view of highly competitive conditions prevailing in the relevant market.

Time Deposits

A.	Regular Savings	3½%
B.	TDOA - 5%er	5%
C.	Certificates of Deposit (not being issued)	4½%
D.	Certificates of Deposit (Redeemable every 90 days Guaranteed 10 years)	5%
E.	Certificates of Deposit (Redeemable every year, Guaranteed 10 years)	5½%
F.	Certificates of Deposit (Redeemable every 2 years, Guaranteed 10 years)	5 3/4%
G.	Certificates of Deposit (Rate depends on maturity and market)	5% to 7½%

Demand Deposits

A. Special Checking - .50 per month & .10 per check

B. Regular Checking - Under $250.00 minimum or $1,000 average, .75 per month and .10 per check

C. Commercial Checking - 1.00 per month and .25 per deposit & .02 per item deposited plus .15 per cash deposit & .10 per $100 cash deposited & .05 per check paid, less 7% per annum on average daily collected balance.

Installment Loans

A.	Personal (secured and unsecured)	6% add-on
B.	Commercial (secured and unsecured)	6% add-on

Commercial loans

	Less than $10,000	$10,000 to 50,000	$50,000 and Over
A. Collateral loans - (a)			
1. Government & Municipals	8½	8½	8½
2. Listed Securities and other marketable bonds	8½	8½	8½
3. Cash Surrender Value	8½	8½	8½
4. Unlisted readily marketable Securities	9	9	8 3/4
5. Unlisted - not readily marketable securities	9	9	9

	Less than $10,000	$10,000 to 25,000	$25,000 to 50,000	$50,000 and Over
B. Unsecured				
1. Commercial- (c)	9	9	8 3/4	8½
2. Individual- (c)	9	9	8 3/4	8½

C. Banks - Member and Non-member

1. U. S. Gov't - Atlanta Federal Rediscount Rate - 6% *
2. Municipal Bonds - 6% - or New York rate if available to bank. *

D. Special loans

1. Secured by accounts receivable - 14% minimum
2. Security Dealers - New York rate - 8% on New York Stock Exchange collateral, including "A" and better corporate bonds and "BAA" and better Municipals. Other collateral - 8½% (a)
3. On own savings account - 7%. On own savings certificates - 2% above certificate rate.
4. Loans to S&L Associations on Government Bonds - 8%. Unsecured - 8½%
5. Savings and Loan shares - 8½%.
6. Mortgage notes in process of sale - 8½% (b).

FOOTNOTES:

(a) Preponderance of collateral by value governs.
(b) Rate not to be less than mortgage commitment rate.
(c) Prime names - 8%.
(d) Notes less than $2,000 - 8% also require life insurance.
(e) Executives of major corporate customers - 8%.

$10.00 Service Charge plus 8% interest on all notes of $5,000 and under.

NOTE: Above 8% must be a Corporation borrowing $2,500 or more - or any loan $100,000 or more.

* Loans for a maximum period of 2 weeks related to reserve requirements. Loans in excess of 2 weeks 8%.

EXHIBIT H

TRUST ACTIVITIES

Neither The C & S Bank of East Point (Applicant Bank) nor the two Other Banks (C & S North Fulton and C & S Sandy Springs) have trust departments. All trust business which these banks originate in their service areas is referred to The Citizens and Southern National Bank for handling and servicing.

EXHIBIT 1

STOCK OWNERSHIP

Mr. Louis J. Fortuna, President of The Citizens and Southern Bank of Sandy Springs, owns 2,463 shares or 5.4 percent of the stock of this bank. Mr. A. J. Weinberg of 10 Chatham Road, N. E., Atlanta, Georgia, owns 2,910 shares or 6.4 percent of the stock of C & S Sandy Springs. The C & S Holding Company owns 2,250 shares or 5.0 percent of The Citizens and Southern Bank of Sandy Springs.

The C & S Holding Company also owns 5.0 percent of the stock in C & S North Fulton and 90.25 percent of the stock in the C & S Bank of East Point as of July 31, 1970. Neither of these banks have any officers or directors, owning five percent or more of the stock in these or any other banks.

EXHIBIT J

The Citizens and Southern Holding Company, which currently owns 90.25 percent of the outstanding stock of the C & S Bank of East Point (Applicant Bank), currently owns the following percentage of outstanding stock in seven other affiliate banks located in the State of Georgia:

The Citizens and Southern Bank of Albany	76.72%
The Citizens and Southern DeKalb Bank	91.19%
The Citizens and Southern Bank of Dublin	75.87%
The Citizens and Southern Emory Bank	95.14%
The Citizens and Southern Bank of LaGrange	55.93%
The Citizens and Southern Newnan Bank	70.05%
Citizens and Southern Bank of Thomaston	91.01%

All ownership interests expressed above are as of July 31, 1970.

EXHIBIT K

The proposed transactions will not and will not adversely affect competition in the areas to be served by the Resulting Bank. In fact there will be no effect on competition. The participating banks do not now compete with one another; rather, each offers the same C&S banking services within the same C&S system and under the same C&S banking policies to customers who have chosen banking C&S-style. For like reasons, there is no potential for competition among the participating banks. These banks together now serve a single market—customers who have chosen C&S banking. After consummation of the transaction, the banks will continue to offer the same services to these same customers. If one of the participating banks were unable to offer C&S services it would not thereby become a competitor of the others, since the potential customers of the C&S correspondent associates are only those customers who have chosen C&S banking.

Given the history of the organization, growth, and operation of the correspondent associates, it is clear there is no potential for competition among the participating banks. C&S Holding provides to the correspondent associates (as is more fully discussed in the "Introduction" and "General Information" section hereinabove) the personnel, systems, direction and support which together comprise C&S banking. Further, C&S Holding maintains direct ownership interest through its holding of five per cent of the stock of the correspondent associates. More important is the active and pervasive influence of C&S philosophies of service and operation upon the management of the correspondent associates. Because of this,

as has been noted throughout this Application, the correspondent associates are—so far as stockholders and residents of, and competitors in, the communities served by them are concerned—de facto C&S branches which are now intended to be made de jure branches.

Approval of this Application, therefore, would not affect the competitive situation in the Atlanta area. It would merely complete a process begun years ago in the only way possible—extension of C&S services to the metropolitan Atlanta area. It would leave intact precisely the same banking structure which now exists in Fulton and DeKalb Counties, for in no realistic respect will C&S have by virtue of this transaction any more or any fewer outlets in the areas involved than it had previously. In short, approval of this Application will make possible a long-anticipated change in the form of C&S banking in suburban Fulton and DeKalb Counties with no accompanying change in the substance of the competitive situation there.

TABLE OF CONTENTS

DX-267

Application of

The Citizens and Southern Emory Bank
2963 North Druid Hills Road
Emory (Unincorporated DeKalb County), Georgia

Description	Page No.
Introduction	1
Application	4
Financial History and Condition	8
General Information	9
Statement of Assets and Liabilities	32
Analysis of Accounts	33
Adequacy of Capital Structure	34
Future Earnings Prospects	35
Management	37
Convenience and Needs of Community	39
Exhibit I	40
Exhibit II	46
Exhibit III	62
Exhibit IV	64
Exhibit V	77
Exhibit VI	78
Exhibit VII	81
Consistency of Corporate Powers	80
Effect of Proposed Transaction on Competition	
Exhibit A	83
Exhibit B & C	86
Exhibit D	95
Exhibit E	9[illegible]
Exhibit F	10[illegible]
Exhibit G	102
Exhibit H	105
Exhibit I	106
Exhibit J	107
Exhibit K	108

Attachment
Charter of Applicant Bank

Maps

Supplementary Material - Separate Binder
Agreements Between Participants
Resolutions of Boards of Directors

INTRODUCTION TO APPLICATION

An introductory statement is in order because this is not the run of the mill Application.

This Application asks approval for The Citizens and Southern ("C&S") Emory Bank to acquire the assets of the C&S Banks of Chamblee, Tucker, South DeKalb and the C&S Park National Bank —all in DeKalb County (outside of the City of Atlanta), Georgia. It is a companion to the Application of The C&S Bank of East Point to acquire the assets of C&S Bank of Sandy Springs and the C&S Bank of North Fulton—all in Fulton County, Georgia.

As the names suggest, this is a family affair—it is not the typical acquisition contemplated by the Bank Merger Act of 1960 or by any of the antitrust laws. It is the product of this sequence of circumstances:

(1) In the 1960's, branch banking in Georgia was restricted within municipal and village limits.

(2) The artificiality of that limitation was pronounced in the metropolitan Atlanta area, where the convenience and needs of the community at large demanded full service banking over the entire area—especially over all of Fulton and DeKalb Counties.

(3) To meet those needs and to supply C&S full service banking to those who sought it, the C&S Holding Company joined hands with business leaders in the various communities to give birth to C&S Chamblee, South DeKalb, Park National, and rebirth to C&S Tucker.

(4) These local business leaders supplied needed sponsorship and attracted shareholders and customers; C&S Holding made the 5% share investment permitted by law and supplied the heart of banking, C&S style, to-wit: experienced, responsible management,

staff and employees trained in the C&S system; latest equipment, methods and know-how; accounting services and up-to-date systems; back-up lending capacity; coordinated community-wide C&S advertising program—in short, the total metropolitan banking capacity the communities had asked for. These new banks became known as "correspondent associates" to reflect the closeness of the relationship.

(5) The shareholders and customers of the correspondent associate banks were attracted and are retained by the sponsorship of C&S Holding Company; the closeness of the correspondent associate relationship within the C&S system, and the supply of active management by C&S Holding. They have anticipated the perfection of ownership by C&S Holding as applicable laws permit . . . . C&S Holding has granted use of its name and has furnished these services, management and direction in reliance upon their being sought and followed and upon fulfillment of ownership as applicable laws permit . . . . The sponsorship, name, services, management and direction have been furnished, used and followed and as a result the correspondent associate banks are virtually operated and directed as de facto branches in the C&S system. Stockholders, customers and competitors have recognized that fact.

(6) Through the 1960's the correspondent associates, along with the C&S National Bank and the whole C&S family, have supplied the best of banking services in their areas—limited and restrained only by the very legal artificialities that caused their creation.

(7) Effective January 1, 1971, branch banking is to be permitted countywide in Georgia, and so the de facto arrangements of the 1960's may become the de jure adoptions of 1971. Had the law been otherwise in the 1960's, the original arrangements would have been de novo branches of C&S Emory Bank.

It is relevant to note that the two major competitors of the C&S in Atlanta, to-wit: Trust Company of Georgia and First National Bank of Atlanta, have experienced precisely the same history, for precisely the same reasons, and have filed or are filing precisely comparable applications with the Federal Reserve System and the Comptroller of the Currency, respectively. It is also relevant to our Application to note that the same sequences occurred in Richmond County with Georgia Railroad and Banking Company.

Finally, it is entirely relevant to note that all of the major banks competitive with C&S in Fulton and DeKalb Counties are applying for de novo branches to meet the convenience and the needs of the communities outside present city limits.

Considered together then, the acquisitions contemplated by this Application can produce no anti-competitive results under the Bank Merger Act or under any of the antitrust laws since no change is contemplated—except as to form. No competition now exists between C&S Emory Bank and the four correspondent associate banks involved, and so no competition can be eliminated. The same relationship will continue so far as competitive factors with other banks and financial institutions and customers are concerned. The only change will be the simplification of these relationships.

Thus we ask favorable treatment of the Application—to perfect and fulfill the efforts we made in the 1960's to respond to the calls and give full service banking to the metropolitan Atlanta communities outside the city limits of Atlanta, Decatur and East Point and to make the stockholders of those fine little banks full-fledged stockholders of the C&S National—a fulfillment made possible for the first time by permitted countywide branch banking in 1971.

APPLICATION

TO THE FEDERAL DEPOSIT INSURANCE CORPORATION

by

The Citizens and Southern Emory Bank
(Name of Applicant Bank)

2963 North Druid Hills Road, Atlanta, Georgia
(Address)

FOR PRIOR WRITTEN CONSENT TO EFFECT A MERGER OR OTHER TRANSACTION PURSUANT TO SECTION 18(c) OF THE FEDERAL DEPOSIT INSURANCE ACT, AND INCIDENT THERETO, TO ESTABLISH A BRANCH OR BRANCHES UNDER SECTION 18(d) OF THE FEDERAL DEPOSIT INSURANCE ACT

* * * * *

The original and thirteen copies of this application and all documents, schedules, and exhibits are to be filed with the Supervising Examiner of the Federal Deposit Insurance Corporation of the District in which the head office of the Applicant Bank is located. Inquiries concerning the preparation of the application, schedules, and exhibits should be directed to that office.

The Federal Deposit Insurance Corporation reserves the right to require such additional information as it may deem necessary with respect to any matters in connection with this application, and also the Applicant Bank may supplement the data asked for, if desired. Although final action on an application will not be taken by the Federal Deposit Insurance Corporation until the State Banking Authority of the State in which the Applicant Bank is located has approved or expressed its intent to approve the proposed transaction, the filing of an application need not be delayed awaiting such action by State Authorities.

The Federal Deposit Insurance Corporation will furnish a form of notice and advise the Applicant Bank as to the appropriate intervals for publication of such notice under the requirements of Section 18(c) of the Federal Deposit Insurance Act, as amended. (12 USC 1828(c)). This subsection of the Federal Deposit Insurance Act is printed on the following page.

Section 18(c) of the Federal Deposit Insurance Act
(As Amended)

"Without prior written consent by the Corporation, no insured bank shall (1) merge or consolidate with any noninsured bank or institution or convert into a noninsured bank or institution or (2) assume liability to pay any deposits made in, or similar liabilities of, any noninsured bank or institution or (3) transfer assets to any noninsured bank or institution in consideration of the assumption of liabilities for any portion of the deposits made in such insured bank. No insured bank shall convert into an insured State bank if its capital stock, or its surplus will be less than the capital stock or surplus, respectively, of the converting bank at the time of the shareholders' meeting approving such conversion, without prior written consent by the Comptroller of the Currency if the resulting bank is to be a District bank, or by the Board of Governors of the Federal Reserve System if the resulting bank is to be a State member bank (except a District bank), or by the Corporation if the resulting bank is to be a State nonmember insured bank (except a District bank). No insured bank shall merge or consolidate with any other insured bank or, either directly or indirectly, acquire the assets of, or assume liability to pay any deposits made in, any other insured bank without the prior written consent (i) of the Comptroller of the Currency if the acquiring, assuming, or resulting bank is to be a national bank or a District bank, or (ii) of the Board of Governors of the Federal Reserve System if the acquiring, assuming, or resulting bank is to be a State member bank (except a District bank), or (iii) of the Corporation if the acquiring, assuming, or resulting bank is to be a nonmember insured bank (except a District bank). Notice of any proposed merger, consolidation, acquisition of assets, or assumption of liabilities, in a form approved by the Comptroller, the Board, or the Corporation, as the case may be, shall (except in a case where the furnishing of reports under the seventh sentence of this subsection is not required) be published, at appropriate intervals during a period (prior to the approval or disapproval of the transaction) at least as long as the period allowed under such sentence for furnishing such reports, in a newspaper of general circulation in the community or communities where the main offices of the banks involved are located (or, if there is no such newspaper in any such community, then in the newspaper of general circulation published nearest thereto). In granting or withholding consent under this subsection, the Comptroller, the Board, or the Corporation, as the case may be, shall consider the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and whether or not its corporate powers are consistent with the purposes of this Act. In the case of a merger, consolidation, acquisition of assets, or assumption of liabilities, the appropriate agency shall also take into consideration the effect of the transaction on competition (including any tendency toward monopoly), and shall not approve the transaction unless, after considering all of such factors, it finds the transaction to be in the public interest. In the interests of uniform standards, before acting on a merger, consolidation, acquisition of assets, or assumption of liabilities under this subsection, the agency (unless it finds that it must act immediately in order to prevent the probable failure of one of the banks involved) shall request a report on the competitive factors involved from the Attorney General and the other two banking agencies referred to in this subsection (which report shall be furnished within thirty calendar days of the date on which it is requested, or within ten calendar days of such date if the requesting agency advises the Attorney General and the other two banking agencies that an emergency exists requiring expeditious action). The Comptroller, the Board, and the Corporation shall each include in its annual report to the Congress a description of each merger, consolidation, acquisition of assets, or assumption of liabilities approved by it during the period covered by the report, along with the following information: the name and total resources of each bank involved; whether a report has been submitted by the Attorney General hereunder, and, if so, a summary by the Attorney General of the substance of such report; and a statement by the Comptroller, the Board, or the Corporation, as the case may be, of the basis for its approval. No insured State nonmember bank (except a District bank) shall, without the prior consent of the Corporation, reduce the amount or retire any part of its common or preferred capital stock, or retire any part of its capital notes or debentures."

APPLICATION

The Citizens and Southern Emory Bank (Name of Applicant Bank) . Emory (unincorporated DeKalb County), Georgia (City and State)

hereby applies to the Federal Deposit Insurance Corporation, pursuant to Section 18(c) of the Federal Deposit Insurance Act and the attached certified copies of resolutions adopted by the Boards of Directors of the participating banks, for prior written consent to acquire the assets of, and to assume liability to pay deposits made in the following other Banks:

The Citizens and Southern Bank of Chamblee	Chamblee, Georgia
The Citizens and Southern Bank of Tucker	Tucker, Georgia
The Citizens and Southern Park National Bank	Unincorporated DeKalb County, Georgia
The Citizens and Southern South DeKalb Bank	Unincorporated DeKalb County, Georgia

under the Charter of

Applicant

and with the Title

The Citizens and Southern Emory Bank

Application is also made, pursuant to Section 18(d) of the Federal Deposit Insurance Act, for written consent to the establishment of branches at the following locations occupied by the head office and branches or to be occupied by approved branches of

the Other Banks listed hereinabove

The Citizens and Southern Bank of Chamblee
(Main Office) 5442 Peachtree Industrial Blvd., Chamblee
(Buford Highway Office) 5001 Buford Highway, Chamblee
The Citizens and Southern Bank of Tucker
(Main Office) 2333 Main Street, Tucker
(LaVista Office) 4148 LaVista Rd., Tucker
The Citizens and Southern Park National Bank
(Main Office) 2240 North Druid Hills Rd., Atlanta
The Citizens and Southern South DeKalb Bank
(Main Office) 1987 Candler Road, Decatur
(Rainbow Dr. Office) Candler Rd. and S. Rainbow Dr., Decatur (Approved—not open)

There also are attached, and made a part of this application, a copy of the agreement between the participating banks relating to the proposal which provides the basis of this application, and supplementary statements, schedules, and exhibits relative to the factors which the Federal Deposit Insurance Corporation and other Federal agencies are required to consider under the provisions of the Federal Deposit Insurance Act.

The Applicant Bank represents that the information contained in this

application is true and complete to the best of its knowledge and belief.

Executed this _____ day of _____, 1970.

The Citizens and Southern Emory Bank
(Name of Applicant Bank)

(SEAL)

By _____
(Authorized Officer)

Attest:

_____
(Cashier)

GENERAL INFORMATION

Summarize the reasons and negotiations which led to the filing of this application, and explain fully the extent of common ownership or management of the participating banks.

See Financial History and Condition - General Information.

Has any consideration, monetary or otherwise, been paid, given, or offered to any stockholder, director, or officer of either of the participating banks as compensation or inducement for assistance in consummating the proposed transaction? If so, give full details and reasons therefor.

No.

The desired effective date for the transaction is January 4, 1971. (In selecting this date, take into consideration the requirements of Section 18(c) of the Federal Deposit Insurance Act relating to publication of notice of the proposed transaction.)

(1) FINANCIAL HISTORY AND CONDITION

Information provided by the Applicant should include the date of primary organization of each participating bank, and in chronological order with respect to each such bank the date of any reorganization, merger, consolidation, acquisition of assets, or assumption of deposit liabilities occurring during the past ten years, and the name and location of the head office and branches, description of area served, type of business conducted, total loans, and total deposits of each bank which discontinued operations as a result of such transactions.

Dates of Primary Organization.

The Citizens and Southern Emory Bank - December 11, 1950
The Citizens and Southern Bank of Chamblee- December 14, 1959
The Citizens and Southern Bank of Tucker- October 29, 1919
The Citizens and Southern Park-National Bank- July 5, 1967
The Citizens and Southern South DeKalb Bank- July 1, 1969

Other Acquisitions, etc.

None of the participating banks have within the past ten years participated in any other acquisition, merger, etc., except that in 1969, The Citizens and Southern Bank of Emory acquired the assets of The Citizens and Southern Bank of North DeKalb ("North DeKalb"). North DeKalb was chartered in 1967 under the laws of Georgia, but never opened for business. The main and only office of North DeKalb was located in the North DeKalb Shopping Center, 2052 Lawrenceville Highway, Decatur, and this office is now operated as an office of The Citizens and Southern Emory Bank.

FINANCIAL HISTORY AND CONDITION

General Information

The Citizens and Southern Banks

Branch Banking Laws of the State of Georgia and Their Effect Upon Extension of Citizens and Southern Banking Services in the Atlanta Area

A. Georgia Laws Relating to Branch Banking 1919-1960.

The proposed acquisitions by The Citizens and Southern Emory and East Point Banks of substantially all of the assets and assumption by them of all deposit liabilities of, respectively, the Citizens and Southern Banks of Chamblee, Tucker, South DeKalb, and The Citizens and Southern Park National Bank, and The Citizens and Southern Banks of Sandy Springs and North Fulton affect most directly the Atlanta metropolitan trading area. The effects and benefits of this transaction are discussed in some detail later in this Application. It is essential, however, in understanding the reasons for the proposed transaction and in measuring its effects first to review the history of the laws of the State of Georgia which deal with branch banking. The current banking picture in the Atlanta area is basically a reflection of the history of the branch banking laws of the State of Georgia, and of the Citizens and Southern system's attempt to fulfill its corporate policy of furnishing a full range of banking services in all those areas of the State which, by reason of business and population expansion, require the presence of active and

competitive commercial banking alternatives to maintain and give impetus to the growth of their economies.

At the heart of the Citizens and Southern system is The Citizens and Southern National Bank. The Citizens and Southern National Bank was formerly The Citizens and Southern Bank (a Georgia banking corporation) which resulted from the merger in 1906 of the Citizens Bank of Savannah and the Southern Bank of Georgia. The principal office of the resulting banking institution was at that time in Savannah, Georgia. From 1906 through 1927, The Citizens and Southern Bank (as a state bank) established one or more branches in Athens, Atlanta, Augusta, Macon and Valdosta, Georgia. In 1927, the state bank, The Citizens and Southern Bank, was converted into The Citizens and Southern National Bank (hereinafter referred to as "C&S National"). The Citizens and Southern National Bank continued the previously established branches of The Citizens and Southern Bank. C&S National's home office has remained in Savannah, although its principal executive office is now located in Atlanta.

The Citizens and Southern Bank had been able to establish these branches because there was no legal restriction whatsoever on branch banking in Georgia prior to 1919, when the first comprehensive state banking law was adopted (Ga. Laws 1919, pp. 135, et seq.). The 1919 statute established no geographical limitations, but did set standards for the establishment of branch banks, subject to determination by the State Superintendent of Banks.

The year 1927 is a key year in the history of branch banking in the State of Georgia. In that year, the Georgia

Legislature passed a statute which prescribed the method of operation of branch banks already established and prohibited absolutely the establishment of new or additional branch banks thereafter. The Citizens and Southern (sometimes hereinafter referred to as "C&S") banking system therefore, as well as other banking institutions in the State of Georgia, were after the 1927 statute "frozen" into the alignment of offices which had been established prior to 1927—even though the population of Georgia continued to grow and shift from one location to another, and within the various communities.

Facing the restrictions placed upon branching in 1927, and to meet emerging community needs for banking services, three bank holding companies were created in the State of Georgia during the period from 1927 through 1929. These were (1) the Citizens and Southern Holding Company (hereinafter referred to as the "C&S Holding Company"), which is still actively in business today; (2) Trust Company of Georgia Associates (the holding company of Trust Company of Georgia, a major Atlanta-based bank), also today active in the State of Georgia, with affiliated banks in the cities of Augusta, Columbus, Macon, Savannah and Rome, and in unincorporated DeKalb County; and (3) Hamilton National Associates (a holding company of the Hamilton National Bank of Chattanooga, Tennessee, which today maintains an interest in one Georgia bank located in North Georgia close to the Tennessee line).

The primary business purpose of the Citizens and Southern Holding Company during the years 1927 through 1929 was to afford a means of carrying out The Citizens and Southern

National Bank's corporate policy dedicated to the proposition that banking is, in the first instance, a public service. Through December of 1929, the activity of the Holding Company was limited to the acquisition of four state banks in smaller communities of Georgia—Dublin, Thomaston, Albany, and La-Grange. With the exception of the bank in LaGrange, each of these banks was acquired by the Holding Company in order to make banking services available in Georgia communities formerly served by banks which had failed. The bank in LaGrange was acquired from family owners desirous of selling in order to enter other business. Each of these banks is still owned and operated by the Holding Company today.

In 1929, the Georgia Legislature dealt again with branch banking, in three statutes passed at that time. The first statute allowed the creation of new branch offices in cities having a population not less than 80,000 nor more than 125,000, by banks having their home office in such cities. The second provided that banks having their home office in municipalities with a population of not less than 200,000 might establish branch offices in those municipalities. The third statute, though not in terms a banking statute, provided for extension of the city limits of the City of Atlanta to include as "boroughs" of Atlanta, the communities of East Point, Hapeville, College Park (all in Fulton County); and Decatur, and Avondale Estates (in DeKalb County). Each of the latter five communities was at that time, and is now, a "suburb" of the City of Atlanta. Addition of the population of the City of Atlanta with the boroughs of East Point, Hapeville, College

Park, Decatur, and Avondale Estates, according to the 1930 Census, totalled in excess of 200,000. Pursuant to the 1929 law, the First National Bank of Atlanta and the Fulton National Bank of Atlanta (each having its home office in the City of Atlanta) established branch offices in the "borough" of Decatur and thus operate directly their own offices today in DeKalb County, the Georgia county with greatest recent population growth. C&S National, although it had at the time three branch offices in Atlanta proper, was not, under the terms of the new law, able to establish additional banking offices in Atlanta, since the home office of C&S National remained in Savannah. (It should be noted that the 1929 statute including in the City of Atlanta as boroughs the various suburbs noted above was repealed in 1931.)

Prior to the 1927 statute, of course, branch banks (that is to say, an office in one community of a bank whose home office was elsewhere) were on an equal competitive basis with "home office" banks in the same city. Thus, C&S National at that time was on an equal competitive footing in Atlanta through its Atlanta branch, with the various banks having their home offices in Atlanta. All this was changed by the 1927, and more particularly, by the 1929 statutes, which remained in effect until 1960.

As the economy of the State of Georgia grew, and the demand for banking services increased in metropolitan communities through the state, C&S National could not compete adequately with banks which, by accident of history, had their home offices in cities other than Savannah. This situation

was particularly acute in the fast growing metropolitan areas, especially where growth typically occurred outside the corporate limits of the municipality involved. If the C&S system were to grow in order to meet the needs of the State of Georgia, it could, and did, grow only through utilization of C&S Holding Company.

B. Extension of Citizens and Southern Services in the Atlanta Area, 1929-1960.

(1) The City of Atlanta.

A characteristic example of the efforts undertaken by the C&S system to meet the convenience and needs of a given metropolitan area is the history of the C&S National and the Holding Company in the Atlanta area. It has already been noted that for a time at the end of the 1920's, some of the home office Atlanta banks were able to establish direct branches in the suburbs of Atlanta, including Decatur. After 1929, the Fulton National Bank, Trust Company of Georgia, First National Bank of Atlanta and the Bank of Georgia (now National Bank of Georgia), major banking competitors of the C&S National all having their principal office in Atlanta, also undertook the establishment of new offices throughout the City of Atlanta proper. The C&S National, on the other hand, was unable to establish any additional banking offices in the City of Atlanta (or any other city except Savannah, for that matter) and thus found itself in an adverse competitive situation.

In the Atlanta area, therefore, C&S National by 1948 found itself locked in to the then rather restrictive

corporate limits of Atlanta, as the population of that city grew and moved away from the "center city," and, within the city itself, limited to its three branches established prior to 1927, all of which were located in the downtown area. In order that the C&S system could offer its banking services at other locations in the populous areas to the north of Atlanta, C&S Holding Company acquired in 1949 more than ninety per cent of the stock and control of the Citizens and Southern Bank of Atlanta and, thereafter, of the Citizens and Southern Buckhead Bank in 1951 (both of which were established, state-chartered banks). These banks were operated as part of the C&S system. Their customers had access to the technical services and facilities of C&S National. Management of the two banks was drawn from the staff of C&S National and could call upon the banking resources of C&S National. Later, these two "suburban" banks were merged. In the 1950's the city limits of Atlanta were extended to include the areas in which the resulting bank was located, and in 1960, laws making it possible for C&S National to operate offices in those areas were adopted. The "suburban" Holding Company Atlanta bank was thus merged into the C&S National Bank and its offices became offices of the C&S National branch located in the City of Atlanta.

(2) Extension of Citizens and Southern Services to Other Communities in Fulton and DeKalb Counties, 1929-1960.

Outside the city limits of Atlanta proper as they were extended over the years, the C&S System, through the Holding Company, undertook the management of three additional

affiliate banks in the Atlanta metropolitan area—East Point, Emory and DeKalb. These banks were located in communities having separate and distinct identities of their own—being primarily residential and small business towns or villages where residents and businesses had need of increased banking facilities to meet their needs. Two of these communities are in DeKalb County, and one in Fulton County. This Holding Company growth was permissible under the Georgia laws relating to branch banking, which at the times involved placed no restrictions on bank holding company expansion. In 1956, however, the Georgia Legislature passed a Bank Holding Company Act, freezing and limiting Georgia bank holding companies to the future acquisition of only 15% ownership in banks, and in 1960 a further limiting law was passed reducing permissible ownership a holding company could acquire in banks other than those it controlled to 5%. This latter Act is in effect today. Consequently, since 1956 the C&S System has been unable to expand by means of direct ownership of local banks by the Holding Company.

a. The Citizens and Southern Bank of East Point. This bank was the outgrowth of a series of unfortunate economic experiences on the part of a group of banks in the area of East Point, Georgia. The bank was chartered in 1946 as East Point Commercial Bank, and its assets and liabilities were in turn assumed in 1947 by the newly formed First National Bank of East Point. Thereafter, in November, 1948, when the "group" effort began to encounter difficulties, the Holding Company acquired an interest in the bank and ultimately expanded

this to approximately 90% of the stock of what is now the Citizens and Southern Bank of East Point.

East Point, Georgia has been an incorporated municipality, and a major growth area in Fulton County south of Atlanta—indeed, the City of East Point is now the seventh largest city in the State of Georgia, even though it is thought of as an Atlanta suburb. The Holding Company acquired its interest in the Citizens and Southern Bank of East Point in order adequately to serve an area of Fulton County which, though not initially growing as fast as Atlanta or the DeKalb suburbs, encompassed a significant residential and business community. As in the case of the suburban Atlanta banks in which interest was obtained by the Holding Company as set forth above, the Holding Company was used by the C&S system in the case of East Point for the purpose of extending C&S services to residents and businesses in an area of Atlanta where the National Bank itself was prohibited from operating directly.

b. The Citizens and Southern Emory Bank.

Citizens and Southern Emory Bank is a banking corporation organized in 1950 under the laws of the State of Georgia, all of whose stock (save for directors' qualifying shares) was subscribed for initially and has been held since then by the Holding Company. The C&S Emory Bank is located in a community of DeKalb County which has historically been a center of residential and academic growth near Atlanta. Again, however, Georgia laws regarding branch banking prohibited the National Bank from providing banking services to residents of this

community. Utilization of the Holding Company was once again the answer.

As the community has grown, and as authorized by rulings of the State Banking Superintendent with respect to the limits of the unincorporated "village" of Emory, the Citizens and Southern Emory Bank has established two additional banking offices—one in 1964 and the second in 1968. In this way, the Citizens and Southern System has been able to serve not only the community as it originally existed, but also the expanding shopping and retail business areas in the vicinity as well.

c. The Citizens and Southern DeKalb Bank.

This bank was chartered in 1948 and opened for business in August of 1949 as The Citizens Bank of DeKalb. The bank was located in the incorporated municipality of Avondale Estates, in DeKalb County. Avondale Estates was, and is, a small residential community with a central shopping district, surrounded by residences and some small businesses. The bank encountered business difficulty, and the Holding Company was offered the chance to acquire a substantial interest in the expectation that operation by the Holding Company would better serve the banking needs of the Avondale Estates community and, in 1954, the Holding Company acquired an interest of approximately 90%, and the bank's name was changed to The Citizens and Southern DeKalb Bank. Thereafter, the bank was operated as a part of the C&S system through the Holding Company.

By 1968, the character of the Avondale Estates community and its surrounding area had changed to a decidedly

more shopping center-apartment-subdivision nature than had previously been the case. Since Avondale Estates was incorporated, the Citizens and Southern DeKalb Bank could not locate banking offices outside its municipal limits, and this proved to be a substantial inconvenience for residents and businesses in the area. This problem was alleviated in 1968, when legislation was enacted changing the municipal boundary, with the result that the Citizens and Southern DeKalb Bank thereafter was located outside Avondale Estates. This made it possible for the Citizens and Southern DeKalb Bank to merge with the Citizens and Southern Belvedere Bank, a state bank organized as a "correspondent associate" (see below) with the cooperation of the C&S system for the purpose of serving the newly opened Belvedere Shopping Center and surrounding areas. At the time of this merger, the bank continued under the name of The Citizens and Southern DeKalb Bank, and it presently operates two offices.

(3) Extension of Citizens and Southern Banking Services in the Atlanta Area After 1960.

After 1960, the Georgia laws regarding branch banking and bank holding company operation were such that, in the Atlanta area, the Citizens and Southern system could not operate its own offices (either offices of the National Bank or offices of the Holding Company affiliates in Atlanta and Fulton County described above) except within the City of Atlanta itself; within the City of East Point, within the incorporated municipality of Avondale Estates, and within the village of the community known as Emory (the limits of which

had been set by the Superintendent of Banking according to Georgia law). Given the relatively small areas of Fulton and DeKalb Counties occupied by Atlanta and the three communities other than Atlanta (and the extremely small area of DeKalb County included within the city limits of Atlanta) as compared to the great size of that portion of Fulton and DeKalb Counties located outside these communities, the consequence was that the C&S system was unable to offer banking services to most of Fulton and DeKalb Counties. And it was in 1960 that the remarkable growth of just this part of the Atlanta metropolitan area began in earnest. For instance, the population of DeKalb County has increased from 256,782 in 1960 to 414,085 in 1970. Fulton County has grown from 556,326 in 1960 to 596,700 in 1970, substantially all of this growth coming in areas located outside the City of Atlanta. Most of this growth was in the form of light industry, shopping centers, and office parks in the business sectors, together with subdivisions and apartment complexes in the residential sectors. This mix of growth, if it were to continue and if the prosperity of the Atlanta metropolitan area were to be maintained, required that the full range of banking services available from the C&S system be offered there. Local identification was in many ways important, but C&S felt that the remarkable expansion and prosperity of the Atlanta area outside the City could be maintained only if the full range of C&S services were available there.

C&S, therefore, in 1960 initiated a program of working in cooperation with local residents to establish C&S "correspondent associate" banks in areas where the convenience

and needs of [illegible] full service banking and where interest was such as to encourage the establishment of a C&S banking alternative in the community. In effect, establishment of the correspondent associate banks constituted a form of de novo branching by the C&S system.

The C&S correspondent associate programs in Fulton and DeKalb Counties have worked generally as follows. C&S personnel in cooperation with interested residents and businessmen joined to establish, under state or federal law a bank, or, in the case of the community of Tucker, in DeKalb County, to reorganize an existing bank. The Holding Company purchased in the bank the allowable 5% interest. An officer of C&S system, with sufficient banking experience, was recommended by C&S to the Board of Directors of the correspondent associate bank for the office of President of the bank and, if elected, left the employment of C&S to take up these duties. In most cases there also was an infusion of additional management by C&S, and such infusion continued through the years as circumstances required. Management of each correspondent associate has been responsive to the general policy decisions of C&S. Officers of the correspondent associates attend the regular meetings of C&S officers in Atlanta. The correspondent associate banks received all aid which C&S gives to its branches and affiliates in serving the banking needs of the public. The various banking resources of C&S National, such as advice in connection with investment portfolio, market research, computer services for handling banking transactions, and credit and accounting procedures were placed at the disposal of the correspondent associates. Permission was given to each correspondent associate bank to use the "C&S" name and logo, and these banks also benefitted from coordinated advertising campaigns for C&S services. Employees of these banks have been eligible to participate in C&S pension and profit sharing plans, and C&S various employee

benefits (such as group life, hospitalization, accident and long-term disability insurance) have been extended to cover employees of the correspondent associate banks in the Atlanta area.

In response to the patterns of growth and development in Fulton and DeKalb Counties the six correspondent associate banks whose acquisition by the C&S system is the subject of the two current companion Applications were organized from late 1959 through 1969 as follows.

(1) The Citizens and Southern Bank of Sandy Springs ("Sandy Springs"). Sandy Springs, Georgia, is a "bedroom" community adjoining the City of Atlanta, to the north, in Fulton County. The Sandy Springs area represented the first example of the new "boom" in residential and business growth in North Fulton County in the early 1960's. Sandy Springs was organized with the assistance of C&S as a national banking association in December, 1959, as the Citizens National Bank of Sandy Springs. The Holding Company purchased a 1% interest in the outstanding stock of the Sandy Springs bank. In October, 1969, Sandy Springs was converted to a State chartered bank under the laws of the State of Georgia as the Citizens and Southern Bank of Sandy Springs. It conducts full service banking operations as a main office in Sandy Springs. Substantial development of residential, commercial, medical and retail facilities in the immediate area of Sandy Springs all resulted in part from the availability of full C&S banking services through and from Citizens and Southern Bank of Sandy Springs.

Mr. Louis J. Fortune, President of Sandy Springs since January, 1965, had been employed by C&S National since 1948. Two other officers of Sandy Springs had been employed by C&S National before coming to Sandy Springs.

(2) The Citizens and Southern Bank of Chamblee ("Chamblee"). The Citizens and Southern Bank of Chamblee was organized as a national banking association in May, 1960, as Chamblee National Bank. C&S participated with a group of businessmen from the Chamblee, Georgia area of DeKalb County in the organization of the Bank, and the Holding Company purchased 5% of the bank's outstanding stock. In October, 1969, Chamblee converted to a state-chartered bank under the laws of Georgia, as The Citizens and Southern Bank of Chamblee.

The town of Chamblee is typical of the several communities in the Atlanta area which have contributed to growth in the Atlanta area. The town includes both residential and business areas. Businesses are both local in nature, such as car dealerships and pharmacies, and national and regional in the scope of their activities. Chamblee conducts full service banking operations through a main office and one branch office. Substantial development of residential and commercial real estate in its primary service area has been significant to Chamblee's success. Chamblee today operates, in addition to its home office, one other office within the town of Chamblee.

The current President of Chamblee is Mr. Hubert L. Harris, who has served in that post since January, 1964. Prior to joining Chamblee, Mr. Harris had been employed by C&S National since 1926. An Assistant Vice President of Chamblee,

serving there since 1963, had previously been an employee of C&S since 1946.

(3) The Citizens and Southern bank of Tucker ("Tucker"). This bank was chartered under the laws of Georgia as the Bank of Tucker in 1919. Through the early 1950's the community of Tucker, in DeKalb County, was predominantly rural in character and this bank served a very limited market, and, consequently, offered very limited banking services. The bank was controlled by a single family prominent in the Tucker community, and owning substantial other businesses there. As the Tucker area began to develop rapidly as both a significant suburban residential market as well as a center for industrial and commercial growth, the bank because of limited services and lack of adequate management, found itself unable to meet the increasing need for a full range of banking services in the Tucker area. The principal stockholders did not desire to undertake direction of a full service bank. To meet these needs effectively, the principal stockholders of the Bank of Tucker requested the cooperation of C&S. Thereupon, in 1965, the Holding Company acquired a 5% interest in the outstanding stock of the Bank of Tucker and cooperated in its upgrading, and Tucker became a correspondent associate. At this time, stockholders also voted to change the name of the bank to the Citizens and Southern Bank of Tucker. The Citizens and Southern Bank of Tucker now operates two offices in the Tucker area, offering the full range of C&S banking services.

Mr. Gus L. Connelly has been President of the Citizens and Southern Bank of Tucker since 1965, and prior to that time had been employed by C&S National since 1958. Two other officers of Tucker have substantial previous employment with C&S National.

(4) The Citizens and Southern Bank of North Fulton ("North Fulton"). The Citizens and Southern Bank of North Fulton was organized by residents of the area located in the further northern portion of Fulton County—characterized by a number of small incorporated municipalities, some farms, and rapidly developing residential areas—with the cooperation of C&S in May, 1967. North Fulton conducts full service banking operations from a main office in Roswell, Georgia, an established and growing municipality. The Holding Company owns the permissible 5% interest in the outstanding stock of North Fulton.

The President of North Fulton is Mr. Hugh F. Lane, who, prior to his assuming that office, had been employed since 1960 by C&S National. North Fulton's Cashier also had substantial prior experience with C&S National before being elected to that office in January, 1969.

(5) The Citizens and Southern Park National Bank ("Park National"). Since the mid-1960's, the intersection of Interstate Highway 85 and North Druid Hills Road in DeKalb County, an area adjacent to the City of Atlanta to the northeast, has developed as the largest suburban office development complex in metropolitan Atlanta—including Executive Park,

Landmark, and Corporate Square—"planned suburban major office complexes." To meet the increasing need for convenient banking services in this area, and to provide C&S services there, leading businessmen whose firms were located in the area requested the assistance of C&S in the organization of a correspondent associate. The Citizens and Southern Park National Bank thus was organized as a national banking association and began business in 1967, 5% of its outstanding stock being purchased at the time of organization by the Holding Company.

The President of Park National since its organization has been Mr. Thomas W. Hazelrig, who had been employed by C&S National since 1951. Two other officers of Park National also had substantial prior experience with C&S National.

(6) The Citizens and Southern South DeKalb Bank ("South DeKalb"). The Citizens and Southern South DeKalb Bank was organized pursuant to the laws of the State of Georgia in 1969 as a C&S correspondent associate, C&S participating with local residents and businessmen and acquiring through the Holding Company at the time of organization 5% of the outstanding stock of the bank. South DeKalb is located in an area of DeKalb County which has developed rapidly as a residential and shopping center for the southern part of the County. The bank's main office is located on the primary traffic artery between the county seat, Decatur, to the north, and the residential subdivisions and new shopping centers in the fast-growing South DeKalb area, which has enjoyed explosive growth since the opening of Interstate Highway 20 between that area and downtown Atlanta. Together with this residential

growth, and associated expansion of retail businesses, establishment of substantial commercial enterprises has established a great need for the availability of the full range of C&S services. The Superintendent of Banking has recently authorized the establishment of an additional office for South DeKalb.

The President of South DeKalb, Mr. Warren L. Berry, had been employed since 1967 by C&S National. One other officer of South DeKalb also has substantial prior employment with C&S National.

D. Branch Banking Laws of Georgia—1970—and C&S in the Atlanta Metropolitan Area.

In 1970, the Georgia Legislature amended the Georgia banking laws to expand the authority of banks to establish additional banking offices in counties where the banks already operated home offices, branch banks or offices thereof (subject to certain restrictions based on population of the county, not material here). The effect of this change in the Georgia banking laws is to make it possible for (1) C&S to establish additional offices in Fulton and DeKalb Counties; (2) the Holding Company's Emory affiliate to establish additional offices in DeKalb County, and (3) the Holding Company's East Point affiliate to establish additional offices in Fulton County. This change in the Georgia laws relating to branch banks is effective as of 1970.

It is relevant to note here that the other major banks competing with C&S in the Atlanta market have also followed a course of association with localized banking organizations in order to provide their own banking services in Fulton and DeKalb Counties where direct establishment of offices was not possible.

First National Bank of Atlanta ("First National"), the second largest bank in the City, in addition to operation of its Decatur branch, cooperated in the operation of The First National Bank of Doraville (a municipality in DeKalb County adjoining Chamblee); The First National Bank of Glenwood (a residential-small business community in DeKalb County); The First National Bank of Tucker, and The First State Bank of

South DeKalb. Trust Company of Georgia Associates (a holding company owned by The Trust Company of Georgia—"Trust Company") has operated directly The Trust Company of Georgia Bank of DeKalb (located at Executive Park, DeKalb County) and also has been associated with Peachtree Bank and Trust Company (in the Brookhaven community of DeKalb County) and Trust Company of Georgia Bank of Sandy Springs. Fulton National Bank, which has a branch in Decatur, is believed to have assisted in the organization of Northeast Commercial Bank (located in Doraville) and has been associated with that bank and the Bank of the South (in the municipality of College Park, Fulton County, Georgia).

Now, two of these competitors—First National and Trust Company—are presently filing with the appropriate bank regulatory applications similar to this one, for approval to incorporate these associated banks directly into the corporate system of the particular banks involved. In each case the reason for the application is the same—the 1970 change in Georgia's banking laws to make possible the completion now of a branching process which originally took the form of association only because of Georgia's artificial restrictions on branch banking in the Atlanta metropolitan area.

C&S management has determined that the C&S system can best serve Fulton and DeKalb Counties (those portions outside the City of Atlanta) by utilizing the two above-named Holding Company affiliates as "county banks"—each identified with the county it will serve. For this reason applications are submitted for C&S Emory to acquire the assets of the C&S correspondent associates in DeKalb County outside Atlanta,

and for C&S East Point to acquire the assets of the C&S correspondent associates in Fulton County outside Atlanta. This plan, if approved, would have, of course, the same overall effect as acquisition of the correspondent associates by C&S National—full integration of the correspondent associates into the C&S system.

The reason for the filing of these applications is simple. The stockholders of the correspondent associates have made clear their desire to bring to their respective communities, banks which offer the full range of services, and, more important, which are guided by the banking philosophy of service to the community which characterizes C&S. The correspondent associates have been organized (in the case of Tucker, strengthened and redirected) solely for the purpose of accomplishing this end.

Similarly, C&S has responded to these needs by identifying itself with these banks. By making the unique attributes of C&S banking services available to them and their customers and their communities, C&S has an investment in the correspondent associate banks; more important, C&S has a commitment to the banks, their customers, their stockholders, and their communities.

The changes in Georgia's banking laws now make it possible for C&S to implement fully its commitment, and for the stockholders of the correspondent associate banks and the communities represented thereby to realize fully their expectations of direct service by the C&S system.

The directors of the corporation at interface banks believe that the proliferation of separate banks each bearing the C&S name is undesirable and inefficient. The boards of each such bank have discussed with C&S personnel the best means of eliminating the artificial separation of the banks from each other and from C&S. The results of these discussions are the proposed plans of reorganization and these applications.

In summary, the purpose of these applications is to seek approval of transactions which will harmonize form with substance: The changes in Georgia's banking laws allow C&S to incorporate in one system of banking that which had to be kept separate in order to comply with those banking laws. C&S met its responsibilities to offer within all applicable banking laws another meaningful banking alternative to growing communities which sought C&S banking services on the only basis then available. Approval of these applications, then, will be the final step in a process begun some ten years ago—expansion by the C&S system of its banking services to all those parts of Fulton and DeKalb Counties where the convenience and needs of the communities involved justified this action.

STATEMENT OF ASSETS AND LIABILITIES
As of June 30, 1970
(In Thousands of Dollars)

	Applicant Bank	Other Banks				Other Banks		Statement Resulting
	Emory	Park Natl.	South DeKalb	Chamblee	Tucker	Total	Adjustments	Bank
ASSETS								
Cash and due from banks	$ 2,759	$1,894	$ 534	$ 2,224	$ 1,826	$ 6,478		$ 9,237
U. S. Government obligations direct & fully guaranteed	3,368	594	535	1,476	1,604	4,209		7,577
Obligations of states and political subdivisions	4,265	719	-	2,644	3,040	6,403		10,668
Other securities	2,527	15	-	-	318	333		2,860
Loans and Discounts	29,788	6,032	2,683	13,620	15,052	37,387		67,175
Bank premises, furniture & fixtures	1,075	54	227	646	862	1,789		2,864
Other assets	404	51	23	143	304	551		955
TOTAL ASSETS	$44,186	$9,389	$4,002	$20,753	$23,006	$57,150		$101,336
LIABILITIES								
Demand deposits	$20,783	$5,548	$1,572	$ 9,890	$11,015	$28,025		$ 48,808
Time and savings deposits	16,154	2,616	1,674	7,059	8,909	20,258		36,412
TOTAL DEPOSITS	$36,937	$8,164	$3,246	$16,949	$19,924	$48,283		$ 85,220
Funds purchased and securities sold under agreements to repurchase	$ -	$ -	$ -	$ -	$ -	$ -		$ -
Other liabilities for borrowed money	-	-	-	-	-	-		-
Other liabilities	3,042	481	130	1,606	865	3,105		6,147
RESERVES ON LOANS AND SECURITIES								
Reserve for bad debt losses on loans	$ 566	$ 33	$ 2	$ 258	$ 256	$ 549		$ 1,115
CAPITAL ACCOUNTS								
Capital notes and debentures	$ 400	$ -	$ -	$ 300	$ 400	$ 700		$ 1,100
Capital	370	400	300	750	660	2,110	(2,110)[a] 679[b]	1,049
Surplus	930	120	250	175	274	819	2,110 (679)	3,180
Undivided profits	1,145	147	54	260	381	842		1,987
Reserve for contingencies and other capital reserves	796	44	-	455	243	742		1,538
TOTAL CAPITAL ACCOUNTS	$ 3,641	$ 711	$ 604	$ 1,940	$ 1,958	$ 5,213		$ 8,854
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	$44,186	$9,389	$4,002	$20,753	$23,006	$57,150		$101,336

DESCRIPTION AND EXPLANATION OF ADJUSTMENTS

(a) Transfer of combined Capital Stock of "Other Banks" to Surplus of "Applicant Bank".
(b) Par value of stock issued as per purchase agreements and resolutions.

E-492

ANALYSIS OF LOAN AND DEPOSIT ACCOUNTS
(Totals agree with Statements on Page 5)

	Applicant Bank	Other Banks			
	Thorn	Park Natl.	South DeKalb	Chamblee	Tuc
		(In Thousands of Dollars)			
ANALYSIS OF LOAN ACCOUNT					
Commercial and industrial loans	$ 7,689	$ 351	$ 608	$ 4,681	$ 2,
Loans to farmers (not on real estate)	-	-	-	-	
Single payment loans to individuals	2,786	751	-	1,130	2,5
TOTAL	$10,475	$1,102	$ 608	$ 5,811	$ 4,9
Loans on farm real estate	$ -	$ -	$ -	$ -	$
Loans on residential property - FHA & GI	-	-	-	-	
Loans on residential property - not guaranteed	2,158	317	-	684	5,0
Loans on business and other property	9,562	152	-	1,072	
TOTAL	$11,720	$ 469	$ -	$ 1,756	$ 5,
Loans to brokers and dealers in securities	$ -	$ -	$ -	$ -	$
Other loans on securities	-	38	-	172	
TOTAL	$ -	$ 38	$ -	$ 172	$
Installment loans on automobiles	$ 2,282	$ 619	$ 225	$ 1,515	$ 2,4
Installment loans on consumer goods	4,143	299	000	472	
FHA - Title I loans (modernization loans)	278	69	-	135	
Other installment loans	879	228	408	177	
TOTAL	$ 7,582	$1,215	$ 633	$ 2,299	$ 2,
All other loans*	$ 11	$3,208	$1,442	$ 3,582	$ 2,
LOANS AND DISCOUNTS - GROSS	$29,788	$6,032	$2,683	$13,620	$15,
DEMAND DEPOSITS					
Individuals, partnerships & corporations	$14,039	$5,364	$1,523	$ 8,946	$10,
United States Government	778	155	29	652	
States and political subdivisions	419	11	18	110	
Banks	5,525	-	-	-	
Certified and officers' checks	31	18	-	182	
Other demand deposits	-	-	2	-	
TOTAL DEMAND DEPOSITS	$20,793	$5,548	$1,572	$ 9,890	$11
TIME DEPOSITS					
Individuals, partnerships & corporations	$15,369	$2,451	$1,524	$ 6,263	$ 8,
United States Government	-	-	150	-	
States and political subdivisions	785	165	-	796	
Banks	-	-	-	-	
Other time deposits	-	-	-	-	
TOTAL TIME DEPOSITS	$16,154	$2,616	$1,674	$ 7,059	$ 8,
TOTAL DEPOSITS	$36,947	$8,164	$3,246	$16,949	$19,
* Loans to financial institutions included in other loans above	$ -	$3,150	$ 850	$ 3,500	$ 2,

(2) ADEQUACY OF CAPITAL STRUCTURE

If additional capital is to be supplied as a part of the proposed transaction, full details should be furnished including the number of shares to be sold, the selling price per share, and to whom warrants to purchase the new shares will be issued.

The capital accounts of applicant bank will be increased by the sum of the total capital accounts of the acquired banks.

In the opinion of the management of the Applicant Bank this proposal, if approved and effected, will result in total deposit liabilities of $ 94,420,000 at the end of one year, $ 104,580,000 at the end of two years, and $ 116,080,000 at the end of three years.

PEOPLES BANCORPORATION

Statements of Current Operating Income and Expense

The following statements include actual current operating income and expenses for the participating banks for the last full calendar year. The estimate for the Resulting Bank gives effect to anticipated economy in operations and any increase or reduction in income or expense which is expected to result from the proposed transaction.

	Applicant Bank	Other Banks				Total Other Banks	Estimated First Twelve Months' Operations of Resulting Bank
	12/31/69 Emory	Park Natl.	South DeKalb	Chamblee	Tucker		
		(In Thousands of Dollars)					
Operating Income:							
Interest and fees on loans	$4,[illegible]	$300	[illegible]	$1,[illegible]	$1,244	$2,712	$[illegible],500
Income on Fed. funds & repurchase agreements	-	-	-	1	-	1	-
Interest and dividends on investments:							
1. U.S. Govt. securities	227	55	7	99	144	305	550
2. U.S. Govt. agencies & corps.	-	-	-	-	-	-	-
3. State & political subdivisions	150	9	-	94	101	199	425
4. Other	-	5	-	1	-	6	10
Trust Department Income	-	-	-	-	-	-	-
Service charges on dep't accounts	320	99	2	244	206	551	1,000
Other service charges, [illegible]	5	1	2	10	1	14	[illegible]
[illegible] operating income	33	17	11	25	37	90	225
TOTAL OPERATING INCOME	$5,[illegible]	$[illegible]	$[illegible]	$1,[illegible]	$1,733	$[illegible]	$7,[illegible]
Operating Expenses:							
[illegible] and wages	$ [illegible]	$[illegible]	$ 9	$ [illegible]	$ 234	$ 602	$1,0[illegible]
Pension and employee benefits	[illegible]	35	-	38	64	155	250
[illegible] on time deposits	1,012	106	9	30[illegible]	379	79[illegible]	1,000
Expense of Fed. funds & r purchase agreements	[illegible]	-	-	-	-	-	-
Interest on other borrowed money	-	-	-	-	4	4	-
Interest on capital notes & debentures	24	-	-	18	24	42	86
Occupancy expense - bank (net)	42	46	3	48	54	148	275
Furniture & equipment, rentals, [illegible], etc.	[illegible]	31	2	3	45	9[illegible]	150
Provision for loan losses (or actual net losses)	7	17	-	7	17	36	45
Other operating expenses	407	81	15	152	186	464	1,000
TOTAL OPERATING EXPENSES	$2,[illegible]	$406	$ 35	$ [illegible]90	$1,007	$2,539	$4,718
[illegible] BEFORE INCOME TAXES AND SECURITIES GAINS OR LOSSES	$1,000	$164	$ 6	[illegible] 64	$ 726	$1,[illegible]	$3,042

Income Before Income Taxes and Security Gains or Losses Previous Five Calendar Years

Year	Applicant Bank	Other Banks				
	Emory	Park Natl.	South DeKalb	Chamblee	Tucker	Total Other Banks
1965	$ 219,341	-	-	$ 151,127	$ 203,087	$ 354,214
1966	232,011	-	-	235,265	173,441	408,706
1967	333,405	$ (8,056)	-	318,795	301,022	611,761
1968	526,875	29,056	-	395,191	443,304	867,551
1969	1,009,741	163,822	$5,812	623,519	692,047	1,485,200
Total	$2,321,373	$184,822	$5,812	$1,723,897	$1,812,901	$3,727,432
Average	$ 464,274	$ 61,607	$5,812	$ 344,779	$ 362,580	$ 774,778

Net Operating Income Real Estate Holding Companies

	Emory	Chamblee	Tucker
1965	$ 34,485	$ 9,156	-
1966	37,806	14,512	-
1967	34,083	15,686	$ 14,314
1968	48,141	20,245	19,274
1969	61,526	19,940	34,429

(L)

List the proposed directors and principal executive officers of the Resulting Bank, and under each name furnish pertinent information as to their principal banking experience and qualifications, major business or professional occupations, and other bank and business affiliations.

PROPOSED DIRECTORS

Name Principal Business & Address	Age	Title	Salary	Par Value of Stock to be Owned in Resulting Bank
Merriell Autrey, Jr. President, C&S Emory Bank 2749 Cosmos Dr. Atlanta, Ga.	44	President and Director	$28,000	$1,000
C. E. Budd President, Tri-State Tractor Co. 6 Berkeley Rd. Avondale Estates, Ga.	46	Director	None	$1,000
J. M. Callaway, Jr. President, Callaway Motors 28 Artwood Rd., N.E. Atlanta, Georgia	62	Director	None	$1,250
J. Dan Handley, Jr. V.P. The C&S National Bank 380 Bradcliff Ct., N.E. Atlanta, Georgia	42	Director	None	$1,000
J.F. Hilliard Controller, Emory University 54 Vistavia Circle Decatur, Ga.	49	Director	None	$1,000
John F. Ingram, Jr. V.P. The C&S National Bank 02 Upland Rd. Decatur, Ga.	43	Director	None	$1,000
Thomas A. McCord President, Tom McCord Construction Co. 35 Pinetree Dr. Decatur, Ga.	50	Director	None	$1,000
Thomas V. Patton President, Triton, Inc. Doraville, Ga. 498 Montview Dr.,N.W. Atlanta, Ga.	47	Director	None	$1,000
J. L. Stephens, Jr. V.P. and General Mgr. Lennox Industries Decatur, Ga. 470 Embry Circle Gamblee, Ga.	47	Director	None	$1,000
J. S. Thibadeau President, Thibadeau, Shaw & Co., Inc. 384 Ranier Falls Dr. Atlanta, Ga.	45	Director	None	$1,000

Name Principal Business & Address	Age	Title	Salary	Par Value of Stock to be Owned in Resulting Corp.
loyd T. Whitaker resident, Downtown Development Corp. (subsidiary of Cousins Properties) 425 Peachtree Battle Ave. tlanta, Ga.	36	Director	None	$1,000
on N. Howell resident, Miscellaneous Mfg. Co. Tucker, Georgia 520 Elmdale Dr. ucker, Ga.	43	Director	None	$1,000
ouis L. Kennedy en. Mgr., Rich's Inc. 15 N. Superior Ave. catur, Ga.	51	Director	None	$1,000
errell S. Ryan resident eid-Provident Labs, Inc. 318 Mtn. Brook Way, N.E. tlanta, Ga.	40	Director	None	$1,000
ne S. Cofer resident ofer Brothers, Inc. 479 Cofer Circle ucker, Ga.	40	Director	None	$1,000
ester O. Miller ranch Mgr., National Cash Register 70 Kings Way, N.W. tlanta, Ga.	60	Director	None	$1,000
erald M. Powell sident Vice President mployers Insurance of Wausau 571 Northeast Freeway N.E. tlanta, Ga.	62	Director	None	$1,000
rank L. Berry al Estate Investments . O. Box 80424 handler, Ga.	71	Director	None	$1,000
r. Henry T. Williams resident illiams Rexall Drugs, Inc. 277 Henderson Mill Rd. humblee, Ga.	48	Director	None	$1,000
obert L. Mathis .P. and General Manager .L. Mathis Certified Dairy 161 Rainbow Dr. ecatur, Georgia	42	Director	None	$1,000
y B. Holland, Jr. resident olland & Knight Pharmacy 003 Candler Rd. ster, Ga.	49	Director	None	$1,000

PRINCIPAL EXECUTIVE OFFICERS

It is contemplated that Merriell Autrey, Jr., currently president of C&S Emory, will be president of the Resulting Bank. Also, current principal officers of each of the participating banks will likely be retained in an official capacity with the Resulting Bank. These officers are as follows:

Name and Address	Age	Salary	Number of Years Banking Experience	Previous Employment
Merriell Autrey, Jr. Pres., C&S Emory	44	$28,000	19 years	Modern Home Improvement Co. Atl
John W. Troutman V.P., C&S Emory	31	$15,000	6 years	None
David W. Huston Cashier, C&S Emory	29	$11,000	9 years	None
Warren L. Berry Pres., C&S South DeKalb	37	$18,000	12 years	Rich's Inc. Atlanta
Dan Blackwell Cashier, C&S South DeKalb	30	$11,500	10 years	Life Guard Summer Work
Gus I. Connelly Pres., C&S Tucker	38	$22,500	14 years	Navy
Ray F. Bridges Cashier, C&S Tucker	39	$14,000	7 years	1st Nat'l Atlanta State of Ga. Dept of Banking
Hubert L. Harris President C&S Chamblee	63	$26,500	44 years	Winder Nat'l Bank
Roger L. Crow Cashier, C&S Chamblee	27	$11,000	9 years	None
T. Robert Hazelrig Pres., C&S Park National	44	$18,500	19 years	Internal Revenue - Alcohol Tax Unit U. of Ga. Instructo
John M. Montgomery V.P. and Cashier C&S Park National	29	$15,000	6 years	None

(5) CONVENIENCE AND NEEDS OF COMMUNITY

	Population of Head Office (H.O.) City or Town*	Service Area
Applicant Bank	See EXHIBIT I	
Other Bank		
Resulting Bank		

CONVENIENCE AND NEEDS OF COMMUNITY which follows

Assign consecutive numbers and provide the following information with respect to the head office of the Applicant Bank, Other Bank, and each other bank competing within the "service areas"[1] of the participating banks.

No.	Name and Location of Bank	Total Banking Offices	Estimated "IPC"[1] Deposits of H.O. Service Area	Road Miles (M) and Direction (D) from H.O. of Applicant (M)	(D)	Other Bank (M)	(D)

See EXHIBIT II

CONVENIENCE AND NEEDS OF COMMUNITY

which follows

Continue assignment of consecutive numbers and provide the following information with respect to each branch office of (a) Applicant Bank and (b) Other Bank, and (c) each branch office of each other bank competing within the "service areas" of the participating banks.

No.	Name and Location of Bank	Estimated Population Branch Service Area	Estimated "IPC" Deposits Branch Service Area	Road Miles (M), Direction (D), and Number (N) Nearest Listed Office (M)	(D)	(N)

See EXHIBIT I

CONVENIENCE AND NEEDS OF COMMUNITY

which follows

Prepare and attach a map which shows clearly (a) the approximate geographical limits of the "service areas" of each of the participating banks, including the overlapping areas, if any, (b) the assigned number and location of each office of the participating banks, and (c) the assigned number and location of the above listed offices of each other bank competing within the service areas of the participating banks. A key to office numbers, scale of miles, and compass points should be shown on the map.

[1]"Service area" as used herein and applied to a participating bank, a competing bank, or any head office or branch office means the geographical area from which that bank or office derives 75 per cent or more of its deposits, both as to amount and time, of individuals, partnerships, and corporations. Such deposits are shown in published reports of condition of banks and are referred to herein as "IPC" deposits.

EXHIBIT I

CONVENIENCE AND NEEDS OF COMMUNITY

An analysis of the geographic distribution of both demand and time deposits of individuals, partnerships, and corporations of C & S Emory, C & S Chamblee, C & S Tucker, C & S Park National, and C & S South DeKalb was made by the Marketing Research Department of The C & S Holding Company. This analysis was based on randomly selected samples of personal and commercial checking account customers ("IPC" demand); and regular savings account, savings bonds, time deposit open accounts, and individual certificates of deposit customers ("IPC" time). These samples were matched against the U.S. Bureau of the Census address coding guide for the Atlanta Metropolitan Area, prepared for the 1970 Census of Population and Housing, to determine both block and census tract locations for each customer included in the sample groups.

Since the samples were selected on a strictly random basis, the statistical accuracy of the results can be stated. At the 95 percent confidence level, the results of these analyses have a statistical reliability of plus or minus 5 percent.

Primary Service Area, C & S Emory

The primary service area, from which C & S Emory derives approximately 75 percent of its total "IPC" dollar deposits, includes the northern portion of the City of Decatur and a major sector of the west central unincorporated area of DeKalb County. As defined, the C & S Emory primary service area, as shown on the attached map, encompasses all of eight census tracts and portions of five other tracts.

As of April 1, 1970, the defined C & S Emory primary service area had a total population of 79,112 persons. This represents an increase of 23,682 persons, or 42.7 percent, since April 1, 1960.

The following table shows comparative 1960 - 70 population trends for the C & S Emory primary service area and DeKalb County, as a whole.

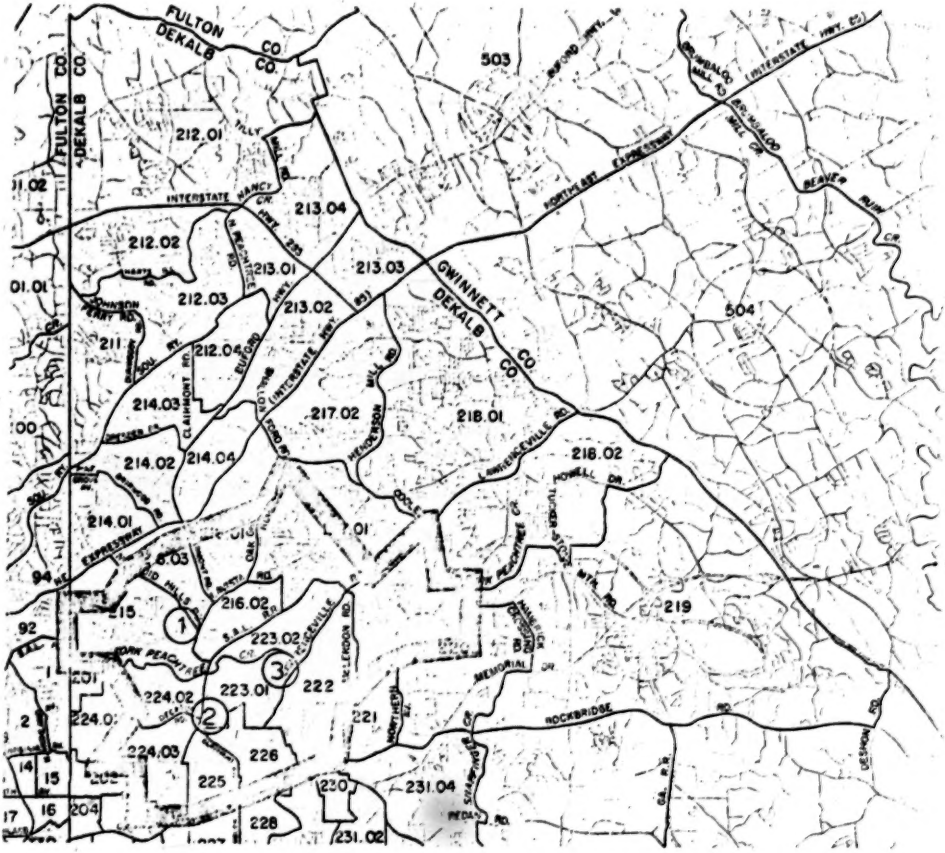
Population Trends C & S Emory
Primary Service Area and DeKalb County
1960 - 70

	1960	1970	Change 1960-70 Number	Change 1960-70 Percent
Primary Service Area	55,430	79,112	23,682	42.7%
DeKalb County	256,782	414,085	157,303	61.3%

Sources: 1960 and 1970 (preliminary figures)
U. S. Bureau of the Census

The following summary shows the percentage share of both number and dollar balances of "IPC" deposit accounts of C & S Emory within its defined primary service area. The principal concentration of C & S Emory's "IPC" deposit accounts (22.2 percent) and dollar balances (34.0 percent) are in census tracts 215,216.02, and 223.01.

	"IPC" Demand	"IPC" Time	Total "IPC"
Number of Accounts			
Primary Service Area	71.9%	71.8%	72.0%
DeKalb County	89.7%	92.2%	91.2%
Dollar Balances			
Primary Service Area	76.5%	78.1%	77.7%
DeKalb County	88.2%	94.5%	92.1%



THE CITIZENS AND SOUTHERN ENORY BANK

PRIMARY SERVICE AREA BOUNDARY

1 MAIN OFFICE

2 CLAIRMONT ROAD BRANCH

3 NORTH DEKALB BRANCH

FEET 0 8000 16000 24000

MILES 0 1 2 3 4 5

NORTH

E- 502

Primary Service Area, C & S Chamblee

The C & S Chamblee primary service area, from which the Bank derives approximately 75 percent of its total "IPC" dollar deposits, includes the City of Chamblee (home of the C & S Chamblee Bank), the adjacent City of Doraville, and a major sector of unincorporated north DeKalb County, as well as a small sector of nearby Gwinnett County. As shown on the attached map, the defined C & S Chamblee primary service area encompasses all of six census tracts and a portion of eight others.

The defined C & S Chamblee primary service area more than doubled in population between 1960 and 1970 -- with most of this growth taking place outside of the relatively small corporate area of Chamblee. As shown in the following table, the C & S Chamblee primary service area had a total population of 53,067 persons as of April 1, 1970. Of this total, approximately 17 percent -- 9,011 persons -- are located within the City of Chamblee.

Population Trends, C & S Chamblee
Primary Service Area and DeKalb County
1960 - 70

Primary Service Area	1960	1970	Change 1960-70 Number	Change 1960-70 Percent
City of Chamblee	6,635	9,011	2,376	35.8%
Rest of P. S. A.	14,219	44,056	29,837	209.8%
Total Primary Service Area	20,854	53,067	32,213	154.5%
DeKalb County	256,782	414,085	157,303	61.3%

Sources: 1960 and 1970 (preliminary figures)
U.S. Bureau of the Census

The following summary shows the percentage share of both number and dollar balances of "IPC" deposit accounts of C & S Chamblee within its defined primary service area and DeKalb County. The principal concentration of C & S Chamblee's "IPC" accounts (27.4 percent) and "IPC" dollar balances (30.2 percent) are in census tracts 213.02 and 217.02.

Number of Accounts	"IPC" Demand	"IPC" Time	Total "IPC"
Primary Service Area	76.2%	79.0%	77.9%
DeKalb County	89.9%	91.6%	90.9%
Dollar Balances			
Primary Service Area	77.7%	75.7%	76.5%
DeKalb County	92.0%	87.4%	89.5%

Primary Service Area, C & S Tucker

The primary service area of C & S Tucker, from which the Bank derives approximately 75 percent of total "IPC" dollar deposits, includes the unincorporated community of Tucker and adjacent portions of unincorporated DeKalb and Gwinnett counties. As shown on the attached map, the defined C & S Tucker primary service area encompasses all of six census tracts and portions of 9 others.

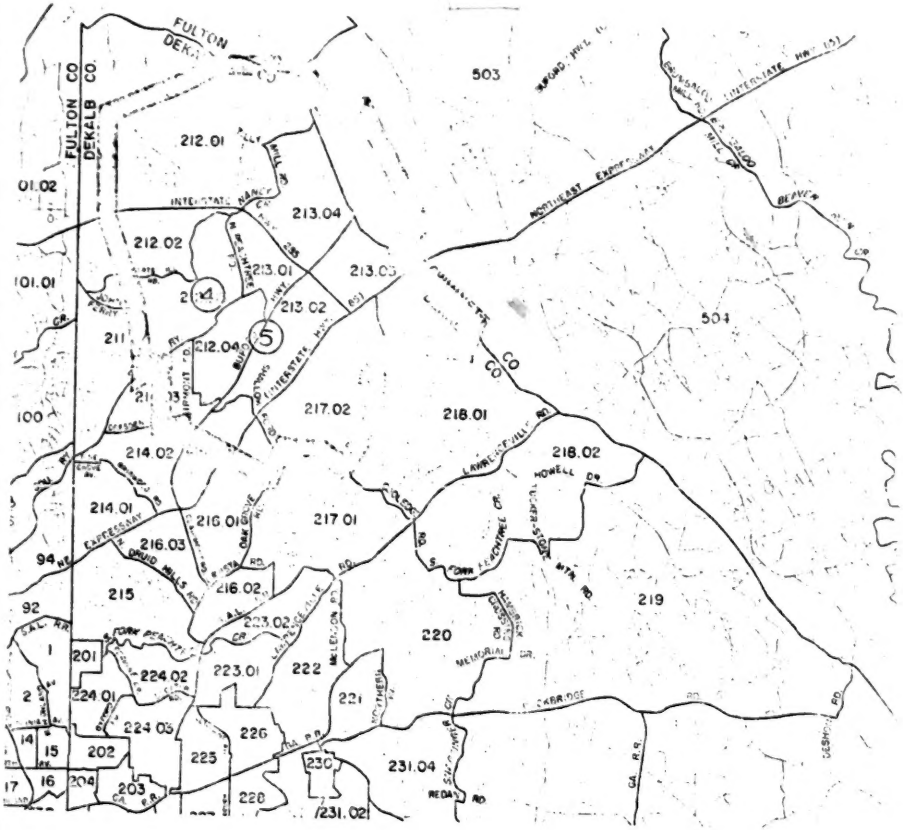
The defined C & S Tucker primary service area represents the fastest growing market sector in DeKalb County during the 1960 - 70 decade. Between 1960 and 1970, the population of the C & S Tucker primary service area almost tripled -- from a 1960 base of 29,264 persons to a total of 82,733 persons as of April 1, 1970. Of the primary service area's current population, about one-fourth lives in the Tucker community.

The following table shows 1960 - 70 population trends for the C & S Tucker primary service area and DeKalb County.

Population Trends, C & S Tucker
Primary Service Area and DeKalb County
1960 - 70

Primary Service Area	1960	1970	Change 1960-70 Number	Percent
Tucker community	6,500	20,643	14,143	217.6%
Rest of P. S. A.	22,764	62,090	39,326	172.8%
Total Primary Service Area	29,264	82,733	53,469	182.7%
DeKalb County	256,782	414,085	157,303	61.3%

Sources: 1960 and 1970 (preliminary figures)
U.S. Bureau of the Census



THE CITIZENS AND SOUTHERN BANK OF CHAMBLEE

PRIMARY SERVICE AREA BOUNDARY

(4) MAIN OFFICE

(5) BUFORD HIGHWAY BRANCH

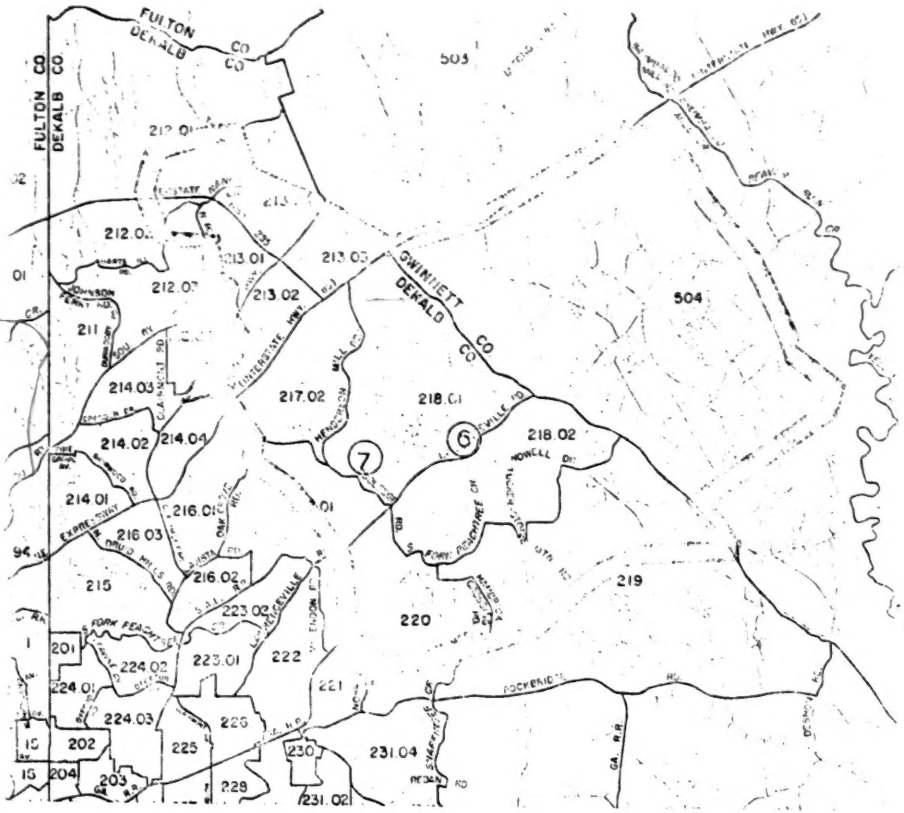
FEET 0 8000 16000 24000

MILES 0 1 2 3 4 5

NORTH

The following summary shows the percentage share of both number and dollar balances of "IPC" deposit accounts of C & S Tucker within its defined primary service area. The principal concentration of "IPC" accounts (30.7% percent) and "IPC" balances (27.7 percent) are within the Tucker community (census tracts 218.01 and 218.02).

	"IPC" Demand	"IPC" Time	Total "IPC"
Number of Accounts			
Primary Service Area	81.0%	81.9%	81.3%
DeKalb County	87.7%	87.9%	87.8%
Dollar Balances			
Primary Service Area	86.3%	70.0%	76.2%
DeKalb County	90.3%	74.2%	80.2%



THE CITIZENS AND SOUTH BANK OF TUCKER

PRIMARY SERVICE AREA BOUNDARY

(6) MAIN OFFICE

(7) LAVISTA BRANCH

FEET 0 8000 16000 24000

MILES 0 1 2 3 4 5

NORTH

Primary Service Area, C & S Park National

The primary service area of C & S Park National, from which the Bank derives approximately 75 percent of its total "IPC" dollar deposits, includes a sector of the west central unincorporated area of DeKalb County, and a small portion of the northeast sector of the City of Atlanta. As shown on the attached map, the C & S Park National primary service area encompasses all of eight census tracts and portions of five others.

As shown in the following table, the defined C & S Park National primary service area had a total population of 71,703 persons as of April 1, 1970. This represents an increase of 28,738, or 66.9 percent, since April 1, 1960.

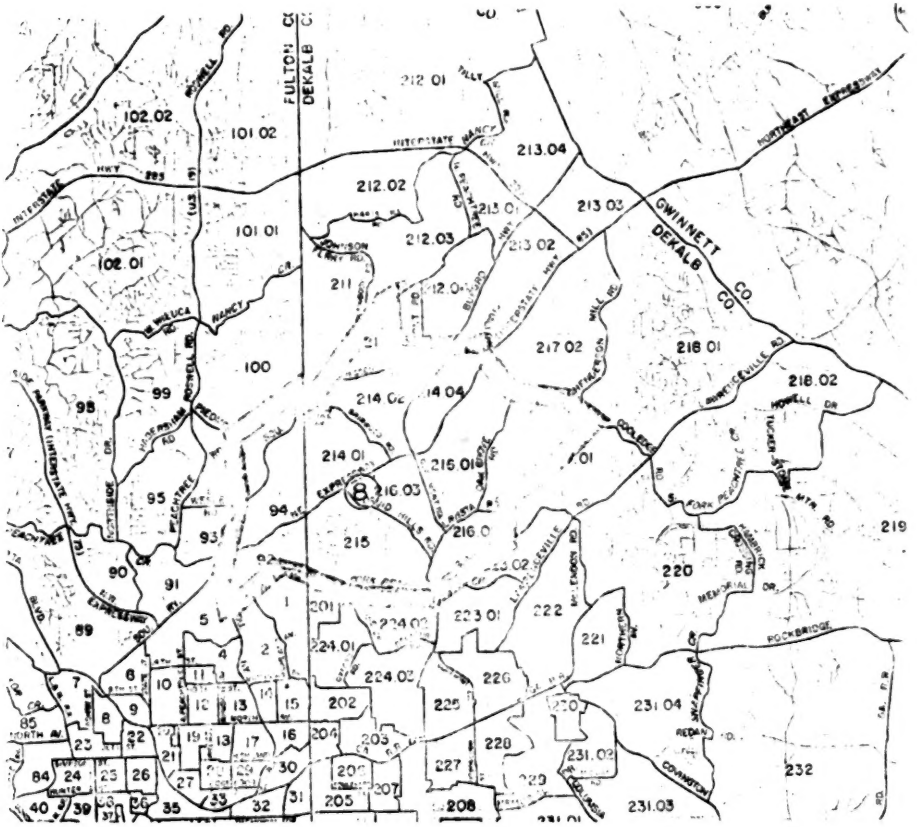
Population Trends, C & S Park National
Primary Service Area and DeKalb County
1960 - 70

	1960	1970	Change 1960-70 Number	Percent
Primary Service Area	42,965	71,703	28,738	66.9%
DeKalb County	256,782	414,085	157,303	61.3%

Sources: 1960 and 1970 (preliminary figures)
U.S. Bureau of the Census

The following summary shows the percentage share of both number and dollar balances of "IPC" deposit accounts of C & S Park National within its defined primary service area and DeKalb County. The principal concentration of accounts (18.8 percent) and dollar balances (27.4 percent) are census tracts 215 and 216.03.

Number of Accounts	"IPC" Demand	"IPC" Time	Total "IPC"
Primary Service Area	69.1%	66.1%	65.6%
DeKalb County	83.2%	84.7%	84.2%
Dollar Balances			
Primary Service Area	73.9%	69.9%	72.8%
DeKalb County	78.3%	77.6%	77.8%



The CITIZENS AND SOUTHERN BANK

PRIMARY SERVICE AREA BOUNDARY

8 MAIN OFFICE

FEET 0 8000 16000 24000

MILES 0 1 2 3 4 5

NORTH

Primary Service Area, C & S South DeKalb

The C & S South DeKalb primary service area, from which the Bank derives approximately 75 percent of its total "IPC" dollar deposits, includes a major portion of the south unincorporated area of DeKalb County. It encompasses all of six census tracts and portions of five others.

As shown in the following table, the C & S South DeKalb primary service area had a total population of 73,043 persons as of April 1, 1970. This represents and increase of 30,516 persons, or 71.8 percent, since April 1, 1960.

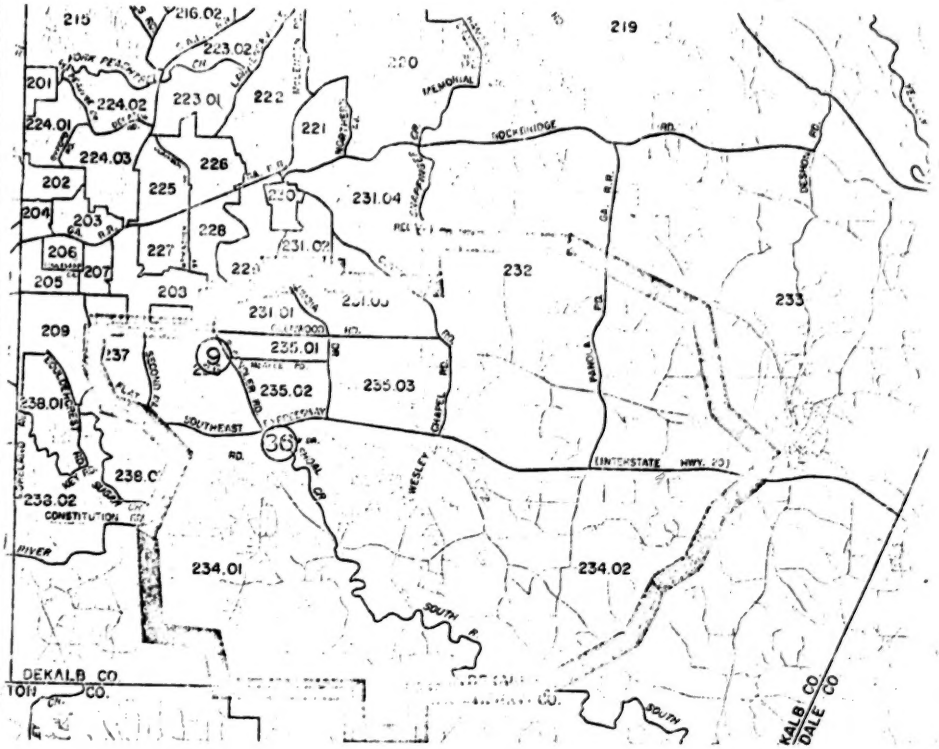
Population Trends, C & S South DeKalb
Primary Service Area and DeKalb County
1960 - 70

	1960	1970	Change 1960-70 Number	Percent
Primary Service Area	42,527	73,043	30,516	71.8%
DeKalb County	256,782	414,085	157,303	61.3%

Sources: 1960 and 1970 (preliminary figures)
U.S. Bureau of the Census

The following summary shows the percentage share of both number and dollar balances of "IPC" deposit accounts of C & S South DeKalb within its defined primary service area and DeKalb County. The principal concentration of C & S South DeKalb's "IPC" accounts (49.8 percent) and "IPC" dollar balances (36.5 percent) are in census tracts 235.01, 235.02, and 236.

Number of Accounts	"IPC" Demand	"IPC" Time	Total "IPC"
Primary Service Area	78.4%	77.3%	77.8%
DeKalb County	89.9%	89.2%	89.6%
Dollar Balances			
Primary Service Area	66.3%	79.4%	74.0%
DeKalb County	74.1%	84.4%	80.2%



THE CITIZENS AND SOUTHERN SOUTH DEKALB BANK

PRIMARY SERVICE AREA BOUNDARY

9 MAIL OFFICE

36 CANDLER RD. AT S. RAINBOW DR. (BRANCH OFFICE)

FEET 0 8000 16000 24000

MILES 0 1 2 3 4 5

NORTH

EXHIBIT II

CONVENIENCE AND NEEDS OF COMMUNITY

The following table shows the map key number and name and location of the Main Office, Clairmont Road Branch, and North DeKalb Branch of The Citizens and Southern Emory Bank (Applicant); and the Main Office and Buford Highway Branch of The Citizens and Southern Bank of Chamblee, the Main Office and LaVista Branch of The Citizens and Southern Bank of Tucker, and The Citizens and Southern Park National Bank and The Citizens and Southern South DeKalb Bank. The same is also shown for each of the other existing 26 banking offices (13 head offices and 13 branch offices) located in DeKalb County, the three approved not-open banking offices, and the 21 banking offices for which applications are pending. Also shown are the dates began business for each existing bank.

The basic source for arriving at total "IPC" deposits for the 23 banks operating in DeKalb County is the June 30, 1970 Report of Condition. Public information is not available on "IPC" deposits for branches in DeKalb County of the Fulton National Bank, The First National Bank of Atlanta, The National Bank of Georgia, and the Trust Company of Georgia. The Fulton National Bank has three branch offices in DeKalb County -- two in the City of Decatur and one in East Atlanta -- a sector of the City of Atlanta which extends into DeKalb County. The First National Bank of Atlanta has two branch offices in the City of Decatur. Both the National Bank of Georgia and Trust Company of Georgia have a branch in the East Atlanta sector of DeKalb County. The estimated "IPC" deposits for these Atlanta banks in DeKalb County were estimated by the Marketing Research Department of The Citizens and Southern Holding Company.

The Citizens and Southern National Bank Moreland Office is located in the East Atlanta sector of DeKalb County, and the "IPC" deposits for this office are those shown on the FDIC Call, Summary of Deposits, June 30, 1970.

A separate table is also attached showing the distances (road miles) and directions from the head office of the Applicant Bank (C & S Emory) and the head offices Other Banks (C & S Chamblee, C & S Tucker, C & S Park National, and C & S South DeKalb) for all existing, approved - not open, and application pending banking locations.

A map of the relevant DeKalb County market is enclosed with this application. This map shows the location of all existing banking offices, approved and not open banking offices, and pending branch applications; as well as the primary service areas of C & S Emory (Applicant Bank) and C & S Chamblee, C & S Tucker, C & S Park National, and C & S South DeKalb (Other Banks).

BANKING OFFICES DEKALB COUNTY
Existing, Approved-Not Open, and Applications Pending
September 1, 1970

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began business	"IPC" Deposits 6/30/70 ($000)
1	The Citizens and Southern Emory Bank Main Office 2963 N. Druid Hills Rd., Atlanta	1964	$29,399
2	Clairmont Road Branch 1237 Clairmont Rd., Decatur	1951	-
3	North DeKalb Branch 2052 Lawrenceville Highway, Decatur	1968	-
4	The Citizens and Southern Bank of Chamblee Main Office 5442 Peachtree Industrial Blvd., Chamblee	1960	$15,209
5	Buford Highway Branch 3301 Buford Highway, Chamblee	1954	-
6	The Citizens and Southern Bank of Tucker Main Office 2333 Main St., Tucker	1919	$18,823
7	LaVista Branch 4148 LaVista Rd., Tucker	1965	-
8	The Citizens and Southern Park National Bank 2240 N. Druid Hills Rd., N.E., Atlanta	1967	$ 7,815
9	The Citizens and Southern South DeKalb Bank 1987 Candler Rd., Decatur	1969	$ 3,047
10	Citizens Bank of Clarkston 4156 E. Ponce de Leon Ave., Clarkston	1970	$ 525

E-517

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)
11	DeKalb County Bank 3361 Clairmont Rd., Atlanta	1970	$ 496
12	DeKalb Exchange Bank 2500 Gresham Rd., Atlanta	1970	$ 288
13	First Bank of South DeKalb 2782 Candler Rd., S.E., Atlanta	1969	$ 1,117
14	Fulton National Bank Decatur Branch 108 E. Ponce de Leon, Ave., Decatur	1931	$40,000
15	Decatur Motor Branch 155 Clairmont Rd., Decatur	1965	-
16	E. Atlanta Branch 411 Flat Shoals Ave., S.E., Atlanta	1958	-
17	Northeast Commercial Bank 5465 Buford Highway, Doraville	1960	$ 1,912
18	Peachtree Bank and Trust Company Main Office 5008 Buford Hwy, Chamblee	1960	$13,100
19	Peachtree Industrial Branch 5370 Peachtree Industrial Blvd., Chamblee	1963	-
20	The Citizens and Southern Bank of Stone Mountain 5473 E. Mountain St., Stone Mountain	1957	$ 6,359
21	The Citizens and Southern DeKalb Bank Main Office 52 N. Avondale Rd., Avondale Estates	1949	$21,437

E-518

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)
22	Belvedere Branch 3556 Memorial Dr., Decatur	1966	-
23	The Citizens and Southern National Bank 436 Moreland Ave., N.E., Atlanta	1948	$12,638
24	The First National Bank of Atlanta Decatur Branch 315 W. Ponce de Leon Ave., Decatur	1928	$26,000
25	East Ponce de Leon Branch 1107 E. Ponce de Leon Ave., Decatur	1965	-
26	The First National Bank of Doraville 5623 Buford Hwy, Doraville	1969	$ 605
27	The First National Bank of Glenwood Main Office 3220 Glenwood Rd., Decatur	1952	$11,869
28	Belvedere Branch 1721 Columbia Dr., Decatur	1963	-
29	The First National Bank of Tucker 2380 Fourth St., Tucker	1965	$ 4,378
30	The National Bank of Georgia 325 Candler Rd., S.E., Atlanta	1966	$ 4,400
31	The Peoples Bank of Lithonia 3065 Stone Mountain Rd., Lithonia	1910	$ 4,905
32	Trust Company of Georgia 514 Flat Shoals Ave., S.E., Atlanta	1956	$21,200
33	Trust Company of Georgia Bank of DeKalb Main Office 3 Executive Park Dr., Atlanta	1966	$17,541

E-519

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)
34	Brookhaven Branch 4021 Peachtree Rd., N.E., Atlanta	1947	-
35	Clairmont - Emory Branch 1937 Clairmont Rd., Atlanta	1969	-

APPROVED -- NOT OPENED

Map No.	Name and Location (Post Office Address)		
36	The Citizens and Southern South DeKalb Bank Candler Rd. and S. Rainbow Dr., Decatur	-	-
37	DeKalb County Bank Clairmont Rd. and Briarcliff Rd., Decatur	-	-
38	Peoples American Bank of Atlanta 1860 Johnson Rd., Atlanta	-	-

APPLICATIONS PENDING

Map No.	Name and Location (Post Office Address)		
39	The Citizens and Southern Emory Bank Perimeter Center -- Ashford-Dunwoody Rd.- I-285, Atlanta	-	-
40	The Citizens and Southern Emory Bank West Court Square, Decatur	-	-
41	Fulton National Bank Chamblee-Dunwoody Rd. at Dunwoody Park	-	-

LICATIONS PENDING

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)
42	Fulton National Bank Main Street and First Avenue, Tucker	-	-
43	Fulton National Bank Henderson Mill Road at Northlake Perimeter	-	-
44	Fulton National Bank Memorial Drive and Mountain Dr., Stone Mountain	-	-
45	Fulton National Bank Panola Rd. and I-20	-	-
46	Fulton National Bank N. Druid Hills Rd. and Saxon Place	-	-
47	Fulton National Bank Mountain Industrial Blvd. and Stone Mountain Freeway, Stone Mountain	-	-
48	Peachtree Bank and Trust Company Perimeter Center -- Ashford-Dunwoody - I-285, Atlanta	-	-
49	Peachtree Bank and Trust Company Henderson Mill Rd. and LaVista Rd.	-	-
50	First National Bank of Atlanta 2909 N. Druid Hills Rd., Atlanta	-	-
51	First National Bank of Atlanta Buford Highway and Corporate Square Dr.	-	-
52	First National Bank of Atlanta Lawrenceville Highway and N. Druid Hills Rd.	-	-

APPLICATIONS PENDING

Map No.	Name and Location (Post Office Address)	Began Business	"IPC" Deposits 6/30/70 ($000)
53	First National Bank of Atlanta LaVista Rd. and Weems Rd.	-	-
54	First National Bank of Atlanta 4836 Memorial Dr., Stone Mountain	-	-
55	First National Bank of Atlanta 84 Perimeter Center, East, Atlanta	-	-
56	The National Bank of Georgia 4620 Memorial Drive, Decatur	-	-
57	The National Bank of Georgia Ashford-Dunwoody Rd. and I-285	-	-
58	The National Bank of Georgia Briarcliff Rd. - LaVista Rd. near Tucker	-	-
59	The National Bank of Georgia Buford Highway and McElroy Rd., Doraville	-	-

E-522

BANKING OFFICES DEKALB COUNTY
Existing, Approved-Not Open, and Applications Pending
September 1, 1970

Map No.	Name and location (Post Office Address)	Applicant Emory (M)	Applicant Emory (D)	Other Banks: Chamblee (M)	Chamblee (D)	Tucker (M)	Tucker (D)	Park National (M)	Park National (D)	South DeKalb (M)	South DeKalb (D)
	EXISTING BANKING OFFICES										
1	The Citizens and Southern Emory Bank Main Office 2963 N. Druid Hills Rd., Atlanta	-	-	6.1	S	6.8	S	1.7	S	8.0	N
2	Clairmont Road Branch 1237 Clairmont Rd., Decatur	1.9	S	8.0	S	7.2	S	3.8	S	6.1	N
3	North DeKalb Branch 2052 Lawrenceville Highway, Decatur	2.7	E	9.8	S	4.9	S	4.5	S	8.1	
4	The Citizens and Southern Bank of Chamblee Main Office 3442 Peachtree Industrial Blvd., Chamblee	6.1	N	-	-	8.3	N	6.1	N	12.7	
5	Buford Highway Branch 5001 Buford Highway, Chamblee	6.1	N	1.5	S	7.6	N	5.3	N	12.0	
6	The Citizens and Southern Bank of Tucker Main Office 2233 Main St., Tucker	6.8	N	8.2	S	-	-	8.7	N	13.5	
7	LaVista Branch 4148 LaVista Rd., Tucker	4.9	N	6.6	S	2.3	W	6.4	N	11.4	N
8	The Citizens and Southern Park National Bank 2240 N. Druid Hills Rd., N.E., Atlanta	1.7	N	6.1	S	8.7	S	-	-	9.7	N
9	The Citizens and Southern South DeKalb Bank 1987 Candler Rd., Decatur	8.0	S	17.4	S	13.3	S	9.7	S	-	-
10	Citizens Bank of Clarkston 4156 E. Ponce de Leon Ave., Clarkston	4.5	E	9.5	S	2.7	S	6.1	S	9.7	N

E-523

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Applicant Emory (M)	Applicant Emory (D)	Other Banks: Chamblee (M)	Chamblee (D)	Tucker (M)	Tucker (D)	Park National (M)	Park National (D)	South DeKalb (M)	South DeKalb (D)
11	DeKalb County Bank 3161 Clairmont Rd., Atlanta	2.5	N	3.4	S	9.1	S	3.2	E	11.2	N
12	DeKalb Exchange Bank 2300 Gresham Rd., Atlanta	9.8	S	20.4	S	15.1	S	11.4	S	3.0	N
13	First Bank of South DeKalb 2782 Candler Rd., N.E., Atlanta	8.0	S	17.4	S	13.3	S	9.7	S	1.9	S
14	Fulton National Bank Decatur Branch 105 E. Ponce de Leon, Ave., Decatur	3.0	S	10.2	S	7.2	S	4.5	S	3.4	N
15	Decatur Motor Branch 155 Clairmont Rd., Decatur	2.8	S	10.0	S	7.4	S	4.4	S	3.6	S
16	E. Atlanta Branch 411 Flat Shoals Ave., S.E., Atlanta	6.4	S	12.9	S	18.6	S	6.1	S	5.1	[illegible]
17	Northeast Commercial Bank 3465 Buford Highway, Doraville	7.6	N	2.3	E	5.3	N	6.4	N	15.0	[illegible]
18	Peachtree Bank and Trust Company Main Office 5008 Buford Hwy, Chamblee	6.2	N	1.7	S	7.8	N	5.5	[illegible]	17.2	N
19	Peachtree Industrial Branch 5370 Peachtree Industrial Blvd., Chamblee	6.2	N	5.7	W	8.5	N	6.2	N	17.4	[illegible]
20	The Citizens and Southern Bank of Stone Mountain 5473 E. Mountain St., Stone Mountain	9.5	E	15.1	S	5.7	S	11.0	S	17.0	[illegible]
21	The Citizens and Southern DeKalb Bank Main Office 32[illegible] Avondale Rd., Avondale Estates	4.9	S	13.1	S	8.7	S	6.4	S	6.1	[illegible]

524

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Applicant Emory (M)	(D)	Other Banks: Chamblee (M)	(D)	Tucker (M)	(D)	Park National (M)	(D)	South DeKalb (M)	(D)
22	Belvedere Branch 3556 Memorial Dr., Decatur	5.7	S	13.6	S	8.3	S	7.2	S	2.7	N
23	The Citizens and Southern National Bank 436 Moreland Ave., N.E., Atlanta	5.3	S	12.1	S	10.6	S	4.5	S	6.1	N
24	The First National Bank of Atlanta Decatur Branch 315 W. Ponce de Leon Ave., Decatur	3.0	S	10.2	S	7.2	S	4.5	S	3.4	N
25	East Ponce de Leon Branch 1107 E. Ponce de Leon Ave., Decatur	5.3	S	13.4	S	9.1	S	6.8	S	7.2	
[illegible]	The First National Bank of Doraville 5823 Buford Hwy, Doraville	7.2	N	2.7	E	5.3	N	6.8	[illegible]	[illegible]	N
27	The First National Bank of Glenwood Main Office 3270 Glenwood Rd., Decatur	5.7	S	15.9	S	10.6	S	7.2	S	[illegible].1	
28	Belvedere Branch 1221 Columbia Dr., Decatur	5.7	S	13.6	S	8.3	S	7.2	S	[illegible].7	
29	The First National Bank of Tucker 2350 Fourth St., Tucker	7.0	N	8.5	S	.2	N	8.5	N	12.4	
30	The National Bank of Georgia 325 Candler Rd., S.E., Atlanta	5.7	S	15.9	S	10.6	S	7.2	S	1.1	
31	The Peoples Bank of Lithonia 3059 Stone Mountain Rd., Lithonia	19.3	S	24.2	S	12.5	S	20.4	S	[illegible].4	
32	Trust Company of Georgia 514 Flat Shoals Ave., S.E., Atlanta	6.4	S	12.9	S	8.6	S	6.1	S	6.1	N
33	Trust Company of Georgia Bank of DeKalb Main Office 1 Executive Park Dr., Atlanta	1.7	S	6.1	S	8.7	S	.1	S	5.7	N

EXISTING BANKING OFFICES

Map No.	Name and Location (Post Office Address)	Applicant Emory (M)	Applicant Emory (D)	Other Banks: Chamblee (M)	Chamblee (D)	Tucker (M)	Tucker (D)	Park National (M)	Park National (D)	South DeKalb (M)	South DeKalb (D)
34	Brookhaven Branch 4021 Peachtree Rd., N.E., Atlanta	3.8	N	3.4	S	8.3	W	2.3	N	11.9	N
35	Clairmont - Emory Branch 1937 Clairmont Rd., Atlanta	.2	E	6.1	S	6.8	S	1.7	S	8.0	N

APPROVED -- NOT OPENED

Map No.	Name and Location (Post Office Address)										
36	The Citizens and Southern South DeKalb Bank Candler Rd. and S. Rainbow Dr., Decatur	6.0	S	17.4	S	13.3	S	9.7	S	1.9	S
37	DeKalb County Bank Clairmont Rd. and Briarcliff Rd., Decatur	2.3	N	4.5	S	7.6	S	1.5	E	10.2	
38	Peoples American Bank of Atlanta 1860 Johnson Rd., Atlanta	2.3	S	7.6	S	10.2	S	1.9	S	8.0	

APPLICATIONS PENDING

Map No.	Name and Location (Post Office Address)										
39	The Citizens and Southern Emory Bank Perimeter Center -- Ashford-Dunwoody Rd.- I-285, Atlanta	9.8	N	8.0	N	8.7	N	8.3	N	20.1	N
40	The Citizens and Southern Emory Bank West Court Square, Decatur	3.0	S	10.2	S	7.2	S	4.5	S	3.4	N
41	Fulton National Bank Chamblee-Dunwoody Rd. at Dunwoody Park	9.5	N	2.3	N	7.2	N	8.0	N	17.0	N

E-529

LICATIONS PENDING

Map No.	Name and Location (Post Office Address)	Applicant Emory (M)	Applicant Emory (D)	Other Banks: Chamblee (M)	Chamblee (D)	Tucker (M)	Tucker (D)	Park National (M)	Park National (D)	South DeKalb (M)	South DeKalb (D)
42	**Fulton National Bank** **Main Street and First Avenue, Tucker**	6.8	N	8.3	S	.1	N	8.7	N	13.3	N
43	Fulton National Bank Henderson Mill Road at Northlake Perimeter	4.9	N	6.6	S	2.3	W	6.4	N	11.4	N
44	Fulton National Bank Memorial Drive and Mountain Dr., Stone Mountain	6.8	S	11.7	S	6.8	S	8.3	S	4.5	N
45	Fulton National Bank Pamola Rd. and I-20	15.9	S	20.4	S	11.7	S	17.4	S	7.6	N
46	Fulton National Bank N. Druid Hills Rd. and Saxon Place	2.3	W	4.9	S	9.5	S	.8	S	10.4	N
47	Fulton National Bank Mountain Industrial Blvd. and Stone Mountain Freeway, Stone Mountain	7.2	E	11.7	S	1.9	S	8.7	S	12.5	N
48	Peachtree Bank and Trust Company Perimeter Center -- Ashford-Dunwoody - I-285, Atlanta	9.8	N	3.0	N	8.7	N	8.3	N	20.1	N
49	Peachtree Bank and Trust Company Henderson Mill Rd. and LaVista Rd.	4.9	N	6.6	S	2.3	W	6.4	N	11.4	N
50	First National Bank of Atlanta 2609 N. Druid Hills Rd., Atlanta	.1	E	6.1	S	6.8	S	1.7	S	8.6	N
51	First National Bank of Atlanta Buford Highway and Corporate Square Dr.	2.3	N	4.9	S	9.5	W	.8	N	10.4	N
52	First National Bank of Atlanta Lawrenceville Highway and N. Druid Hills Rd.	2.7	E	9.8	S	4.9	S	4.5	S	8.1	N

APPLICATIONS PENDING

Map No.	Name and Location (Post Office Address)	Applicant Emory (M)	Applicant Emory (D)	Other Banks: Chamblee (M)	Chamblee (D)	Tucker (M)	Tucker (D)	Park National (M)	Park National (D)	South DeKalb (M)	South DeKalb (D)
53	First National Bank of Atlanta LaVista Rd. and Weems Rd.	4.9	N	6.6	S	2.3	W	6.4	N	11.4	N
54	First National Bank of Atlanta 4836 Memorial Dr., Stone Mountain	5.3	E	11.7	S	6.8	S	6.8	S	5.3	N
55	First National Bank of Atlanta 84 Perimeter Center, East, Atlanta	9.8	N	3.0	N	8.7	N	8.3	N	20.1	N
56	The National Bank of Georgia 4620 Memorial Drive, Decatur	5.3	S	11.7	S	6.8	S	6.8	S	5.3	N
57	The National Bank of Georgia Ashford-Dunwoody Rd. and I-285	9.8	N	3.0	N	8.7	N	8.3	N	20.1	N
58	The National Bank of Georgia Briarcliff Rd. - LaVista Rd. near Tucker	4.9	N	6.6	S	3.3	W	6.4	N	11.4	N
59	The National Bank of Georgia Buford Highway and McElroy Rd., Doraville	7.2	N	1.9	E	6.1	N	7.2	N	17.4	N

E-528

(5) CONVENIENCE AND NEEDS OF COMMUNITY
(continued)

If the Applicant Bank or Other Bank has pending applications for approval of branches or has received authority to establish branches which are not yet open for business, furnish pertinent details. Such branches are to be listed and numbered in accordance with the sequence established in the foregoing schematic, and should be shown and appropriately identified on the map.

See EXHIBIT III

CONVENIENCE AND NEEDS OF COMMUNITY

Which follows

List the assigned numbers of any branches of the participating banks, including branches approved or applied for, which it is planned to discontinue or abandon if the proposed transaction is effected, and furnish pertinent details.

No branches of participating banks, including branches approved or applied for, are planned to be discontinued or abandoned, if the proposed transaction is effected.

State whether the service area or areas of the Resulting Bank will be predominately agricultural, industrial, residential, or mixed, and describe the growth trend over the past ten years and the present economic outlook. (A concise general statement, rather than statistical data, is desired.)

See EXHIBIT IV

CONVENIENCE AND NEEDS OF COMMUNITY

which follows

Discuss the lending power and capacity of each of the participating banks in relation to the credit needs of its service area, and how the lending power and capacity of the Resulting Bank will relate to those needs.

See Exhibit V

CONVENIENCE AND NEEDS OF COMMUNITY

which follows

Discuss the types of service which the Resulting Bank will offer which are not now offered by the participating banks in their respective service areas, indicating the extent to which such services are offered by other banks or financial institutions in such areas.

See EXHIBIT VI

CONVENIENCE AND NEEDS OF COMMUNITY

which follows

EXHIBIT "H"

CONVENIENCE AND NEEDS OF COMMUNITY

The Applicant Bank (C & S Emory) has submitted applications to the Superintendent of Banks, State of Georgia, and the Federal Deposit Insurance Corporation for permission to establish the following branch offices under The Banking Law, State of Georgia, as amended 1970:

Map No.	Location
39	Perimeter Center Ashford Dunwoody Rd. & I-285 Atlanta
40	West Court Square, Decatur

The Citizens and Southern South DeKalb Bank has received permission from the Superintendent of Banks, State of Georgia to establish the following branch office -- not yet open for business:

Map No.	Location
36	Candler Rd. and S. Rainbow Dr. Decatur

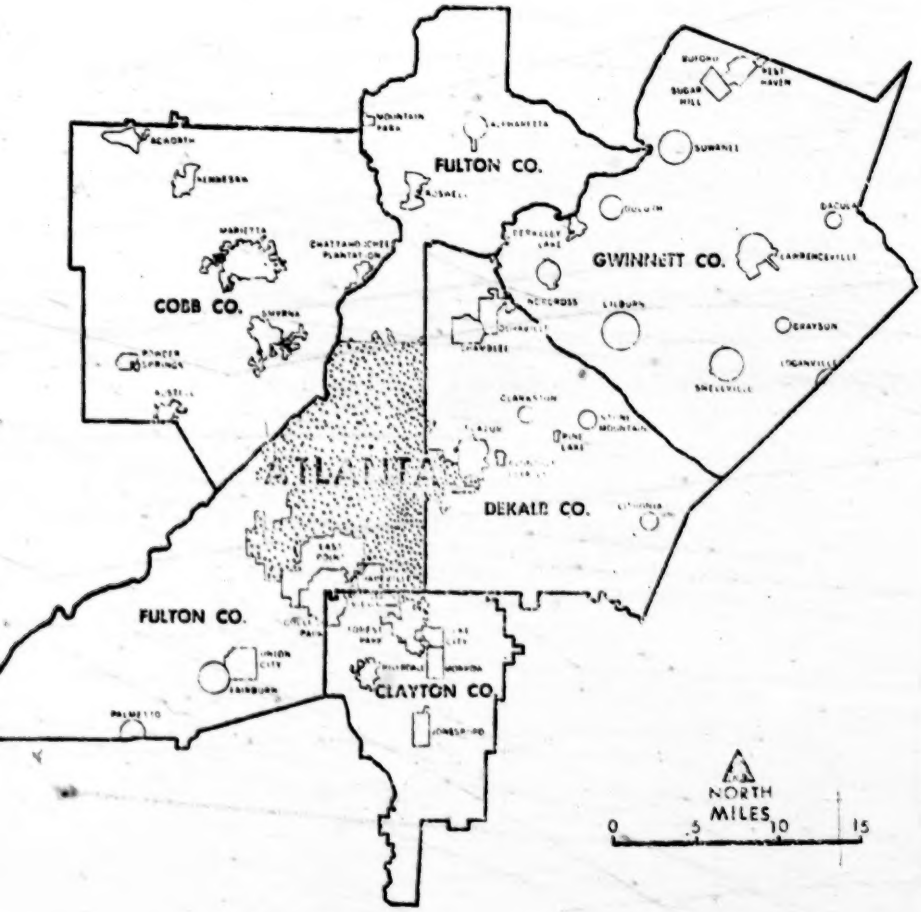
EXHIBIT IV

CONVENIENCE AND NEEDS OF THE COMMUNITY

DeKalb County is the fastest growing county within the five-county Atlanta Standard Metropolitan Statistical Area (SMSA). While DeKalb County's population continues to be swelled by many residents commuting to jobs in other sections of Metropolitan Atlanta, the County is sharing at an impressive rate in the increasing outward movement to the suburbs of new industrial, office, and shopping center developments. These gains in DeKalb's commercial and industrial base are bringing new strength and balance to the County's economic structure.

The following map of the Atlanta SMSA shows the relationship of DeKalb County -- and other metropolitan area counties -- to the central city of Atlanta. Following the map, is presented a review of the major economic trends taking place in the Atlanta SMSA and DeKalb County.

METROPOLITAN ATLANTA



The Atlanta Standard Metropolitan Statistical Area

The Atlanta Standard Metropolitan Statistical Area is the dominant economic hub of the Southeast. Although Atlanta has long been a regional distribution center, it has emerged during the 1960 - 70 decade to a new level -- taking on stronger characteristics as a city tied to the nation as well as the region it serves.

The Atlanta SMSA currently consists of five counties -- Clayton, Cobb, DeKalb, Fulton, and Gwinnett. Preliminary 1970 census figures show that as of April 1, 1970 Metropolitan Atlanta had a population of 1,375,746 persons. This is a 35.2 percent increase since 1960, compared to a 13.9 percent gain for the State of Georgia, and 14.6 percent for five of the southeastern states. Currently 30.6 percent of the State of Georgia's population resides in the Atlanta SMSA, compared to 25.8 percent in 1960.

Looking ahead, the Atlanta SMSA is expected to reach a population of 1,572,900 persons by 1975, 2 million by 1983.

A review of a number of indicators clearly reflect Metropolitan Atlanta's dominant economic role in the Southeast and its emerging role as an important national center.

1. Preliminary 1970 census figures place Metropolitan Atlanta 21st in population among the nation's 231 Standard Metropolitan Statistical Areas.

2. Among the top 20 metropolitan areas in the nation, Atlanta ranked second during the 1960 - 69 period in percentage growth in non-agricultural employment, with a gain of 61.6 percent. Approximately 26,000 jobs were created in Metropolitan Atlanta each year during the 1960's for an annual average of 577,900 in 1969. Total employment should reach 780,000 by 1975. Similar to other inland regional centers (Dallas, Minneapolis - St. Paul and Kansas City) a greater proportion of Atlanta's employment is concentrated in the service-oriented categories of finance - insurance - real estate, transportation - communications - utilities, wholesale, retail trade, and services. This employment distribution reflects Atlanta's position as the management center for the region, not only as a physical collection and distribution point, but in the central centered activities such as finance, business services, and government.

3. Total private construction during the 1959 - 69 period exceeded $3.3 billion in Metropolitan Atlanta. Construction increased from $186.7 million in 1959 to almost $450 million in 1969.

4. Indication of Atlanta's strong regional role as trade capital of the region is the presence of operations of 413 of the Fortune 500 list of the nation's largest industrial corporations. Also represented in Atlanta are 46 of the 50 largest life insurance companies, 19 of the 50 largest retailing companies and 39 of the largest transportation companies.

5. Atlanta is one of the nation's major government centers. There are 90 agencies, departments, or divisions of Federal government operations in Atlanta with approximately 28,500 employees. Total government employment exceeded 89,000 in 1969.

6. Metropolitan Atlanta easily leads the State in per household effective buying income, $11,544 compared to $9,117. It also leads the South Atlantic States ($9,294) and the United States ($10,048). By 1975 Atlanta families should have a disposable income of $15,850.

7. Retail sales more than doubled during the 1958 - 1969 period, from $1.23 billion to $2.73 billion.

8. Reflecting Metropolitan Atlanta's distribution role, wholesale sales increased from almost $4 billion in 1958 to $8.5 billion in 1967, well over a 100 percent increase.

9. Almost 160,000 housing units were constructed in Metropolitan Atlanta in the 1960 - 1969 period. Approximately 40 percent of the total were in multi-family structures. It is expected that 250,000 new housing units will be required during the 1970 - 1980 decade to meet the needs of a growing population. This means that even higher annual rate of production will take place, 25,000 units each year as compared to the 9-year average of almost 18,000 units.

In the same manner, the following list of selected national rankings illustrate the economic vigor of Metropolitan Atlanta:

	National SMSA Ranking
Total residential construction, 1969	11th
Downtown construction, 1967	8th
Residential units authorized for construction, 1969	13th
Postal receipts, 1968	10th
Wholesale trade, 1967	8th
Bank clearings, 1968	9th
Air traffic (enplaned passengers), 1968	4th
Mercantile construction, 1969	6th

DeKalb County

DeKalb County -- one of the five counties making up the Atlanta SMSA -- is Georgia's most rapidly growing county. Between 1950 and 1960, DeKalb became the State of Georgia's second largest county in population size.

Since 1960, DeKalb County has continued to expand its population at a steady upward rate. Preliminary 1970 figures show that DeKalb County has a population of 414,085 persons. Currently 30 percent of the Atlanta SMSA population of 1,375,746 persons reside in DeKalb County; compared to 25.2 percent in 1960 and 18.8 percent in 1950.

The following table shows DeKalb County's population growth since 1950 compared to other counties making up the Atlanta SMSA.

POPULATION, ATLANTA SMSA,
BY COUNTIES, 1950,1960 AND 1970

	1950	1960	1970
Clayton	22,872	46,365	96,172
Cobb	61,830	114,174	196,645
DeKalb	136,395	256,782	414,085
Fulton	473,572	556,326	596,700
Gwinnett	32,320	43,541	72,144
Total	726,989	1,017,188	1,375,746
Percent of Total Atlanta SMSA			
Clayton	3.1%	4.6%	7.0%
Cobb	8.5	11.2	14.2
DeKalb	18.8	25.2	30.1
Fulton	65.1	54.7	43.4
Gwinnett	4.5	4.3	5.3
Total	100.0%	100.0%	100.0%

Sources: 1950, 1960, and 1970 (preliminary figures) U. S. Bureau of the Census

DeKalb County's population growth has been concentrated almost entirely within the large unincorporated area of the county. The largest incorporated area in DeKalb County is that portion of Atlanta in DeKalb, with a current population of 46,596. The City of Decatur is second with a population of 21,963. As shown in the following table, more than one-half of DeKalb's 1950 population was located in its nine incorporated areas. By 1960, this percentage had dropped to 31.9, and by 1970 to 23.6.

Population Trends, Incorporated and Unincorporated
DeKalb County, 1950, 1960 and 1970

Incorporated Areas	1950	1960	1970	Average Annual Net Change 1950-60	Average Annual Net Change 1960-70
Atlanta (in DeKalb)	37,535	41,032	46,596	379	527
Avondale Estates	1,070	1,646	1,714	58	7
Chamblee	3,445	6,635	9,011	319	238
Clarkston	1,165	1,524	4,325	36	280
Decatur	21,635	22,026	21,963	39	-6
Doraville	472	4,437	9,133	397	470
Lithonia	1,538	1,667	2,245	13	58
Pine Lake	566	738	856	17	12
Stone Mountain	1,899	1,976	1,950	8	-3
Total	69,325	81,981	97,793	1,266	1,582
Unincorporated Area	67,070	174,801	316,292	10,773	14,148
Total DeKalb	136,395	256,782	414,085	12,039	15,730

Sources: 1950, 1960, and 1970 (preliminary figures)
U. S. Bureau of the Census

DeKalb County's population growth reflects to a significant degree its role as a "bedroom community" for the central city of Atlanta. In 1960, 56,370 workers lived in DeKalb County and crossed into Fulton County (primarily Atlanta) each day to their place of work. This represented 56.6 percent of DeKalb's employed population. By contrast, only 2.2 percent of Fulton County's employed residents worked in DeKalb.

Within the 1960 - 70 decade there has been a significant increase in the growth of major employment centers in DeKalb -- industrial districts, office parks and shopping centers. These developments have reduced the percentage of employed DeKalb residents commuting to Fulton County. However, because of the tremendous growth of jobs in the Atlanta Central Business District and other sectors of Metropolitan Atlanta, the actual number of DeKalb residents commuting to jobs in Fulton County has increased. Currently, an estimated 75,000 DeKalb residents work in Fulton County.

Looking ahead, DeKalb County is expected to continue to capture an increasing share of Metropolitan Atlanta's population during the next five years. During this period DeKalb is expected to gain 45 percent of the Atlanta SMSA population increase -- advancing to a total population of 502,800, or 32 percent of the Atlanta SMSA total in 1975.

Personal Income

DeKalb County is, to a great extent, a "white collar" professional community. In addition to providing homes for thousands of Atlanta based workers, fine colleges -- Emory, Agnes Scott, Oglethorpe, Atlanta Baptist College, Columbia Theological Seminary, and DeKalb Junior College -- attract students and faculties that add an intellectually stimulating environment. Large professional employers such as U. S. Public Health Services' Center for Disease Control and the Southeastern Region Internal Revenue Service Center add to this quality.

Reflecting its professional employment level, and its large share of resident Atlanta - employed executives, DeKalb County has the highest disposable income per household of any county in the Southeast. In 1969, DeKalb households had an average disposable income of $13,023, compared to $11,544 for the Atlanta SMSA, as a whole. Assuming a slightly reduced inflationary rate, DeKalb households should average $17,200 in disposable income in 1975; compared to $15,850 for the Atlanta SMSA.

Residential Construction

DeKalb County easily led the other four counties in Metropolitan Atlanta in residential construction during the 1960 - 69 period. Of the 88,710 single - family homes constructed in Metropolitan Atlanta during this period, 33.5 percent were built in DeKalb County. The impact of apartment construction is evidenced by the fact that 37.5 percent of total housing units constructed in DeKalb County during this period were multi-family, up from eight percent in 1960.

Retail Sales

As population and personal incomes have grown and traditional central city functions have de-centralized into DeKalb County, major retailing developments have followed. These include the North DeKalb Center at North Druid Hills Road and Lawrenceville Highway (site of the North DeKalb Branch of C & S Emory) and the South DeKalb Center (immediately across from the site of the approved - not open branch office of C & S South DeKalb). In north DeKalb County two new regional shopping centers, Northlake Center at I - 285 and La Vista Road (site of the La Vista Branch of C & S Tucker) and Perimeter Center at I - 285 and Ashford Dunwoody Road (site of a proposed branch of C & S Emory) are under construction.

Between 1963 and 1969, total DeKalb County retail sales jumped dramatically from $256.5 million to $585.7 million. As a result, DeKalb's share of total Atlanta SMSA retail sales increased from 15.8 percent to 21.5 percent.

Employment

The Fulton - DeKalb County economies are so inter-twined that the Georgia Department of Labor does not break out employment between the two in its annual county employment estimates, reporting them as a single unit. Thus, reliable source for data on DeKalb employment from which a time series can be formulated is the County Business Patterns of the Bureau of the Census. These statistics include only those jobs covered by FICA, excluding government employees, self-employed, domestics and certain railroad employees. Nevertheless, certain important trends can be gleaned from these reports.

In 1968, 14.3 percent of Metropolitan Atlanta jobs were in DeKalb, up from 12 percent in 1965 and 11.2 percent in 1962. During the 1962-68 period, DeKalb's employment increased by 84.6 percent to 67,354, almost double the Metropolitan Atlanta rate of climb of 44.5 percent.

DeKalb County is expected to continue to absorb an increasing share of Metropolitan Atlanta employment, advancing to almost 18 percent by 1975 to over 114,000 employees (excluding government employees, self-employed, domestics, and certain railway employees). Important government employers which rapidly inflate this figure are the national headquarters of the U. S. Public Health Services' Center for Disease Control with current employment of 1,534, the Internal Revenue Service Center - Southeast Region with an average of 2,500, and the government of DeKalb County with over 3,000.

Manufacturing employment almost doubled in DeKalb during the 1962-68 period to 15,342. The manufacturing profile has swung from the low-wage industries - textile, apparel, lumber and wood products and furniture and fixtures, to the high-wage categories of paper and allied products, printing and publishing, chemical and allied products and electrical machinery.

Reflecting DeKalb's merger into the Atlanta economic fabric, employment nearly doubled during the 1962-68 period in wholesale and retail trade and services, and more than doubled in the finance, insurance and real estate category.

DeKalb County 1962-68 employment is summarized in the following table:

DeKalb County Employment[1]

	1962	1965	1968
DEKALB COUNTY TOTAL	36,430	47,714	67,354
Agricultural Services	218	313	415
Contract Construction	4,708	6,808	9,736
Manufacturing	8,688	12,515	15,342
Transportation, Utilities, Communication	2,626	2,536	3,200
Wholesale Trade	3,795	5,889	7,462
Retail Trade	7,109	10,299	13,969
Finance, Insurance, Real Estate	1,345	2,180	3,082
Services	7,274	6,770	13,603

[1]Employment as of mid-March pay period each year. Excludes government employees, self-employed persons, farm workers and domestics.

Note: Columns do not add to totals due to figures withheld to avoid disclosure of operations of individual units and employment in unclassified establishments.

Source: Bureau of The Census, County Business Patterns

The first planned industrial district in Metropolitan Atlanta was created in DeKalb County on Peachtree Industrial Boulevard in 1945 (site of the C & S Chamblee main office). DeKalb now has eleven industrial districts, which will likely accomodate most new industries locating in the county. Included among these are: Tucker - Stone Mountain (near the C & S Tucker Main Office), Montreal (near the C & S Tucker La Vista Branch), and Northeast Freeway (near C & S Park National).

The congestion in downtown business districts during the sixties forced the creation of suburban office parks in many of the larger cities. DeKalb County was the recipient of the first one built in Atlanta -- the 122 - acre Executive Park. This major development, as well as the Freeway, Landmark and Corporate Square office parks are within the immediate vicinity of C & S Park National.

Presently there are now eleven major office parks in DeKalb County with almost 10 million square feet of office space existing, under construction or planned. Included are the 1,100,000 square-foot Northlake development (site of the La Vista C & S Tucker Branch) and the 2,000,000 square-foot Perimeter Center development (site of the proposed C & S Emory Branch).

During 1969 industrial and commercial investment in DeKalb County exceeded $20 million, adding 1.944 million square feet and 3,190 employees to the economic base. During the first half of 1970 the investment continued at approximately the same rate with announcements of $9.6 million in new and expanded industrial and commercial facilities.

EXHIBIT V

CONVENIENCE AND NEED OF PROPOSED
LENDING POWER AND CAPACITY OF PARTICIPATING BANKS

The lending power and capacity of participating banks (as well as other banks) are limited in meeting the credit needs of an individual borrower on an unsecured basis to 10% of capital and unimpaired surplus, and on a secured basis to 20% of capital and unimpaired surplus. For both state - chartered in Georgia and national chartered banks capital is defined to include: capital notes and debentures, preferred stock and common stock. For state - chartered banks in Georgia unimpaired surplus includes the surplus account only. For national - chartered banks unimpaired surplus is defined to include: surplus, undivided profits, reserve for contingencies and other capital reserves, plus 50% of the reserve for bad debt losses on loans.

As per call reports of June 30, 1970, the dollar loan limits of each of the participating banks and the Resulting Bank would be as follows:

	Dollar Loan Limit to an Individual Borrower	
	Unsecured	Secured
The Citizens and Southern Emory Bank	$ 170,000	$ 340,000
The Citizens and Southern Bank of Chamblee	122,500	245,000
The Citizens and Southern Bank of Tucker	133,400	266,800
The Citizens and Southern Park National Bank	77,700	155,400
The Citizens and Southern South DeKalb Bank	55,000	110,000
RESULTING BANK	$ 532,900	$1,065,800

As shown above, the Resulting Bank would be in a position to meet the increasing capital needs of individual market area borrowers -- especially growing small and moderate size businesses -- which now, in many cases, can only be handled by the sale of loan participations.

EXHIBIT VI

CONVENIENCE AND NEEDS OF COMMUNITY

The consummation of the proposed transaction will result in more effective service to present customers of the participating banks. Present customers of C&S Chamblee, C&S Tucker, C&S Park National and C&S South DeKalb will have direct access to the full scope and variety of services of the C&S system—which services are available directly to customers of all C&S Holding Company affiliate banks--including: personal and corporate trust services, factoring, real estate lending, enterprise capital loans, international banking, and travel department.

With the availability of a single C&S bank in various areas of DeKalb County, businesses which operate in more than one part of the County will not be required to maintain banking accounts with several banks in order to have ready access to C&S facilities where their business is transacted. Likewise, residents living in one part of the County but working in another part, will have the convenience of dealing with the same bank both at home and where they work.

In summary, there will be no decrease in the types of services now being offered by the participating banks if the proposed transaction is approved. While approval will not bring any immediate expansion of the types of banking services available through the participating banks, it will make the wide range of C&S services directly and more conveniently available to customers of the participating banks.

In addition, the Resulting Bank, because of its larger capital base will be able to serve larger corporate customers —many of which require banks of a certain size before designating them as depositories. It is believed that this factor will enable the Resulting Bank to play a more important role in the community which it will serve. Identification of businesses located in the County with a bank having its main office there will focus the attention of these corporate customers upon the unique opportunities and problems of the DeKalb community served by the Resulting Bank. Similarly, the resultant larger capital base will make it possible for the Resulting Bank to service larger credit needs without the necessity of having to sell participations in loans in order to meet these needs.

The unique range and depth of banking services offered by C&S are not duplicated by other banks serving the areas served by the participating banks. Customers of the C&S correspondent associate banks have, it is felt, chosen them to do business with because of the availability of the C&S services through the banks, even though the correspondent associate status meant that in certain cases the services were available indirectly and by reference. Approval of the transaction would, therefore, enable the participating banks more fully to recognize this choice of their customers and to enlarge their abilities to implement the customer's chosen banking program.

Discuss the past record of the participating banks with respect to their growth, awareness of their responsibilities to the community, and alertness to provide needed services.

See Exhibit VII
CONVENIENCE AND NEEDS OF COMMUNITY
Attached

Other supporting information relative to the factor of convenience and needs of the communities served by the participating banks and to be served by the Resulting Bank is as follows:

None

(6) CONSISTENCY OF CORPORATE POWERS

The Applicant Bank is organized pursuant to Article VIII State Banking Law of Georgia; Chapter 13-9, Code of Georgia, as amended
(Give citation of State statutory provisions)

There is attached hereto a true copy of the Articles of Incorporation or Association of the bank, together with all amendments thereto. (If previously submitted, only subsequent amendments are to be attached.)

(7) EFFECT OF PROPOSED TRANSACTION ON COMPETITION
(Including Any Tendency Toward Monopoly)

The Applicant Bank is requested to furnish herewith as part of this application the following exhibits:

Exhibit A - Schedules showing the total "IPC" deposits, both demand and time, and total loans and discounts of:

1. Applicant Bank, Other Bank, and each other bank competing within the service area or areas of the Applicant Bank;

2. Other Bank, Applicant Bank, and each of the banks competing within the service area or areas of the Other Bank;

3. Resulting Bank and each other bank competing within the service area or areas of the Resulting Bank;

and showing for each service area the percentages of "IPC" deposits and loans and discounts of each bank in relation to the aggregates for that particular service area.

EXHIBIT VII

CONVENIENCE AND NEEDS OF COMMUNITY

With the support of the C&S system, all of the participating banks have actively expanded their services to the communities in which they are located. Implementation of the C&S philosophy that a primary requirement of full-service banking is the service of meeting the growing credit needs of growing communities is illustrated in the following table which sets forth the total loans made by the participating banks during the years 1965-1970 (June 30):

Total Loans ($000)	C&S Emory	C&S Chamblee	C&S Tucker	C&S Park Nat'l	C&S S.DeKalb
December 31, 1965	7,439.5	4,473 5	3,344.9		
December 31, 1966	13,896.7	6,448.4	6,026.4		
December 31, 1967	14,756.1	7,538.7	7,371.0	1,277.2	
December 31, 1968	18,428.1	9,526.8	11,377.5	2,832.2	
December 31, 1969	32,164.7	13,958.6	13,440.2	5,396.3	1,021.0
June 30, 1970	29,787.5	13,620.4	15,051.7	6,031.8	2,683.1

Similarly, the commitments of the participating banks to provide the resources necessary for support of the growing communities served by them is shown in the following table, which reflects the total deposits held by each of the participating banks during the years 1965-1970 (as of June 30).

Total Deposits ($000)	C&S Emory	C&S Chamblee	C&S Tucker	C&S Park Nat'l	C&S S.DeKalb
December 31, 1965	16,362.8	7,530 0	5,224.5		
December 31, 1966	20.414.5	10,204.3	8,028.0		
December 31, 1967	24,291.3	13,102.9	10,815.0	3,638.1	
December 31, 1968	28,938.9	15,617.6	14,452.9	6,041.3	
December 31, 1969	38,497.8	17,224.6	17,998.2	7,300.4	1,550.9
June 30, 1970	36,936.4	16,948.6	19,923.2	8,164.0	3,246.0

The response to the needs of their communities which is demonstrated by the growth shown on the above tables is one measure of the records of the banks involved in this transaction. Equally as important is their record of bringing to their communities the opportunity of participating in the innovative banking services and programs originated by the C&S system, such as individual tax return preparation, payroll accounting plans, bank credit cards and "enterprise lending" (specialized lending programs for small high-risk businesses). This record of expanding the types and numbers of banking services to meet the needs of changing, more economically complex communities, together with the measureable growth in banking resources and activity, demonstrates the awareness of the participating banks to the needs of their communities, and their alertness to provide needed services.

BANKING OFFICES IN DEKALB COUNTY

including banking offices in business as of year-end 1960, and as of September 1, 1970 -- approved not open banking offices -- applications pending for new banking offices.

	In Business 1960	In Business 1970	Approved Not Open	Applications Pending
The Citizens and Southern Emory Bank	1	3	-	2
The Citizens and Southern Bank of Chamblee	1	2	-	-
The Citizens and Southern Bank of Tucker	1	2	-	-
The Citizens and Southern Park National Bank	-	1	-	-
The Citizens and Southern South DeKalb Bank	-	1	1	-
Citizens Bank of Clarkston	-	1	-	-
DeKalb County Bank	-	1	1	-
DeKalb Exchange Bank	-	1	-	-
First Bank of South DeKalb	-	1	-	-
Fulton National Bank	2	3	-	7
Northeast Commercial Bank	-	1	-	-
Peachtree Bank and Trust Company	1	2		2
Peoples American Bank of Atlanta	-	-	1	
The Citizens and Southern Bank of Stone Mountain	1	1	-	-
The Citizens and Southern DeKalb Bank	1	2	-	-
The Citizens and Southern National Bank	1	1	-	
The First National Bank of Atlanta	1	2	-	6
The First National Bank of Doraville.	-	1	-	-
The First National Bank of Glenwood	1	2	-	-
The First National Bank of Tucker	-	1	-	-
The National Bank of Georgia	-	1	-	4
The Peoples Bank of Lithonia	1	1	-	-
Trust Company of Georgia	1	1	-	-
Trust Company of Georgia Bank of DeKalb	1	3	-	-
TOTAL	14	35	3	21

TOTAL "IPC" DEPOSITS AND LOANS
DEKALB COUNTY, JUNE 30, 1970

	"IPC" Deposits June 30, 1970 ($000)	% of Total	Total Loans June 30, 1970 ($000)	% of Total
The Citizens and Southern Emory Bank	$ 29,399	11.1%	$ 29,788	16.4%
The Citizens and Southern Bank of Chamblee	15,209	5.8	13,620	7.5
The Citizens and Southern Bank of Tucker	18,823	7.1	15,052	8.3
The Citizens and Southern Park National Bank	7,815	3.0	6,032	3.3
The Citizens and Southern South DeKalb Bank	3,047	1.2	2,683	1.5
RESULTING BANK	$ 74,293	28.2%	$ 67,175	37.0%
Citizens Bank of Clarkston	528	.2	411	.2
DeKalb County Bank	496	.2	331	.2
DeKalb Exchange Bank	288	.1	48	*
First Bank of South DeKalb	1,117	.4	191	.1
Fulton National Bank	40,000(a)	15.2	21,200(a)	11.7
Northeast Commercial Bank	1,912	.7	1,189	.6
Peachtree Bank and Trust Company	13,100	5.0	10,349	5.7
The Citizens and Southern Bank of Stone Mountain	6,339	2.4	6,004	3.3
The Citizens and Southern DeKalb Bank	21,437	8.1	20,135	11.1
The Citizens and Southern National Bank	12,638(b)	4.8	2,201(c)	1.2
The First National Bank of Atlanta	26,000(a)	9.9	12,000(a)	6.6
The First National Bank of Doraville	605	.2	154	.1
The First National Bank of Glenwood	11,869	4.5	8,076	4.4
The First National Bank of Tucker	4,378	1.7	2,053	1.1
The National Bank of Georgia	4,400(a)	1.7	3,400(a)	1.9
The Peoples Bank	4,905	1.9	3,207	1.8
Trust Company of Georgia	21,200(a)	8.1	9,000(a)	5.0
Trust Company of Georgia Bank of DeKalb	17,541	6.7	14,455	8.0
TOTAL	$263,066	100.0%	$181,579	100.0%

* Less than one-tenth of one percent

Sources: Reports of Condition, June 30, 1970.
(a) Estimated by Marketing Research Department, The Citizens and Southern Holding Company.
(b) FDIC Call, Summary of Deposits, June 30, 1970.
(c) Comptroller's Department, The Citizens and Southern National Bank.

(2)

(3)

Exhibit B - Comment on the extent and [illegible] in the area of the Applicant Bank and Other Bank provided by (a) insurance companies, (b) credit unions, (c) sales finance companies, (d) personal loan companies, (e) factors, (f) direct lenders [illegible] of Government, and (g) financial institutions located outside such service area.

Exhibit D - Comment on the extent to which the Applicant Bank and Other Bank have deposit accounts and loan customers in the form of individuals, partnerships, and corporations, and estimate the aggregate number and dollar amount of such accounts in each bank.

Exhibit E - Comment on the extent to which deposits or loans of the Applicant Bank and Other Bank originate in each other's service area or areas.

Exhibit F - Schedule showing the number and total dollar amount of loans originated during the preceding calendar year by (a) the Applicant Bank, and (b) Other Bank, which were shared or placed with each other or with any other bank or banks, indicating the dollar amount of such loans retained by the originating bank and current on the dates they were made.

Exhibit G - Schedule showing interest rates and service charges on loans and deposits of each of the participating banks, and the prevailing interest rates and service charges for the Resulting Bank in relation to such rates and charges of competing banks and financial institutions.

Exhibit H - Comment on trust department activities of the Applicant Bank and Other Bank, the extent to which each bank has trust customers originating in the other's service area or areas, and compare the aggregate holdings, including the number of accounts, for each major type of fiduciary or agency appointment. (Indicate the bases for assigning book carrying values.)

Exhibit I - If five per cent or more of the stock of any bank, including the participating banks, is owned by any director or officer of the participating banks, or any pension or profit sharing trust established for or administered by such banks, state in each case the name of the owner, nature and location of the bank, and the percentage of shares owned.

Exhibit J - Statement as to whether the Applicant Bank or Other Bank is affiliated with or has a stock interest in any other bank, the stock of which is owned by a bank holding company as defined in the Bank Holding Company Act of 1956.

Exhibit K - Comment on the over [illegible] per cent of the deposit base [illegible] in the service area of the Resulting Bank, [illegible] the area or areas of the Resulting Bank, [illegible] consideration, and state whether the [illegible] Bank will be local, regional, national, or international.

EXHIBIT R & C

COMPETITION IN THE RELEVANT DEKALB MARKET
FROM OTHER FINANCIAL INSTITUTIONS

Competition from other financial institutions continues to be strong in the relevant DeKalb market. As the fastest growing sector of the Atlanta Metropolitan area, DeKalb County is experiencing continuing growth in both the number of non-bank financial institutions and deposit and loan dollar totals. These trends are indicated in the following sections of this exhibit.

Savings and Loan Associations

DeKalb County savings and loan associations are active and aggressive competitors for personal savings and real estate lending in the relevant market area. Between 1965 and 1969, the number of savings and loan offices in DeKalb County have increased from 14 to 19.

Savings and loan associations are not restricted on a geographic basis in Georgia in their branching. The Atlanta Federal Savings and Loan Association (Georgia's largest) has a branch office in the Brookhaven community of DeKalb County. Also, Standard Federal (also headquartered in Atlanta) has recently merged with Piedmont Federal, which had its main office in the Northeast Plaza Shopping Center on the Buford Highway. DeKalb County Federal, headquartered in Decatur, has a branch office in the City of Conyers -- in adjacent Rockdale County.

Total assets of the six savings and loan associations headquartered in DeKalb County have increased from $204,537,000 in 1961 to $342,240,000 in 1969.

SAVINGS AND LOAN OFFICES
DEKALB COUNTY
AS OF SEPTEMBER 1, 1970

IN BUSINESS	Date Open	January 1, 1970 Deposits ($000)	Loans ($000)	Assets ($000)
Atlanta Federal Savings and Loan Association				
Branch Office: 3975 Peachtree Rd., N.E.	1953	$326,438	$338,130	$395,088
Decatur Federal Savings and Loan Association				
Main Office: 250 E. Ponce de Leon Ave.	1927	$187,817	$213,693	$242,234
Branch Offices: 1807 Candler Rd., Decatur	1953			
2942 N. Druid Hills Rd., N.E.	1960			
3553 Memorial Dr., Decatur	1960			
3860 Rockbridge Rd., Stone Mountain	1962			
3038 Lawrenceville Hwy., Decatur	1965			
5485 Peachtree Industrial Blvd., Chamblee	1967			
3601 Chamblee-Tucker	1969			
33 Howard St.	1969			
2801 Candler Rd., Decatur	1970			
DeKalb County Federal Savings and Loan Association				
Main Office: 116 Clairmont Ave.	1941	$ 51,315	$ 52,826	$ 59,989
Branch Office: 1246 Glenwood Ave., S.E.	1953			
Southeast Federal Savings and Loan Association				
Main Office: 6986 Main St., Lithonia	1962	$ 1,885	$ 1,852	$ 2,138
Standard Federal Savings and Loan Association				
Branch: 3353 Buford Hwy., N.E.*	1957	$ 8,572	$ 8,997	$ 10,201
Tucker Federal Savings and Loan Association				
Main Office: 2355 Main St., Tucker	1956	$ 24,785	$ 25,998	$ 30,678
Branch Office: 4855 Briarcliff Rd., Atlanta	1965			
5424 Buford Hwy., Doraville	1969			
2 Perimeter Center East	1970			

* Formerly Piedmont Federal Savings and Loan. Merged with Standard Federal, September, 1970.

	Date Open	January 1, 1970 Deposits ($000)	Loans ($000)	Assets ($000)
APPROVED--NOT OPENED				
DeKalb County Federal Savings and Loan Association 2700 Clairmont Rd., N.E.	-	-	-	-
APPLICATIONS PENDING				
Decatur Federal Savings and Loan Association Chamblee - Dunwoody Rd. - Mt. Vernon Rd.	-	-	-	-
DeKalb County Federal Savings and Loan Association Covington Highway and Austin Dr.	-	-	-	-

Credit Unions

Credit unions operating within the relevant DeKalb County market are continuing to offer significant competition for both personal savings and loan customers.

There are presently 21 State and Federal chartered credit unions in DeKalb County, compared with 10 in 1962. Total asset figures for the 11 state-chartered credit unions, obtained from the Georgia Comptroller General's office, are listed in the following pages of this exhibit. Similar data on the federal-chartered credit unions in DeKalb County is not available from the Atlanta office of the U.S. Department of Health, Education, and Welfare, the regulatory agency in charge of these organizations. The approximate total asset sizes of the reported Federal Credit Unions in DeKalb County is indicated by the following:

FEDERAL CREDIT UNIONS ASSET CODE KEY
(ASSET AMOUNTS AS OF YEAR-END 1969)

0	
1	Less than $100,000 Total Assets
2	
3	
4	$100,000 - $250,000 Total Assets
5	$250,000 - $500,000 Total Assets
6	$500,000 - $1,000,000 Total Assets
7	$1,000,000 - $2,000,000 Total Assets
8	Greater than $2,000,000 Total Assets
*	Chartered, but not in operation. No assets.

FEDERAL CREDIT UNIONS, DEKALB COUNTY, YEAR-END 1969

Name	Address	Asset Code
B-M Employees	4111 Pleasantdale Rd., Lawrenceville 30045	2
B P Atlanta	7 Executive Park E., N.E. 30329	5
CAT	P. O. Box 47190, Doraville 30340	4
CGA Stone Mountain	5853 E. Ponce de Leon Ave, Stone Mtn. 30083	3
Circle 10	5952 Peachtree Rd., Northwoods 30040	7
DeKalb County Employees	224 DeKalb Building, Decatur 30030	4
DeKalb County Teachers	652 N. Indian Creek Dr., Clarkston 30021	7
DeKalb General Hospital	2701 N. Decatur Rd., Decatur 30033	4
Emory Employees	Emory University 30322	1
Write-Right	5664 New Peachtree Rd., Dunwoody 30338	1

STATE CHARTERED CREDIT UNIONS, DEKALB COUNTY YEAR-END 1969

Name	Address	Total Assets
DRHD Credit Union	440 Winn Way, Decatur	64,102
Decatur Postal Employees Credit Union	520 W. Ponce de Leon Ave., Decatur	155,612
Decatur Teachers Credit Union	320 Sycamore St., Decatur	111,200
Dixie "66" Credit Union	2 Executive Park Dr., N.E.	60,889
F.D. & L. Employees Credit Union	3101 McCall Dr., Doraville	655,827
Gaylord Employees Credit Union	4351 Pleasantdale Rd., Doraville	105,343
Georgia League Credit Union	2719 Buford Highway N.E.	5,355,450
Kraft Employees Credit Union	501 DeKalb Industrial Way Decatur	2,310,917
Mr. Friendly Credit Union	1 Executive Park East	42,994
Ray Employees S & L Credit Union	4850 Peachtree Industrial Blvd. Chamblee	47,660
The Wood Co. Employees Credit Union	114 New St., Decatur	32,197

Factors

Since all Atlanta-area factoring operations are located in the City of Atlanta (Fulton County) competition from factoring companies is not a direct influence within the relevant DeKalb County market.

Consumer Finance Companies

Personal consumer finance companies in the DeKalb County market remain aggressive, active competitors for loan customers of various types -- auto, appliance, other durable goods, and short-term personal loans. The increasing volume of lending activity from consumer finance organizations is indicated by the following data compiled by The Georgia Comptroller General's Office.

From 1965 to 1969 the number of DeKalb County personal loan company offices increased from 30 to 48, while the total dollar amount of loans outstanding increased from $7,342,911 to $14,142,081, or 91.5 percent.

The individual offices of DeKalb County consumer finance companies are included in the following table along with the year-end 1969 loans outstanding dollar total for each office.

CONSUMER FINANCE OFFICES

Name	Address	Loans Outstanding
American Finance Systems of Decatur	117 E. Court Sq., Decatur	$359,[illegible]
American Plan Corp. of Fulton County	3462 Memorial Dr., Decatur	$260,[illegible]
Associates Finance Co.	5151 Buford Hwy., Doraville	$151,[illegible]
Associates Finance Co.	1212 Columbia Dr., Decatur	$264,[illegible]
Avco Finance Co.	5548 Peachtree Industrial Blvd., Chamblee	$709,[illegible]
Avco Finance Co.	1085 Columbia Dr., Decatur	$553,866
Beneficial Finance Co. of Decatur	1994 Candler Rd., Decatur	$446,821
Century Finance Co.	2144 Candler Rd. S.E. Decatur	$149,[illegible]
Century Finance Co.	2346 Main St., Tucker	$170,[illegible]
CFG Loans	1779 Candler Rd., Decatur	$157,157
Coburn Finance Corp.	1766 Candler Rd., Decatur	$563,986
Coburn Finance Corp.	5030 Buford Hwy., Doraville	$295,631
Commercial Credit Plan	250 E. Ponce de Leon Ave., Decatur	$469,[illegible]
Community Loan Corp. of Decatur	3104 Candler Plaza, Decatur	$341,[illegible]
Courtesy Finance Co.	155 Sycamore St., Decatur	$402,79[illegible]
Credithrift of America	4066 Glenwood Rd., Decatur	$435,[illegible]
Credithrift of America	3816 N. Druid Hills Rd., Decatur	$141,[illegible]
C.T.C. Finance Corp.	5460 Peachtree Industrial Blvd., Chamblee	$558,[illegible]
Decatur Loan and Finance Corp.	246 E. Ponce de Leon Ave., Decatur	$203,[illegible]
DeKalb General Finance Co.	4171 Lawrenceville Hwy., Tucker	$ 44,[illegible] *
Dial Finance Co.	5343 Buford Hwy., Doraville	$281,869
Dial Finance Co. of Decatur	4011B Glenwood Rd., Decatur	*
Dial Finance Co.	Buford Hwy., Doraville	$219,982
Dixie Finance Corp.	6962 Main St., Lithonia	*
GAC Finance Corp.	5175 Buford Hwy., Doraville	$265,[illegible]
General Discount Corp.	88 Avondale Rd., Avondale Estates	$258,[illegible]
Hartsfield Co., Inc. #2	4960 Buford Hwy., Chamblee	$638,[illegible]
Household Finance Corp.	N. DeKalb Shopping Center	*
Household Finance Corp.	5732 Buford Hwy., Doraville	$1,343,[illegible]
Household Finance Corp. of Decatur	3545 Memorial Dr., Decatur	$238,851
Liberty Loan Corp. of Doraville	5027 Buford Hwy., Doraville	$422,[illegible]
Liberty Loan Corp. of Georgia	705 Church St., Decatur	$263,[illegible]
Lithonia Loan and Finance Co.	6957 Main St., Lithonia	$175,[illegible]
Motor Contract Co.	529 Church St., Decatur	$109,[illegible]
Motor Contract Co. of Doraville	5219 Buford Hwy., Doraville	$240,[illegible]
Nationwide Finance Co.	2056 N. Decatur Plaza, Decatur	$311,779
Pacific Finance Loans	2593 Lawrenceville Rd., Decatur	$242,[illegible]
Pacific Finance Loans	5301 Buford Hwy., Doraville	$317,[illegible]
Pacific Finance Loans	1841 Memorial Dr., Decatur	$174,[illegible]
Peoples, Inc. of DeKalb	4075 Lawrenceville Hwy., Tucker	$208,018
Public Finance Corp.	3860 Glenwood Rd., Decatur	$464,859
Public Finance Corp. of Georgia	2760 N. College Ave., Decatur	$[illegible],[illegible]
Public Finance Corp. of Doraville	5286 Buford Hwy., Doraville	$229,[illegible]
Seaboard Finance Co.	124 Clairmont Ave., Decatur	$337,[illegible]
Southern Discount Co.	3168 Lawrenceville Hwy., Decatur	$235,[illegible]
Sun Finance Co.	1787 Columbia Dr., Decatur	$360,[illegible]
Universal C.I.T. Corp.	2569 N. Decatur Rd., Decatur	$ 29,[illegible]
Wells & Harris Special	953 Main St., Stone Mountain	

* New Office, data not available

Mortgage Companies

As of year-end, 1969 there were 14 mortgage companies with offices located in DeKalb County. While these financial organizations do exert a significant amount of competitive influence on commercial real estate lending, there are no available statistics on the extent of their lending in the DeKalb market.

MORTGAGE COMPANY OFFICES IN DEKALB COUNTY
(EXCL. ATLANTA) YEAR-END 1969

Builders Mortgage Company
916 Sycamore, Decatur

Cameron Brown Company
18 Executive Park Dr. N.E.

Complete Mortgage Company
4176 Glenwood Rd., Decatur

Embry Mortgage Corporation
3579 Chamblee Tucker Rd. N.E.
Decatur Federal Building, Decatur

Empire Home Loans, Inc.
DeKalb Federal Building, Decatur

Executive Mortgage Corporation
1687 Tully Circle N.E.

First Mortgage Advisory Group
2793 Clairmont Rd. N.E.

Georgia Loan and Trust Company
1600 Tully Circle N.E.

Jones, Glynn Enterprises
1735 S. Candler Rd., Decatur

National Capital Corporation
1639 Tully Circle N.E.

Security Funding Corporation
1639 Tully Circle N.E.

Security Mortgage Corporation
Decatur Federal Building

Tharpe & Brooks, Inc.
1206 Columbia Dr., Decatur
1600 Tully Circle N.E.

Wachovia Mortgage Company
4279 Memorial Drive., Decatur

Insurance Companies

Insurance companies continue to be active competitors in the relevant DeKalb market for real estate loans, remaining a principal source of financing in this lending field. However, no accurate data is available on the exact amount of competition provided by insurance companies in the DeKalb market.

Sales Finance Companies

Financial data is not available on the total dollar or loan volume of sales finance companies within the relevant DeKalb Market. However, such national organizations as GMAC, Ford Motor Credit, Chrysler Credit Corporation, Allstate, and State Farm, through their DeKalb County offices, provide extensive competition for automobile loans.

EXHIBIT I

EFFECT OF PROPOSED TRANSACTION ON COMPETITION

Competition between C & S Emory (Applicant) and C & S Chamblee, C & S Park National, and C & S Tucker (Other Banks), to all extent, is non-existent. Of the total randomly selected sample of 4,543 C & S Emory and 1,509 C & S Park National IPC deposit customers there were only five mutual customers. The balance of these accounts was $6,211 -- compared to the total IPC sample for these two banks of $10,662,082. Comparing, the sample of 3,589 IPC deposit customers of C & S Tucker against the C & S Emory sample revealed only two mutual customers. These represented a total balance of $690 -- compared to the two-bank total of $16,624,489.

Of the randomly selected sample of 3,061 C & S Chamblee IPC customers compared to that for C & S Park National revealed only one mutual customer. The balance of this account was $921 -- compared to the two-bank total of $7,171,313.

No mutual IPC deposit customers were revealed between C & S Emory and C & S Chamblee, C & S Park National and C & S Tucker, or C & S Tucker and C & S Chamblee.

A review by the participating banks shows the existence of no mutual loan customers.

EFFECT OF PROPOSED ACQUISITION ON COMPETITION

The analysis of the geographic distribution of both demand and time deposits of individuals, partnerships, and corporations of the participating banks (See Exhibit 1, Convenience and Needs of Community) provided the necessary input to determine the extent to which "IPC" deposits (number of accounts and dollar balances) of the Applicant Bank (C&S Emory) and Other Banks (C&S Chamblee, C&S Tucker, C&S Park National and C&S South DeKalb) that originate in each other's primary service areas.

Numerous studies conducted by the Marketing Research Department of The Citizens and Southern Holding Company, other banks, and consulting firms indicate that personal banking customers consider convenience of location at a banking office to either place of residence or place of work to be of prime consideration in establishing their banking relationship. Within the primary service areas of C&S Emory, C&S Chamblee, C&S Tucker, and C&S Park National are located the bulk of the major employment centers in DeKalb County. Therefore, each of these banks serve a substantial number of customers working within the Bank's primary service area, but whose residences are located in other sectors of the County. This factor is a major reason why a number of the customers of participating banks "originate" in each other's primary service areas.

C&S Emory Primary Service Area

The primary service area of C&S Emory and C&S Park National overlap in that sector of unincorporated DeKalb County extending north from the Fork of Peachtree Creek and the Seaboard Air Line Railroad almost to the Northeast Expressway (I-85). Also, the primary service areas of C&S Emory and C&S Tucker overlap slightly in the Clarkston area to the east.

Major employment centers in the C&S Emory primary service area include the Decatur central business district with its DeKalb County government offices and major office buildings, Emory University, and the U.S. Public Health Services' Center for Disease Control.

The percentage share of "IPC" deposit accounts and dollar balances of Other Banks (C&S Chamblee, C&S Tucker, C&S Park National, and C&S South DeKalb) originating in the C&S Atlanta primary service area are as follows:

"IPC" Deposit Accounts and Dollar Balances originating in the Primary Service Area of C&S Atlanta

	C&S Chamblee	C&S Tucker	C&S Park National	C&S South DeKalb
"IPC" Deposit Accounts	14.5%	9.2%	30.8%	2.0%
"IPC" Dollar Balances	13.8%	10.5%	36.0%	2.1%
Total Samples of Each Bank				
"IPC" Deposit Account	3,061	3,589	1,509	1,150
"IPC" Dollar Balances ($000)	$4,245.8	$8,897.9	$2,682.9	$1,282.8

C&S Chamblee Primary Service Area

The primary service areas of C&S Chamblee and C&S Tucker overlap in that sector of unincorporated DeKalb County north of Anderson Mill Road along the Interstate Highway 285 corridor. Also, the primary service areas of C&S Chamblee and C&S Park National overlap along the Buford Highway and the Northeast Expressway (I-85).

Major employment centers in the C&S Chamblee primary service areas include: the large Peachtree Industrial Boulevard industrial complex in which is located the Buick - Oldsmobile - Pontiac Assembly Division of General Motors (4,300 workers), and other industrial and commercial concentrations along Interstate Highway 85 and Interstate Highway 285.

The percentage share of "IPC" deposit accounts and dollar balances of the Applicant Bank (C&S Atlanta) and Other Banks (C&S Tucker, C&S Park National, and C&S South DeKalb) originating in the C&S Chamblee primary service area are as follows:

"IPC" General Account ... Dollar
Balances Originating in Primary
Service Areas of C&S Chamblee

	C&S Emory	C&S Tucker	C&S Park National	C&S South DeKalb
"IPC" Deposit Accounts	12.0%	45.5%	17.8%	.7%
"IPC" Dollar Balances	10.6%	33.0%	18.4%	.2%
Total Samples of Each Bank				
"IPC" Deposit Accounts	4,543	3,589	1,509	1,150
"IPC Dollar Balances ($000)	$7,736.6	$8,887.9	$2,682.9	$1,282.8

C&S Tucker Primary Service Area

As stated earlier, the C&S Tucker primary service areas overlaps with that of C&S Chamblee, and slightly with that of C&S Emory. There is also a slight overlap with the C&S Park National primary service area to the southwest.

Major employment centers in the C & S Tucker primary service area include the 2,100-acre Tucker - Stone Mountain Industrial District and the 500-acre Montreal Industrial District. Other major employment centers, including the 80-acre Northlake Office Park and Regional Shopping Center, have sprung up along Interstate - 285, which bisects the primary service area.

The percentage share of "IPC" deposit accounts and dollar balances of the Applicant Bank (C & S Emory) and other Banks (C & S Chamblee, C & S Park National, and C & S South DeKalb) originating in the C & S Tucker primary service area are as follows:

"IPC" Deposit Accounts and Dollar Balances Originating in the Primary Service Area of C&S Tucker

	C&S Emory	C&S Chamblee	C&S Park National	C&S South DeKalb
"IPC" Deposit Accounts	16.7%	46.3%	18.2%	1.7%
"IPC" Dollar Balances	13.2%	43.5%	10.9%	.8
Total Samples of Each Bank				
"IPC" Deposit Accounts	4,543	3,061	1,509	1,150
"IPC" Dollar Balances ($000)	$7,736.6	$4,245.8	$2,682.9	$1,232.8

C&S Park National Primary Service Area

As stated earlier, the primary service area of C&S Park National overlaps with that of C&S Emory, and slightly with those of C&S Chamblee and C&S Tucker.

Major employment centers in the C&S Park National primary service area include the following office parks: 122-acre Executive Park, 65-acre Corporate Square, 20-acre Freeway Park, 20-acre Landmark Park and 115-acre Century Center (now under construction).

The percentage share of "IPC" deposit accounts and dollar balances of the Applicant Bank (C&S Emory) and Other Banks (C&S Chamblee, C&S Tucker, and C&S South DeKalb) originating in the C&S Park National Bank primary service area are as follows:

"IPC" Deposit Accounts and Dollar Balances Originating in the Primary Service Area of C&S Park National

	C&S Emory	C&S Chamblee	C&S Tucker	C&S Park National
"IPC" Deposit Account	37.3%	24.6%	11.5%	1.1%
"IPC" Dollar Balances	44.1%	28.2%	9.7%	.5%
Total Samples of Each Bank				
"IPC" Deposit Accounts	4,543	3,061	3,589	1,150
"IPC" Dollar Balances	$7,736.6	$4,245.8	$8,887.9	$1,282.8

C&S South DeKalb Primary Service Area

The primary service area of C&S South DeKalb does not overlap with those of other participating banks.

The major employment centers in the C&S South DeKalb primary service area includes the South DeKalb Regional Shopping Center (Candler Road and Interstate 20) and other predominantly retail shopping developments along Candler and Glenwood roads.

The percentage share of "IPC" deposit accounts and dollar balances of the Applicant Bank (C&S Emory) and Other Banks, C&S Chamblee, C&S Tucker, and C&S Park National) originating in the C&S South DeKalb primary service area are as follows:

"IPC" Deposit Accounts and Dollar Balances Originating in the Primary Service Area of C&S South DeKalb

	C&S Emory	C&S Chamblee	C&S Tucker	C&S Park National
"IPC" Deposit Accounts	2.9%	.7%	1.3%	1.9%
"IPC" Dollar Balances	1.5%	.1%	.8%	1.0%
Total Samples of Each Bank				
"IPC" Deposit Accounts	4,543	3,061	3,589	1,150
"IPC" Dollar Balances	$7,736.6	$4,245.8	$8,887.9	$1,282.8

EXHIBIT F

EFFECT OF PROPOSED TRANSACTION ON COMPETITION

The following schedule indicates the number and dollar amount of loans originated during calendar year 1969 by the Other Banks--C & S Park National, C & S Tucker, C & S Chamblee, and C & S South DeKalb. The Applicant Bank (C & S Emory) did not originate any loan participations during calendar year, 1969.

For the Other Banks these placements were made because they were unable to meet the total credit needs of their borrowers due to their legal lending limits.

Participations Sold By:

	Number of Loans	Amount of Loans	Amount Sold	Amount Retained
C & S Chamblee 1969	11	$1,633,678	$995,690	$637,938
C & S South DeKalb 1969	None			
C & S Tucker 1969	8	$320,000	$240,000	$30,000
C & S Park National 1969	3	$132,430	$62,430	$70,000

EXHIBIT C

EFFECT OF PROPOSED TRANSACTION ON COMPETITION

The following schedule shows the interest rates and service charges on loans and deposits of the Applicant Bank (C & S Emory) and Other Banks (C & S Chamblee, C & S Tucker, C & S Park National and C & S South DeKalb). A similar schedule of rates and charges would be used by the Resulting Bank.

Schedules of rates and charges of competing banks are not of public information, but are assumed to be quite similar in view of highly competitive conditions prevailing in the relevant market.

Time Deposits

A.	Regular Savings	3½%
B.	TDOA - 5%er	5%
C.	Certificates of Deposit (not being issued)	4½%
D.	Certificates of Deposit (Redeemable every 90 days Guaranteed 10 years)	5%
E.	Certificates of Deposit (Redeemable every year, Guaranteed 10 years)	5½%
F.	Certificates of Deposit (Redeemable every 2 years, Guaranteed 10 years)	5 3/4%
G.	Certificates of Deposit (Rate depends on maturity and market)	5% to 7½%

Demand Deposits

A. Special Checking - .50 per month & .10 per check
B. Regular Checking - Under $250.00 minimum or $1,000 average, .75 per month and .10 per check
C. Commercial Checking - 1.00 per month and .25 per deposit & .02 per item deposited plus .15 per cash deposit & .10 per $100 cash deposited & .05 per check paid, less 7% per annum on average daily collected balance.

Installment Loans

A.	Personal (secured and unsecured)	6% add-on
B.	Commercial (secured and unsecured)	6% add-on

Commercial Loans

	Less than $10,000	$10,000 to 50,000	$50,000 and Over
A. Collateral Loans (a)			
1. Government & Municipals	8½	8½	8½
2. Listed Securities and other marketable bonds	8½	8½	8½
3. Cash Surrender Value	8½	8½	8½
4. Unlisted readily marketable Securities	9	9	8 3/4
5. Unlisted - not readily marketable securities	9	9	9

	Less than $10,000	$10,000 to 25,000	$25,000 to 50,000	$50,000 and Over
B. Unsecured				
1. Commercial-(c)	9	9	8 3/4	8½
2. Individual-(c)	9	9	8 3/4	8½

C. Banks - Member and Non-member

1. U. S. Gov't - Atlanta Federal Rediscount Rate - 6% *
2. Municipal Bonds - 6% - or New York rate if available to bank. *

D. Special Loans

1. Secured by accounts receivable - 10% minimum
2. Security Dealers - New York rate - 8% on New York Stock Exchange collateral, including "A" and better corporate bonds and "AAA" and better Municipals. Other collateral - 8½% (a)
3. On own savings account - 7%. On own savings certificates - 2% above certificate rate.
4. Loans to S&L Associations on Government Bonds - 8%. Unsecured - 8½%.
5. Savings and Loan shares - 8½%.
6. Mortgage notes in process of sale - 8½% (b).

FOOTNOTES:

(a) Preponderance of collateral by value governs.
(b) Rate not to be less than mortgage commitment rate.
(c) Prime names - 8%.
(d) Notes less than $2,000 - 8% also require life insurance.
(e) Executives of major corporate customers - 8%.

$10.00 Service Charge plus 1% interest on all notes of $5,000 and under.

NOTE: Above 8% must be a Corporation borrowing $2,500 or more - or any loan $100,000 or more.

* Loans for a maximum period of 2 weeks related to reserve requirements. Loans in excess of 2 weeks 8%.

Exhibit B

TRUST ACTIVITIES

None of the Participating Banks (C & S Emory, C & S Chamblee, C & S Tucker, C & S Park National, C & S South DeKalb) have trust departments.

All trust business which these banks originate in their service areas is referred to The Citizens and Southern National Bank for handling and servicing.

EXHIBIT 1

STOCK OWNERSHIP

The C & S Holding Company owns 95.14 percent of the stock of The C & S Emory Bank. The C & S Emory Bank has no officers or directors owning as much as five percent of the stock of this or any other bank.

The C & S Holding Company owns 5.0 percent of The C & S Bank of South DeKalb. Warren L. Berry, President of C & S South DeKalb, owns 5.2 percent of the stock of this bank.

The C & S Holding Company owns 5.0 percent of The C & S Bank of Chamblee.

The C & S Holding Company owns 5.0 percent of The C & S Bank of Tucker.

The C & S Holding Company owns 5.0 percent of The C & S Park National Bank. Also the HLS Company, Trust Account 4415D, P. O. Box 896, Atlanta, Georgia owns 5.0 percent.

EXHIBIT 3

The Citizens and Southern Holding Company, which currently owns 95.14 percent of the outstanding stock of the C & S Emory Bank (Applicant Bank) currently owns the following percentage of outstanding stock in seven other affiliate banks located in the State of Georgia:

The Citizens and Southern Bank of Albany	76.72%
The Citizens and Southern DeKalb Bank	91.19%
Citizens and Southern Dublin Bank	75.87%
The Citizens and Southern Bank of East Point	90.25%
The Citizens and Southern Bank of LaGrange	55.93%
The Citizens and Southern Newnan Bank	70.05%
Citizens and Southern Bank of Thomaston	91.01%

All ownership interests expressed above are as of July 31, 1970.

EXHIBIT K

The proposed transactions can not and will not adversely affect competition in the areas to be served by the Resulting Bank. In fact, there will be no effect on competition. The participating banks do not now compete with one another,—rather, each one offers the same C&S banking services within the same C&S system and under the same banking policies to customers who have chosen banking C&S-style. For like reasons, there is no potential for competition among the participating banks. These banks together now serve a single market—customers who have chosen C&S banking. After consummation of the transaction, the banks will continue to offer the same services to these same customers. If one of the participating banks were unable to offer C&S services it would not thereby become a competitor of the others, since the potential customers of the C&S correspondent associates are only those customers who have chosen C&S banking.

Given the history of the organization, growth, and operation of the correspondent associates, it is clear there is no potential for competition among the participating banks. C&S Holding provides to the correspondent associates (as is more fully discussed in the "Introduction" and "General Information" section hereinabove) the personnel, systems, direction and support which together comprise C&S banking. Further, C&S Holding maintains direct ownership interest through its holding of five per cent of the stock of the correspondent associates. More important is the active and pervasive influence of C&S philosophies of service and operation upon the management of the correspondent associates. Because of this,

as has been noted throughout this Application, the correspondent associates are—so far as stockholders and residents of, and competitors in, the communities served by them are concerned—de facto C&S branches which are now intended to be made de jure branches.

Approval of this Application, therefore, would not affect the competitive situation in the Atlanta area. It would merely complete a process begun years ago in the only way possible—extension of C&S services to the metropolitan Atlanta area. It would leave intact precisely the same banking structure which now exists in Fulton and DeKalb Counties, for in no realistic respect will C&S have by virtue of this transaction any more or any fewer outlets in the areas involved than it had previously. In short, approval of this Application will make possible a long-anticipated change in the form of C&S banking in suburban Fulton and DeKalb Counties with no accompanying change in the substance of the competitive situation there.

DX-268

Supplement to Applications of

The Citizens and Southern National Bank ("C & S National")

Citizens and Southern Holding Company ("C & S Holding")

Citizens and Southern Bank of East Point ("C & S East Point")

Citizens and Southern Emory Bank ("C & S Emory")

to acquire

Citizens and Southern Bank of North Fulton ("C & S North Fulton")

Citizens and Southern Bank of Sandy Springs ("C & S Sandy Springs")

Citizens and Southern Bank of Chamblee ("C & S Chamblee")

Citizens and Southern Bank of Tucker ("C & S Tucker")

Citizens and Southern Park National Bank ("C & S Park National")

Citizens and Southern South DeKalb Bank ("C & S South DeKalb")

The Applicant Banks represent that the information contained in this Supplement is true and complete to the best of their knowledge and belief.

Executed this 28th day of May, 1971.

THE CITIZENS AND SOUTHERN BANK OF EAST POINT

ATTEST:

By _____
President

Asst. Vice President and Cashier

THE CITIZENS AND SOUTHERN EMORY BANK

ATTEST:

By _____
President

Asst V. Pres.

E- 502 -2

TABLE OF CONTENTS

		Page
A.	Introduction and Opening Statement.	1
	1. Purpose of the Supplement.	1
	2. Matters the Supplement does not Cover.	2
	3. The Critical History.	3
	4. Unimportance of Proprietary Control and of the Stone Mountain Episode.	4
	5. The Importance of the Facts of Non-Competition ...And of Intent, Conduct and Expectation Thereof.	6
	6. The Pattern of this Supplement.	10
B.	Organizational History of the Six Associate Banks.	11
	1. C & S Sandy Springs.	12
	2. C & S Chamblee.	15
	3. C & S Tucker.	18
	4. C & S North Fulton.	29
	5. C & S Park National.	22
	6. C & S South DeKalb.	24
C.	Stockholdings in the Six 5% Banks and Stockholder Attitudes Toward C & S National.	31
D.	Directors of the Six 5% Banks and Director Attitudes Toward C & S Management and Control and the Proposed Mergers.	36

		Page
E.	Branch Supervision.	41
	1. Establishment of goals.	41
	2. Review of goals.	41
	3. Personal performance appraisal.	42
	4. Directors' meetings.	43
	5. Geographical coordination.	44
	6. Credit review.	44
	7. Operations and work measurement.	45
	8. Changes in officers and staff.	46
F.	C & S Services for the Six 5% Banks.	48
	1. Personnel.	48
	2. Education and training.	52
	3. Operational services.	52
	4. Marketing.	55
G.	Banking Inter-Relationships Between C & S National and the Six 5% Banks.	58
	1. Loan participation.	58
	2. Transfers of accounts.	58
	3. Charge account service merchant accounts.	59

Page

4. Computer processing services. 59

5. Trust new business. 60

6. Real estate loans. 60

7. Accounts exceeding FDIC limits. 60

8. Banking hours. 61

9. Inter-bank deposits. 61

II. Financing of the Six. 62

1. How Stone Mountain is Different. 64

INTRODUCTION AND OPENING STATEMENT

This Supplement to the captioned Applications is filed precisely in rebuttal of the present adverse report of the Department of Justice ("DJ") dated March 12, 1971 and in response to the much appreciated invitation of the Chairman of the FDIC to do so.

1. Purpose of the Supplement.

In the positive sense the Supplement is designed to supply additional facts and reasons to support the Applicants' view that:

(a) Ours are totally unique circumstances, resulting from political events, unlikely to recur and establish precedent, and not at all the sort of circumstances contemplated by the Bank Merger Act, and

(b) No anti-competitive results will or would occur as a consequence of the proposed mergers, since there has never been any competition between the parties, there is none now, and there will never by any, under reasonably foreseeable circumstances.

2. Matters the Supplement does not Cover.

The Supplement does not, except incidentally, address itself to:

(a) Factors other than the anti-competitive ones raised by DJ...that is, the other compelling factors that the FDIC, as the responsible banking agency will consider under the Bank Merger Act, to-wit: The financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served both in the event the mergers should be approved and in the event they are not - especially in light of the significant additions of branches in the area by major competitors under the new state banking law.

(b) Identification of the relevant market in the geographical sense...although we believe the Atlanta SMSA is the smallest market that makes any economic sense and the combination of Fulton and DeKalb County is the smallest market that makes any banking sense because all major banks may now branch freely in those two counties.

E-507 1-2

(c) The total absence of substantiality to the adverse consequences the DJ attributes to the proposed mergers.

(d) Any inequities that would result from adverse action on these Applications in relation to approved mergers of major competitors of Applicants in the same area.

3. The Critical History.

We urge the Corporation never to lose sight of the historic facts that created the circumstances and atmosphere in which these Applications are made. Those facts are fully presented and summarized at the outset of the original Application. The nubbin of it all is simply that:

(a) For at least two decades the market for major banks in Atlanta has been in the process of expanding into the five county SMSA far beyond the city limits. That growth has been remarkable in the last ten years. Demands for commensurate full service banking have likewise been remarkable.

(b) Until 1971, banks could not branch beyond municipal and village limits.

(c) To provide full banking services demanded by citizens of greater Atlanta, the major Atlanta banks - led by C & S - opened de novo* de facto branch in the corporate form disclosed by these Applications. Simply by doing so and by providing good service, their shares of the market in those areas, especially in DeKalb County, increased dramatically and proportionately to the de novo efforts expended.

(d) Now that state branching laws permit it, the parties wish to make de jure that which has been de facto...no more.

4. Unimportance of Proprietary Control and of the Stone Mountain Episode.

In considering the Applications and this Supplement, we urge the Corporation to weigh considerately our strong view that the DJ has approached the issues from the wrong side when

*Nor is C & S Tucker an exception since Bank of Tucker was an insignificant factor in the market place when C & S entered the picture in 1965, since there was no competition with C & S at that time, and since Bank of Tucker was clearly headed for dismal days in the future absent the services, management and influence of C & S. See particularly Supplement §§B3, C and D3.

it gives such weight (a) to the fact - fully admitted - that C & S Holding has legal proprietary control over only 5% of the voting stock of the six small banks, and (b) to the conclusion that consequently any of them could as a matter of right disclaim C & S and operate fully apart from C & S, and (c) to the Stone Mountain episode as being proof thereof.

As this Supplement shows (§I), the Stone Mountain circumstances are clearly distinguishable from those in the present Application since that bank was not started by C & S de novo, since neither its stockholders nor its directors ever fully accepted C & S management, since a large and controlling block of stock was held by the McCurdy family.

To be effective, control need not be majority legal proprietary control. The 1970 Amendments to the Bank Holding Company Act reflect this concept in §§2(a)(2)(C) and 2(d). General corporate law recognizes the concept, especially where the remaining stock is widely held. The Federal Reserve Board

found control to exist in a Clayton § case simply by virtue of evidence of effective exercise thereof (the case here) even after Transamerica had divested itself of all of its holdings in several banks (from substantially all in 1937, to 58% in that year, to 22.88% in 1948, to 7.6% in 1951, and to no interest in 1952, and no director connections after 19[illegible]. Transamerica Corp. v. Board of Governors, 206 F. 2d 163, 16[illegible], 167. Cert. denied 346 U.S. 901.

This Supplement is compiled expressly to demonstrate that effective working control was in fact exercised over all six of these banks and to demonstrate in detail just how it was exercised and most importantly to demonstrate that it was the will and expectation of stockholders, directors, officers and staff alike that such control would be exercised and that de jure mergers would occur just as soon as banking laws permitted (now), and that the many deposit and loan customers of these banks likewise have assumed and expected these consequ[illegible]

5. The Importance of the Facts of Non-Competition And of Intent, Conduct and Expectation Thereof.

In considering this Application, we urge the Corporation to consider the governing facts developed here - not a

concept of legal proprietary control over 51% or more of the stock - but the fact that there has never been any competition between these banks, there is none now, and there is no reasonable possibility (much less probability) that there will ever be any. The unique history noted above is one reason why this is so. More importantly, the express intent of the stockholders (and directors, officers and staff) to be a de facto, and now de jure, part of C & S is the compelling reason. Most important the expressed vote in the fall of 1970 (.4% contra) to merge - and the overwhelming expression of stockholder identification by survey this month (May 1971) - unequivocally demonstrate the impossibility of competition in the future. There is no need to research a murky crystal ball of possibilities and conjecture when history shows no past or present competition and formal express assertion of all shareholders shows no possibility of future competition.

It is persuasive to us that all three of Clayton Act §§2(a), 3 and particularly 7, apply the causative standard... "may be substantially to lessen competition...." and in construing that standard the courts have applied standards of probability or at the very best a reasonable or forceable possibility, and not of bare legal possibility.

In American Oil Company v. F.T.C., 7 Cir., 325 F. 2d 101, 104, c.d. 377 U.S. 954, 84 S.Ct. 1631, the court said:

"The adverse effect upon competition requisite to establish the Section 2(a) violation * * * is that the price discrimination creates a reasonable probability of substantial injury to competition * * *"

In Standard Fashion Co. v. Magrane-Houston Co., 258 U.S. 346, 42 S.Ct. 360, 66 L. Ed. 653, the court stated, with reference to Section 3 of the Clayton Act:

"Section 3 condemns sales or agreements where the effort of such sale or contract of sale 'may' be to substantially lessen competition or tend to create monopoly. It thus deals with consequences to follow the making of the restrictive covenant limiting the right of the purchaser to deal in the goods of the seller only. But we do not think that the purpose in using the word 'may' was to prohibit the mere possibility of the consequences described. It was intended to prevent such agreements as would under the circumstances disclosed probably lessen competition, or create an actual tendency to monopoly.

That it was not intended to reach every remote lessening of competition is shown in the requirement that such lessening must be substantial."

"The language of Section 7 of the Clayton Act as amended whereby the ban on stock acquisitions was limited to those the effect of which 'may be' substantially to lessen competition should be interpreted as restricted to acquisitions which by a reasonable probability will be effective substantially to lessen competition." Hamilton Watch Co. v. Benrus Watch Co., 114 F. Supp. 307, at 315 (D. Conn. 1953).

"We hold that only an acquisition which in the long run may reasonably be expected to substantially lessen competition within a relevant market, will violate §7 as amended." American Crystal Sugar Co. v. Cuban-American S. Co., 259 F. 2d 524, at 527 (C.A. 2, 1958).

Since the Bank Merger Act applies these same §7 standards, the DJ and the Corporation should be controlled as

a matter of law by what is reasonably probable of happening and not, as the DJ argues, what is merely possible. As one may learn at the corner store - anything is possible.

We suggest that the clear and rational view taken by the Federal Reserve Board of Trust Company of Georgia's Application to merge with its 5% associate Peachtree Bank & Trust Company is a fair and lucid statement of the position we take here. (Appendix W)

6. The Pattern of this Supplement.

As might be discernable, legal counsel have advocated the Applicants' posture in this Opening Statement. What follows in the bulk of the Supplement and Appendix is the response of the true parties at interest and through their own words - stockholders, directors, officers, staff and customers of all the C & S parties.

The arrangement of the material is set forth in the Table of Contents. The supporting documents and tables are in the Appendix. If further information or supplementation is desired, it only needs being requested.

Respectfully submitted,

Daniel B. Hodgson
DANIEL B. HODGSON

John K. Train III
JOHN K. TRAIN, III

Attorneys for Applicants

ALSTON, MILLER & GAINES
12th Floor C & S National
Bank Building
Atlanta, Georgia 30303

(404) 577-8600

B. ORGANIZATIONAL HISTORY OF THE SIX ASSOCIATE BANKS

The narrative of events in this section shows the activities of C&S National and of C&S Holding providing initial impetus and support of the organization of each of these six banks, except Tucker, in which case its "salvation" was brought about by C&S National and Holding. Practically all of the organizing expense for each of the five de novo banks, as well as the salaries for the President appointees during the organizational periods, were paid by the C&S. C&S Holding purchased and warehoused property for the benefit of these banks, and provided significant staff and technical services during the planning and organizing stage. The original history of the six follows:

THE CITIZENS AND SOUTHERN
BANK OF SANDY SPRINGS

The Citizens National Bank of Sandy Springs was formed after two other groups had failed to obtain permission for charters from the Superintendent of Banks of Georgia. The principals of C&S National, recognizing the spectacular business and residential growth of the Sandy Springs area, moved to establish a national banking association there to offer the full range of C&S services. A list of potential directors comprised of leading citizens of Sandy Springs was compiled and approved by Mills B. Lane, Jr., the President of C&S National.

Appropriate surveys were made and economic data assembled for an application to submit for a charter. Stock subscriptions were obtained and the charter was granted. The sponsorship and guidance of C&S National and of Mills B. Lane, Jr., and the fact that Thomas E. Cook, a Vice President of C&S National, would head the bank, were undoubtedly instrumental in the Comptroller of the Currency's favorable consideration of the application.

The site of the original bank was adjacent to property owned by one of the early directors who subsequently agreed to build a large office building and lease space to the bank.

In September, 1964, Louis J. Fortuna, an officer of C&S National, was asked to take over the management of the bank—due to very serious credit problems that had developed. Mr. Fortuna's legal and credit background and initiation of collections procedures for the C&S System was particularly appropriate to salvage the bank's loan portfolio. A National Bank Examination in 1964 showed that the bank was loaned up to 72%, with 17% of the loan portfolio substandard. Approximately $36,000 in loans were to be charged off, and another $49,000 in cash items was being carried. The Examiner also pointed out that additional capital was needed, which was subsequently supplied by the purchase of a $100,000 capital note by C&S Holding. Mr. Fortuna's salary was paid by C&S National until he was elected President in January, 1965. During this difficult period, C&S National worked very closely with C&S Sandy Springs, providing both staff and financial support without which the bank might likely have failed.

Louis Fortuna recommended to the Board of Sandy Springs, upon receiving prior approval from Mills B. Lane, that the name of the bank be changed to the Citizens and Southern Bank of Sandy Springs. This was adopted in 1967, and upon permission from the Comptroller of the Currency and later from the Georgia Superintendent of Banks, the name was changed.

The C&S not only provided initial organizational support, management and staff, but has continued to do so since 1959.

THE CITIZENS AND SOUTHERN BANK OF CHAMBLEE

In the late '50's several businessmen from the Chamblee area had discussions with representatives from the Trust Company of Georgia regarding the establishment of a new bank in Chamblee. The Trust Company already had an affiliate bank in Brookhaven which was a short distance from Chamblee and declined participation. One of the men then called Mills B. Lane, Jr. and inquired if he were interested in helping them organize a new bank. Mr. Lane said that he was and met with the three representatives that afternoon.

C&S arranged for economic surveys and a meeting a week later to consolidate all efforts. Mr. Lane asked his assistants, Joe Hall and George McKinnon, to begin preparation of an application for a bank in Chamblee. George McKinnon was to prepare a list of outstanding businessmen in the Chamblee area who might act as directors. After Mr. Lane had approved their selection, Mr. McKinnon then met with those selected to determine their interest.

Mr. McKinnon and Frank Berry, who was one of the original proponents of the new bank and a director, aided by

some of the other proposed directors, approached businessmen and residents of Chamblee to secure subscriptions for the new stock. In their discussions, they advised that the organizers had met with Mr. Lane of C&S National and that C&S National would assist in getting the bank operating, and would provide continued support. They also stated that C&S National would make loans to those who needed financing to purchase stock. A sizeable number of shares were also sold to friends of Mr. McKinnon and to customers of C&S National. In the sale of the stock, it was felt that it would be advantageous to place the stock with as many individuals as possible in order to secure support of the stockholders as customers of the new bank.

After the stock subscriptions had been received, Hubert Harris, Manager of the Northwest Branch of C&S, took over the planning and organization of the new bank. Mr. McKinnon and Joe Hall secured a contract to purchase a tract of land on Peachtree Industrial Boulevard, adjacent to the Chamblee Plaza Shopping Center then under construction. This land was purchased and held by C&S Holding.

Mr. Harris met with Frank Berry to arrange a lease of the only vacant building available in Chamblee which was a hardware store on Peachtree Road. Immediately upon approval of the charter, an architect was engaged to begin construction on the bank's new building. C&S Holding sold the land to the new bank at cost. They soon found that the land they had purchased was not adequate for expansion. C&S Holding then purchased the remainder of a large tract available on Peachtree Industrial Boulevard and allowed the new bank to buy any portion needed for future expansion, at cost on a per square foot basis.

About a year later, it was apparent that a branch was needed on Buford Highway adequately to service that area. C&S Holding purchased land there and held it until approval could be secured, at which time it was sold at cost.

During the entire life of the bank the other members of management and staff have been selected jointly by Mr. Harris and the Personnel Department of C&S National. The C&S National has continued to screen and interview personnel as needed.

THE CITIZENS AND SOUTHERN BANK OF TUCKER

The Bank of Tucker, originally chartered in 1919, had been controlled from the start by the Cofer family, who had other substantial business interests in Tucker. The bank existed more to serve the needs of the family's building and supply business through providing financing incidental to construction than for the convenience of the general public.

Tucker in 1965 was a fairly small unincorporated village in DeKalb County consisting of a single shopping area —but the surrounding area was showing signs of real growth in both residential and shopping-service communities. As already indicated, the Bank of Tucker was a very personal operation. Its president was Mr. Reid Cofer, who ran the bank along with several other highly successful business interests. Mr. Cofer realized in 1965 that the bank could no longer be operated without experienced, professional bank management and adequately serve the needs of the Tucker community. However, Mr. Cofer (then in his sixties) was simply not interested in undertaking these responsibilities. The demand for experienced bank management was made even more apparent when

it was learned in 1965 that a new bank would soon be opening in Tucker. (The organizers of the new bank based their application for charter upon a contention that the Bank of Tucker was not aggressive enough in expanding its services to meet the needs of the growing community, but had "limited" them primarily to the Cofer family enterprises.)

Throughout its history, the Bank of Tucker had dealt almost exclusively with local customers both in its commercial and personal accounts. The commercial accounts consisted of smaller businesses located in or near Tucker. Most of the bank's loans were for construction of buildings in the Tucker area. Neither C&S National nor either of its affiliates in DeKalb County drew any measurable business from the Tucker area. There was, in short, no competition between C&S and the Bank of Tucker. On the contrary, to the extent there was contact, it took the form of cooperation with C&S providing advice and assistance in various forms.

Finally, Mr. Cofer and Mr. Mills Lane were personal friends. Thus, when Mr. Cofer decided to withdraw from the banking business he talked to Mr. Lane and requested the help of C&S National in reorganizing and thereafter managing the

Bank of Tucker. Mr. Lane responded that C&S would do so, and could arrange for redistribution of whatever stock the Cofer family did not want to keep—"anything from 5% to 100%." The members of the Cofer family chose to and did sell 80% of the stock in 1965. C&S Holding bought the allowable 5% interest of the outstanding stock of the bank, and the balance of the stock that was made available was placed among officers and staff of C&S National and Affiliates, friends in the community, the C&S Profit Sharing Fund, and the additional new members of the Board of Directors that were selected by C&S National. An officer of C&S National was thereafter designated as president of the bank.

Through the repeated requests by management of this bank to Mr. Lane, the Bank of Tucker was allowed to change its name to The C&S Bank of Tucker, the first correspondent associate to do so. It was felt that since C&S National controlled and stood behind the bank as it did, the change would be beneficial to all concerned.

Additional property was bought behind the old banking location for construction of a new building, which was

finished in 1966. Subsequently a new branch was applied for on LaVista Road with the help of the Marketing Research Department and the Branch Supervisory staff of C&S National. The property for the branch was acquired by C&S Holding and leased to C&S Tucker until the bank was sufficiently capitalized to purchase the property. James Harden, a branch manager with C&S National, was appointed manager of this office.

A 20 year convertible $400,000 debenture was purchased by C&S National in December, 1968, to assist with capital requirements to meet the bank's growth needs. C&S National not only supplied the initial management and staff after the "re-birth" of the bank, but has continued to provide manpower since 1965.

THE CITIZENS AND SOUTHERN PARK NATIONAL BANK

In 1966 C&S National saw a need for a banking facility in the Executive Park area (an expanding community of several office parks) to offer a full range of services for the citizens and companies rapidly moving into the Park and general vicinity. Since it was expected that the bank would be oriented toward a commercial clientele comprised of national companies, Robert Hazelrig, who had experience working with national accounts and in the C&S National Bank's New York Service Office, was designated to head this bank.

The Marketing Research Department of C&S National obtained the various economic data required for application for a charter. A site was selected by Howard Starks, then Executive Vice President in charge of C&S Branches, and a lease was negotiated with Blaine Kelley, who was planning a commercial park in the area.

Robert Hazelrig, Howard Starks, and Mills B. Lane, Jr. then drew up a proposed list of directors for the bank. Each of the directors was allowed to subscribe to 500 shares of stock in the new bank, and additional smaller amounts were made available for members of their families. The directors

and officers of C&S National were asked to solicit subscriptions for the new bank, and it was decided that stock would be offered to members of C&S Banks, relatives, or friends. C&S National was to be allowed an interest of 10% (5% to be held by the C&S Holding Company and 5% by the C&S Employees Profit Sharing Fund), and Robert Hazelrig was to be allowed a 10% interest.

Howard Starks and his staff from C&S made most of the arrangements for leasing the building, decorating it, the lay-out of the bank, and other details involved in setting up the physical facilities. C&S provided the other members of management and staff and has continued to provide personnel support during the entire existence of the bank.

THE CITIZENS AND SOUTHERN
BANK OF SOUTH DEKALB

The location of this bank is in what is known as the Candler-Glenwood area of unincorporated DeKalb County. In this same area was the Glenwood National Bank, a fairly strong independent up until the late 1960's. The closest C&S banks were at Belvedere, roughly 2-1/2 or 3 miles further east of this location, with no other C&S banking facilities either to the south or the west. In 1966 C&S National became interested in opening a branch of C&S Belvedere in that location. At the time, Belvedere had only been open for about a year; however, it was felt that a branch of that bank eventually could be obtained. Therefore a site was selected for such an office.

The site acquisition was largely put together in 1967, with all of the property purchased by C&S Holding. This area of Candler Road is a highly commercialized area, containing many retail locations as well as various professional offices, such as lawyers, doctors, dentists, real estate firms, etc. The original survey, done by C&S National's Marketing Research Department, projected a strong market and

showed that everyone in that area wanting to bank with C&S had a fairly long drive to reach the nearest C&S office.

During early 1969, when it was apparent that there was to be no early change in the Georgia branch banking law, the decision was made to try to organize a new bank at that location. This was the only viable course at this time, since C&S National could not branch into that site and Belvedere was then not strong enough to support a branch of its own. C&S National selected Warren Berry, Manager of the South Expressway Branch of C&S National, to run the bank. This bank was to become the focal point of C&S activities for the South DeKalb area. Three people in the bank were helpful in selecting the organizers. Don Ingram, then President of C&S Emory, suggested four of the eventual organizers, citizens that he had known through his long association in DeKalb County. Bill Jones, President of the C&S Belvedere Bank, also suggested several candidates for director, as did Dave Skinner, the President of C&S DeKalb Bank. In addition to these names, a sizeable list of primarily corporate customers of C&S National was compiled from other sources inside C&S.

C&S National particularly wanted to get a representative from Pope and Carter, real estate developers, who were building a large housing project in the immediate area. They went to Ewell Pope, who suggested the name of Bill Ranck, the project director for "Fairington," who was subsequently made part of the organizing group. The final selection of the organizers was made by Dan Handley, now Executive Vice President for C&S branches, Warren Berry and Bill Mathis, Branch Supervisor. This list of names was reviewed with Mills Lane before those on the list were asked to serve. Once a group of ten people were selected, Warren Berry individually approached each of them with the proposal. In each case C&S National met with enthusiastic response; in fact, later several of the C&S South DeKalb organizers advised that another attempt to organize a bank in that area was unsuccessful and they were delighted to join C&S.

At the first organization meeting the C&S National representatives explained explicitly and carefully the manner in which stock subscriptions were to be obtained and allocated. It was C&S National's intent from the very beginning to have 50% of the stock placed by the local organizing directors

and 50% placed by C&S National officers and staff; the organizers agreed. At this first meeting, the necessity of organizing a bank rather than a branch at that location was discussed in detail. C&S National indicated to the group that hopefully in the future C&S South DeKalb could merge into a total DeKalb County system of C&S National.

In allocating the stock, C&S National emphasized to the organizers that the President of the Bank should have at least 5%, and obviously C&S Holding would subscribe 5%. Each organizer was offered 2-1/2% or exactly half the amount held by the President and C&S Holding.

They unanimously took the maximum stock available and did a tremendous job in selling the stock in the community. Stock subscriptions were obtained shortly, and much more stock could have sold than was available.

The bank was approved in 1969 and opened up in a temporary facility. This facility has been bought by the C&S Holding Company and leased to them when they opened.

Opening promotions were handled by the C&S Marketing Department as if this were a branch bank, and many C&S staff members were recruited to help with the opening.

Warren Berry is still President of C&S South DeKalb, but in anticipation of the merger, has been transferred to head the C&S Bank of Milledgeville (another "five percent" associate of C&S National and Holding). Edward Johnson, formerly a banking officer and branch manager with C&S National, is managing South DeKalb while approval of the merger application is pending.

THE CITIZENS AND SOUTHERN
BANK OF NORTH FULTON

Impetus for the establishment of C&S North Fulton came from C&S National's Executive Vice President in charge of Atlanta Branches and Lou Fortuna, President of C&S Sandy Springs in 1966. They recognized that this northern portion of Fulton County had begun to grow rapidly, and felt that a full-service C&S banking operation could help to accelerate the growth of that area and service customers of the C&S National that had moved there—outside the area into which C&S National could branch.

Mr. Fortuna, the Branch Supervisory staff, and the Marketing Research Department of C&S National gathered the economic data to submit with an application for a charter for a bank to be located in Roswell. Property was purchased in March, 1967, by C&S Holding for the bank site, and was sold to North Fulton in June, 1970. A slate of candidates for directors was compiled, approved by Mills B. Lane, Jr., President of C&S National, and the individuals were approached by Hugh Lane, an officer of C&S Sandy Springs who was selected by C&S National to organize and head the bank.

C&S Holding subscribed to its maximum 5% interest of the stock in the bank and the balance was made available to directors, officers and staff of the C&S National's banks, and individuals in the Roswell area friendly toward C&S National.

Prior to his assuming the organizational responsibilities for North Fulton, Hugh Lane had been employed since 1960 in the C&S System, and had most recently been the Assistant Manager of C&S Sandy Springs. The Cashier also had substantial experience with C&S National. C&S National helped to assemble the rest of the staff, and has continued to provide personnel since the office opened in 1967.

C. STOCKHOLDINGS AND STOCKHOLDER ATTITUDE TOWARD C&S NATIONAL, HOLDING, C&S EAST POINT AND EMORY AND THE PROPOSED MERGERS*

The stockholders of the six correspondent associate banks were first asked to vote on the proposed mergers with C&S East Point and C&S Emory in the latter part of 1970. At that time, stockholders owning 236,290 of the 276,000 shares outstanding (85.6%) favored the mergers. Individuals owning only 1,496 shares voted against the proposal (.5%); the remaining shares were not voted. The holders of at least 81% of the shares of each bank voted affirmatively. The shareholders of the C&S Bank of Tucker responded with the largest vote for the merger, 87% showing approval.

In May, 1971, the stockholders of each of the banks were again asked by way of petition to indicate their feelings toward their bank's relationship with C&S. The petition stated that the stockholders purchased shares in the various banks upon the expectation and trust that:

(1) These banks would be organized and operated under the auspices and sponsorship of C&S National;

---

*This summary based on Exhibit A, which shows analysis of original merger vote, petition, stock ownership for each associate bank.

(2) C&S National would furnish management and financial services of the type and scope furnished to its subsidiary banks;

(3) Should the branch banking laws of the state permit, each bank would be merged into the C&S System;

(4) The stockholders at no time considered a separation from this sort of control by C&S National.

Stockholder response to the petition overwhelmingly indicated that they were aware of, and indeed favored, the relationship between these banks and C&S National. Stockholders owning 236,699 shares of 276,000 shares outstanding, or 85.7%, signed the petition. Only three stockholders, representing less than 200 shares, refused to sign. It's interesting to note that the two stockholders, representing 626 shares, who initially opposed the merger signed the petition. Stockholders owning less than 10 or 15 shares of stock were not contacted, due to the limited time available.

An analysis has been made of the shareholdings, by category of owner, since each bank's inception (or C&S' involvement at Tucker) to determine the actual working control

that has been continually exercised by C&S National. Stockholders were classified into the following five groupings:

Group A — Officers, directors, and employees of C&S National and affiliates

Group B — Former officers, directors, and employees of C&S and affiliates

Group C — Officers, directors, and employees of the "5% bank" and the other "5% banks"

Group D — Customers of C&S National and affiliates

Group E — Customers of the "5% banks" and the other "5% banks," and miscellaneous.

The chart below depicts the percentage of shares owned by these groups at the time the banks were formed, compared to their percentage ownership now:

	Initially	Now
Group A	25.8%	24.9%
Group B	.8%	4.1%
Group C	20.1%	18.8%
Group D	31.1%	29.6%
Group E	22.2%	22.6%

It can be noted from the above figures that groups A, B, and D, which are or were directly associated with the

C&S National Bank, owned 57.7% of the outstanding stock initially, and have increased their composite ownership to 58.6%. Taken individually, groups A, B, and D, have increased their percentage ownership of C&S Chamblee, C&S North Fulton, C&S Sandy Springs, and C&S South DeKalb. These groups now own fewer shares of stock in C&S Tucker and C&S Park National, but they still retain over 52% of Tucker and 75% of Park National.

Individuals and groups who own the largest blocks of stock in each of these banks, and who are not directly or indirectly tied to C&S National, approved the merger and signed the petition. The Cofer Family, original owners of the Bank of Tucker, own 17% of C&S Tucker. Herbert Dickson, former Executive Vice President of C&S National, and Rountree Youmans, retired General Vice President of C&S National, each own 2% of the stock of C&S South DeKalb Bank. Henry Williams (10%-C&S Chamblee); A. J. Weinberg (6.46%-C&S Sandy Springs); and Ed F. Elson (7%-C&S Park National), who are the largest "outside" stockholders for their respective banks, either have been, or are now, directors of their respective banks.

T. A. Bartenfield, the largest outside stockholder at C&S North Fulton (2%), is a personal friend of the President and most desirous of the merger.

The stockholder vote on the original merger proposal, the subsequent petition, the analysis of the stockholder portfolio, and the desires of the largest "outside" stockholders show conclusively that the stockholders consider a merger with C&S East Point and C&S Emory to be in their best interest and that their purchase of stock was based largely on the relationship of these banks to the C&S National.

D. DIRECTORS OF THE SIX ASSOCIATE BANKS AND DIRECTOR ATTITUDES TOWARD C&S MANAGEMENT AND CONTROL AND THE PROPOSED MERGERS

1. History. Information showing the original directors of each associate bank (except Tucker), their business interests, connection with C&S, and their initial stock purchase is set forth in Exhibit B. All changes in directors which have taken place since organization of the bank (the reorganization of Tucker) is shown in Exhibit L.

2. Branch Supervision Department and Directors of the Associate Banks. A representative of Branch Supervision acts as a director or advisory member of each associate's board. Almost without exception, the suggestions and advice of this representative are accepted, and the boards have adopted for their banks the programs and procedures of C&S National.*

3. Survey. Directors of the associate banks were requested to put in writing their thoughts concerning the relationship between their bank and C&S National, particularly describing how this relationship affected their service as

---

*See Appendix E — Copies of sampling of minutes of the various associate's boards.

director of the bank. Below are summaries of the comments, together with excerpts from the letters. All the letters received are included in the Appendix as Exhibit D.

1. The directors were contacted by personnel of The Citizens and Southern National Bank and asked to serve. The directors agreed to serve in large measure because of the known close relationship with The Citizens and Southern National Bank. For some, continuation of this relationship is a condition of the continuation of service as a director.

"I was specifically requested to become an original director of the Sandy Springs Bank by Mills Lane personally. I would not have invested in the bank or have any knowledge of the bank had it not been for the interest of Mr. Lane in my presence on the Board." — H. Dillon Winship, Jr. (Sandy Springs)

"If there had been any reason to believe that we could lose the support and direction of C&S National, or that they would become an active competition, I never would have become involved as a stockholder or director." — E. K. Jamison (Chamblee)

2. The directors sought, appreciated and accepted guidance and advice from Citizens and Southern National Bank.

"From the very beginning we have been advised, counseled, and staffed at key positions by C&S personnel. There has always been a member of our Board from the "mother" bank, and that particular director has always influenced our Board decisions greatly.

* * *

"It has never been my thought that anybody ran that bank but Mills B. Lane and Associates." — Mr. Winship (Sandy Springs)

"We have operated under C&S policy, with C&S personnel, since we opened our doors for business, and I personally believe that 99% of the public think we are a full C&S Bank now." — Frank L. Berry (Chamblee)

3. The relationship with Citizens and Southern has been instrumental in the success of the bank.

"The Bank made excellent progress right from the beginning. Much of this was due to the cooperation of the parent bank." — Mr. Alva G. Maxwell (Sandy Springs)

". . .[T]here is no doubt that without the supervision and cooperation of the C&S Bank that [our] growth would not have been anywhere near as spectacular." — William C. Thornton, Jr. (Tucker)

4. The bank would suffer adverse consequences if the relationship with Citizens and Southern were terminated.

"There would be no benefit to the Sandy Springs Bank, its owners or its customers to break this relationship, and it has never occurred to me to think along those lines." — Mr. J. Teusher (Sandy Springs)

"I might add that if the proposed merger cannot be consummated, the future of the Park Bank will be jeopardized as a result of the recent amendment to our branch banking laws. [Five other banks] . . . will soon be established within a radius of less than one mile of the Park Bank. . ." — Mr. Ben Kohler, Jr. (Park National)

5. The directors from the beginning of their association with the bank have expected that it would ultimately become part of Citizens and Southern by merger or acquisition.

"It was always my idea that if and when the laws would allow, this unit would come under the C&S system . . ."

— Mr. Laurence L. Gellerstedt (original director of Sandy Springs; resigned in 1969 to become a director of Citizens and Southern National Bank)

"I carefully explained to all that, under the state banking regulations, this could not be more than a 5% bank, but that, come the hoped and planned for change in the law, we someday fully expected to unite with C&S National. This was completely understood and approved of before stock was sold in each case." — Mr. W. Andres Irvin (North Fulton)

E. "BRANCH SUPERVISION" OF THE SIX ASSOCIATE BANKS BY C&S NATIONAL

The overall supervision and direction of each of these six associates is administered in almost exactly the same manner as branches of C&S National and has been so administered from the outset.

1. Establishment of Goals

Each bank President—5%er, subsidiary and branch office alike—is required to establish his goals and objectives each fall for the coming year. These goals, which cover all important aspects of his bank's operation, are reviewed by his branch supervisor in C&S National to determine whether they appear to be realistic and if not, determine what changes are appropriate. A budget is then prepared and further reviewed with his supervisor.

2. Review of Goals

Quarterly, the supervisor sits down with each President to review his bank's actual performance against his goals. Variances are accounted for, and the supervisor may either

offer help to enable him to reach his projections or readjustments may be necessary in the goals for subsequent quarters.

3. Personal and Bank Performance Appraisals

Periodically, the branch supervisor will review the overall performance of each President and will go over this with him in a personal appraisal interview. At this time, his strengths and shortcomings are cited, and programs for improvement are defined.

The Presidents recommend salary increases for their officers, and these are reviewed for approval by the branch supervisors of C&S National. Salary scales for employees of the associate banks are set to be consistent with those of C&S National. In case of the associate bank President's salary, the advisory board member from C&S National recommends an appropriate increase for the President based on performance to the salary committee of its board of directors. In the cases in which a salary committee does not function, the increase is handled directly by the branch supervisor with the Board of Directors.

At the end of each year, both the C&S National Executive Vice President in charge of branches and the appropriate supervisor rates the performance of each President to determine the level of discretionary cash profit sharing to be awarded. In turn, the President's rating of each of his officers for this is reviewed by the branch supervisor.

Audits made of the associate banks by the FDIC, State Banking Department, and C&S Auditing Department are reviewed by Branch Supervision and then discussed with the examining committee of each board of directors. The President prepares answers to the audits and submits them to the branch supervisor prior to the meeting, which insures that appropriate follow-up is done.

Customer service audits are performed by the Branch Supervision staff and reviewed with the Presidents in order to maintain a comparable quality of service in each C&S offic

4. Directors' Meetings

A branch supervisor serves as an advisory board member on each of the boards of these associate banks. He attends all meetings and serves as a liaison between that

bank and the C&S National. He makes recommendations regarding amount of directors' fees, dividends, policy changes, salaries, operational changes, and community activities, and, in general, speaks for C&S National.

5. Geographic Coordination

The branch supervisory staff works with each of the associate banks in the Atlanta area to assure that business development activities are not duplicated by C&S banks in contiguous areas, nor are areas left unsolicited and unserved. Each bank conducts a new business program within a specific area and sends copies of his call reports to Branch Supervision of C&S National. Representatives from Branch Supervision will occasionally make joint calls with officers of the associate banks who need assistance. These may take the form of a new business solicitation or discussion of a particular loan or other banking relationship.

6. Credit Review

Each associate can and does call upon C&S National for credit analysis and technical advice. All loans in excess

of $25,000 are reviewed in a regularly scheduled credit meeting of C&S National, and any suggestions or criticisms of methods of handling are discussed at that time. All loans are rated by the C&S National Credit Department, and periodically, all such rated loans are discussed with the heads of the 5% associates. Problem credits are followed very closely by Branch Supervision, working directly with the bank President, the Credit Department, and other credit specialists in salvaging such loans. The Branch Supervisor may make suggestions for collecting past dues, repossession and ultimate sale of collateral, as well as approve any charge-offs.

Branch Supervision reviews and shares in the decision to commit any loans in which C&S National purchases a participation. This department also works very closely with the Presidents in the management of their banks' investment portfolios, relating the overall needs of the C&S System and the availability of funds at a given time.

7. Operations and Work Measurement

The operations specialist in Branch Supervision works very closely with each of these associate banks on

operational problems and the standardization of methods and procedures.

This department also offers assistance in work measurement and determining optimal staffing levels. Each President receives a monthly report showing his bank's work measurement index compared to the other C&S Banks in the Atlanta area.

Any requests for additional personnel must be approved by Branch Supervision.

8. Officers and Staff

The Presidents of each of the associates were originally (or in the case of Tucker at the time of its organization) designated by Branch Supervision and/or Mills Lane, as were all the assistant managers, with the concurrence of the President.* While there have been only two changes in top management in the banks since initial association with C&S (Sandy Springs and South DeKalb) there has been considerable movement at other levels—transfers from C&S to the

---

*See Exhibit F — Officers of 5% banks-history

associates and back to the C&S System (with no effect on status or benefits). In no instances has an important management position been filled directly from outside the C&S Banks In only three cases have members of management left these associate banks to accept positions outside the C&S System- (Tom Cook, Sandy Springs; Ted Murphy, North Fulton; John Montgomery, Park National), two at the request of C&S Branch Supervision.

Due to the close ties and active transferral of officers and staff among the C&S Banks, the personnel of these associate banks are very responsive to all suggestions, recommendations, and guidance of the C&S. Their opportunities for personal growth and development, as well as financial rewards, are not limited just to one bank, but are as broad as the C&S System. This realization renders highly unlikely the possibility of future competition from these banks.

F. C&S SERVICES FOR THE SIX ASSOCIATE BANKS

The management style and method of operations of the six associate banks parallels exactly that of the C&S National branches—that is, they are treated alike by C&S National. The supervisory practices, operational procedures, lending philosophy, forms, signs, logo and other symbols and practices that define style and personality are almost identical with all other C&S banks in metropolitan Atlanta. A conscious attempt is continually made to provide the degree of standardization necessary for the customer to identify each of these banks as a member of the C&S family of banks.

In providing staff and management services, there is essentially no differentiation between the C&S National branches, Atlanta affiliates, and the six associate banks. In all instances, the six associate banks derive significant economic benefits from their close association with C&S National.

1. Personnel Services.

The management and staff of each of the six associate banks are covered by the same employment, salary administration

and fringe benefit programs as the staff of C&S National and affiliates.

C&S National's Personnel Department provides employment services for the six associate banks including screening, testing, orientation and training for their personnel. Experienced, trained personnel of C&S National are made available to these banks when needed to fill higher level positions. This ready access to experienced manpower provides a depth of resources that none of the banks could develop internally.

Branch Supervision of C&S provides replacement personnel in case of sickness, vacation or emergencies.

All of the staff positions in the associate banks are measured by the same job evaluation standards, and salary ranges for comparable jobs are exactly the same. Transfers of personnel among these associate banks and C&S National Bank are handled as if all were branches.

Since 1967, a total of 179 new personnel were hired by C&S National for the six associates. In addition, 39 experienced staff members were transferred to these banks from

C&S National, and 13 were transferred out of the six banks to other C&S offices.*

In addition, since January, 1967, 68 management associates of C&S National have been assigned to these six banks for on-the-job training for periods up to six months, with their salaries being borne by C&S National.**

An individual's length of service at an associate bank is retained in case of transfer, and he remains in the same profit sharing and pension program as if he were at all times with C&S National. Any transferred employee is also eligible for other benefits related to length of service, such as vacations and service pins. All the employees of these banks are eligible for the same life, hospitilization, dental, group accident, travel accident, and long term disability insurance package that is offered by C&S National.

All officers and employees of the six associate banks are invited to participate in the C&S Bank Club and its

---

*See Exhibit G — List of hirings and transfers.

**See Exhibit H — List of C&S National Management Associates trained at associate banks.

sponsored activities, such as its resort on Lake Allatoona. Officers are eligible for membership in the C&S Officers Health Club. Officer and non-officer loan and charge card privileges at special low interest rates are handled in a consistent manner, with officer loans carried by other banks in the C&S System and non-officer loans handled through the Installment Loan Department of the C&S National Bank. All may participate in the C&S stock purchase plan through payroll deductions.

The rate of each associate bank's contribution to cash and deferred profit sharing is based upon the overall profitability of C&S National and its subsidiary interests. The funding for employees in the pension plan is handled in the same manner for all C&S banks. The administration of these benefits is handled centrally by the System Personnel Department of C&S National.

General communications such as interoffice memoranda, announcements, bulletins, and the C&S house organ are distributed among the staff of the associates, as in the branches.

2. Education and Training.

Opportunities to attend any of the C&S-sponsored schools, seminars, and other training programs apply equally to the staff members of all the banks. A diversity of subjects, from Consumer Lending, Teller Training, and Customer Service, to Law and Trust Services Seminars, are available. The facilities and instructors are provided in-bank at no expense to the associates. The associate bank officers and staff assist in teaching certain schools and seminars upon request. During the past 20 months, 101 staff members of the six associate banks attended one or more of 47 courses.*

3. Operations Services.

To further economize on personnel costs and to facilitate customer service, the C&S National Bank Operations Department performs almost identical services for the National Bank branches and these associate banks.** All Computer Operations, Bookkeeping functions, Proof, Transit Operations,

---

*See Exhibit I — Roster of Attendance of associate bank personnel at C&S National educational programs.

**See Exhibit J — General operating bulletins and memos

General Ledger, Audits, and Telephone Customer Service have been standardized and are handled centrally at one location.

The C&S helicopters and surface transportation system provide the same interoffice mail and delivery service for these associate banks as it does for branches. The Central Money Vault of C&S National provides the same coin and currency service for the associates, and extensive use of the centralized Purchasing Department of the C&S National is made by these banks, to take advantage of the economics of large scale purchasing.

Heating and air conditioning equipment, as well as teller machines, typewriters, and adding machines, are serviced by the Maintenance Department of C&S National.

The security system is standardized among all offices, and a centralized alert system is used for suspected fraud and emergencies.

Blanket bonds covering the staff of these associate banks are obtained by the insurance section of C&S National.

The C&S National Comptroller's Department handles the associate banks' accrual operations and prepares their tax returns, and performs other accounting functions.

Each of these associate banks has access to the credit and information files of each other, as well as those of C&S National. Each of these banks uses the C&S installment loan billing service. Commercial credit reports are obtained by the associate banks through the C&S National under volume contract terms. They also have access to the attorneys retained by C&S National.

The Money Management Department of C&S National acts as investment advisor for the security portfolios of the associate banks, buys and sells securities on their behalf, and provides safekeeping. This department is also consulted in quoting rates on negotiable certificates of deposits.

C&S Holding has purchased and held property for each of the banks except Park National for actual or proposed bank sites.* The Holding Company for many years charged no interest on these purchases, nor realized any capital gain on any plots eventually sold to these associates. The sale price to these banks has recently been set at actual purchase price plus a carrying charge at prime interest rate.

---

*See Exhibit K — List of properties purchased and held for associate banks, by C&S Holding.

4. Marketing.

C&S National maintains an extensive marketing staff utilized by all the Atlanta area banks. The C&S marketing program applies to the six associate banks in the same manner that it applies to branches of C&S National and its affiliate banks in the Atlanta area. The program includes market research, advertising, public relations, sales promotion, and product development. Programs are planned and executed to increase the business of all C&S Banks in the Atlanta market, without distinction. Conscious efforts are made to avoid creating distinctions in the mind of a customer.

The internal services offered consist principally of market research programs and individual consulting. Market Research has completed six extensive projects for these associate banks since 1965.

In addition, continuing consultation and the results of consumer surveys are provided to help define marketing opportunities. Specific programs for local publicity and small scale promotions are designed and executed by the marketing staff in cooperation with the bank associate president.

New services and changes in existing services apply to these banks in the same manner as to branches of C&S National.

The external services of the marketing staff include promoting bank openings and preparing news releases, publicity material, financial reports, and other "custom" material.

A principal objective of marketing is to identify all the Atlanta area banks clearly with the "C&S" name through the consistent use of the C&S logo.

Advertising is purchased on a market basis to serve the needs of all C&S banks in the Atlanta market, with no distinction between banks.

Customers who have an account at any of the C&S branch, affiliate or associate banks are encouraged to use the facilities of any other bank or branch, especially for making deposits and cashing checks. It is C&S policy to serve our customers where it is most convenient. Staff members in all C&S banks are trained and encouraged to develop business for C&S, without regard to corporate distinctions.

The marketing program includes the development and introduction of special promotions and new services. Because

advertising is done under just the "C&S" name, it is critically important that all banks follow a coordinated course of action. Thus it is necessary to provide staff members with instructions and information concerning policy and necessary actions to achieve marketing objectives.*

The Atlanta telephone directory listing consciously avoids distinguishing the various banks to simplify matters for the customer. Officers and offices are merged into a single alphabetical listing.** This same approach is carried out in maps and other promotional material.

---

*See Exhibit L — Memos to C&S staff

**See Exhibit M — Telephone directory listing.

C. BANKING INTER-RELATIONSHIPS

Each of these six associate banks, the two proposed acquiring banks (C&S East Point and Emory), and C&S National enjoy complementary relationships with each other.

1. Loan Participations.

C&S National has provided lending capacity to each of the associate banks since their origination by participating in loans that would exceed the legal lending limit or funds available to these banks. These associates have also purchased loan participations from the National Bank in instances when the associate banks had excess funds available.* Normally the associate would retain or receive a higher interest rate on sale or purchase of participations than would a correspondent of C&S.

2. Transfers of Accounts.

The Presidents of these six banks were able to identify 250 commercial accounts that were referred to their

---

*See Exhibit N — Loan participations bought and sold by associate banks.

banks by C&S National or transferred from the National Bank.* For example, such transfers or referrals amount to over 14% of the accounts of C&S North Fulton.

3. Charge Account Service Merchant Accounts.

These banks participate in a joint relationship with C&S National in handling Charge Account Service business.** The sales staff of C&S National normally signs the merchant on the service and handles the conversion, while the associate bank carries the merchant's checking account through which sales are deposited.

4. Computer Processing.

Officers of the associates were instrumental in C&S National's acquiring 38 payroll processing, medical accounting and freight payment accounts since September 1966.***

---

*See Exhibit O — Commercial accounts transferred or referred by C&S National to associate banks.

**See Exhibit P — Charge Account Service merchants carrying accounts with associate banks.

***See Exhibit Q — Computer processing accounts solicited for C&S National by associate banks.

5. Trust New Business.

Officers and staff of these six banks have received credit for acquiring 234 Trust relationships since 1968.* In fact, the President of C&S Park National was presented an award for "Outstanding Trust Development in 1969" (most pieces of business and largest dollar volume).

6. Real Estate Loans.

Significant cooperation exists between the C&S National Bank's Real Estate Finance Department and each of these associate banks on a regular basis.**

7. Accounts Exceeding FDIC Limits.

Many large depositors of these banks maintain their accounts, though in excess of the amount insured by FDIC, with the associates due to their relationship with C&S and the protection that the support of a larger bank affords.

---

*See Exhibit R — Trust business solicited by C&S National by associate banks.

**See Exhibit S — Real Estate Finance Department of C&S National coordination with associate banks.

8. Banking Hours.

Banking hours of these associate banks, C&S Emory, and C&S DeKalb are scheduled to provide Customer Service at some bank or banks in a given geographic area from 9:00 until 4:00, Monday thru Thursday; 9:00 until 6:00 on Friday; and 1/2 day on Saturday. To provide extended banking hours convenient to customers in North DeKalb County, South DeKalb County, and North Fulton County, the C&S-affiliated and associated banks in each of these areas have coordinated their respective hours so that not all must be staffed on Friday and on Saturday, but customers nevertheless will have service available within a relatively small geographic area.*

9. Deposits.

Each of the associates maintains deposit accounts with the C&S and at least one Atlanta area affiliate. None of the six carry accounts with either of the other five associates.**

---

*See Exhibit T — Banking hours.

**See Exhibit U — Year-end balances of deposit accounts.

H. FINANCING OF THE SIX ASSOCIATE BANKS

In order to maintain an adequate capital base on which to grow as deposits continued to increase, added capital was needed by four of these associates. C&S National has provided that capital as follows:

1. A 6% Convertible Debenture in the amount of $300,000 issued by Chamblee in December of 1968, was purchased and is held by C&S National;

2. An 8% Capital Note in the amount of $200,000 was issued by North Fulton on April 15, and was purchased and is held by C&S National;

3. A 5% Capital Note for $100,000, issued December 1, 1964; and a 6% Convertible Debenture for $125,000, issued November 1, 1968, by Sandy Springs was purchased and is held by C&S National;

4. A $400,000 6% Convertible Debenture was issued by Tucker on December 16, 1968, and was purchased and is held by C&S National.

Combining the above with the 5% stock interest held by the C&S Holding Company in each of the above banks shows

the support that C&S National has given in terms of capital dollars: 33.7% of the capital of Chamblee, 36.66% of the capital of North Fulton, 37.88% of the capital of Sandy Springs and 41% of the capital of Tucker.*

(Correspondingly, the officers and staff of Chamblee, Sandy Springs, Tucker, and Park National helped to place among their customers and friends 5,670 shares of C&S National stock during C&S National's 1970 stock offering.)

---

*See Exhibit V — Statistics on percentage of capital contributed by C&S.

I. HOW STONE MOUNTAIN IS DIFFERENT

The Stone Mountain Bank had its beginning as a result of a visit by Mills Lane to a civic group which was interested in preserving Stone Mountain and trying to dress-up the town of Stone Mountain. Apparently in the conversation, the fact was brought up that the members of this group had talked for many years about starting a bank, and Mr. Lane suggested that perhaps Mr. Arthur Drew, who was a retired former C&S officer, might be available to run such a bank. Mr. Lane offered to give them any assistance that we would normally give any correspondent bank.

The bank was then organized with the McCurdy family in Stone Mountain being the dominant group. Some assistance was given to the organizers by the Correspondent Bank Department of C&S National, just as they would have done for any prospective correspondent bank. No C&S personnel played any role in sale of stock or selection of directors.

The bank opened for business in 1957 as an independent bank. C&S had no stock interest in the bank.

In the middle of 1959 some of the original organizers came to C&S National and asked for help. They were

experiencing credit problems and felt that they needed someone to help them who was more familiar with day-to-day bank operations than they were. This in itself points out that no C&S guidance was being given them during the first few years of their existence.

At that time a 5% interest was acquired by C&S Holding, and a C&S representative added to their Board of Directors. Also, a C&S officer was named President of the bank and took over the day-to-day operations. The result was gratifying, for the bank immediately began to show improvement; it was doing a good job for the community, the stockholders, and the customers. At all times, the McCurdy family and other local people who were not oriented to C&S National remained in control of a substantial majority of the bank's stock.

In summary, the following vast differences existed between the Stone Mountain situation and that of C&S Sandy Springs, North Fulton, Chamblee, Park National, South DeKalb, and Tucker (since C&S National's involvement):

1) A single related group of stockholders of Stone Mountain controlled at least 1/3 of the stock, as contrasted with a maximum of 10% being held by any individual or related group of the first five banks listed above and 17% in the case of Tucker.

2) C&S National and C&S oriented groups were never the dominant stockholders of the Stone Mountain Bank, which contrasts sharply with the other six associates.

The contrast between Stone Mountain and the first five of the banks listed above is even more vivid. Stone Mountain was treated as a correspondent and the principals came to us for help after the bank got into trouble, whereas in the other banks, C&S was the dominant organizing group, the Holding Company and closely allied groups the dominant stockholders, and the banks received the guidance and counsel of C&S from their inception to the present, and the expectation of the shareholders was from the very beginning one of being part of the C&S System of Banks.

The primary elements suggesting disaffiliation of Stone Mountain are not and have never been present in either of these six associate banks listed above that we propose to merge with C&S Emory and C&S East Point.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

CITIZENS AND SOUTHERN NATIONAL BANK, et al.

On Appeal from the United States District Court for the Northern District of Georgia

---

JOINT APPENDIX

INDEX

VOLUME I

	Page
Relevant Docket Entries	1
Complaint by the United States Filed November 2, 1971	9

Answer to Complaint Filed by the Defendants May 5, 1972 24

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia Commencing September 25, 1972:

Appearances [2] 45

Testimony of W. D. Padgett—
Direct examination [7] 49
Cross-examination [74] 89

Testimony of William Farr, III—
Direct examination [85] 96
Cross-examination [123] 118

Testimony of Herbert Leonard Megar—
Direct examination [151] 135
Cross-examination [161] 142
Redirect examination [171] 148

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 26, 1972:

Testimony of James A. Parker—
Direct examination [180] 151
Cross-examination [227] 178
Redirect examination [245] 188

Testimony of Charles B. Ginden—
Direct examination [256] 195
Cross-examination [296] 219
Redirect examination [309] 226

Testimony of Warren Jackson—
Direct examination [312] 228
Cross-examination [352] 251

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 27, 1972:

Testimony of Warren Woolsey—
Direct examination [361] 257
Cross-examination [408] 284
Redirect examination [424] 292

Testimony of Samuel L. Skogstad—
Direct examination [425] 293
Cross-examination [426] 294
Redirect examination [476] 322
Recross-examination [494] 333

VOLUME II

Testimony of Mills B. Lane—
Direct examination [508] 343
Cross-examination [539] 361
Redirect examination [562] 374

Transcript of Proceedings Held Before the Hon. Charles A Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 28, 1972:

Testimony of Howard S. Starks—
Direct examination [582] 386
Cross-examination [604] 400
Redirect examination [633] 417

Testimony of Joseph Hall—
Direct examination [637] 420
Cross-examination [683] 445
Redirect examination [744] 481

Testimony of Robert Daniel Handley, Jr.—
Direct examination [747] 483
Cross-examination [765] 494
Redirect examination [774] 499
Recross-examination [774] 500

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 29, 1972:

Testimony of Warren L. Berry—
Direct examination [777] 501
Cross-examination [784] 505
Redirect examination [802] 516

Testimony of Roy B. Holland—
Direct examination [802] 517
Cross-examination [805] 519

Testimony of Hubert Harris—
Direct examination [808] 521
Cross-examination [812] 523

Testimony of Lewis C. Beasley—
Direct examination [815] 524
Cross-examination [821] 528

Testimony of Joseph M. Reem—
Direct examination [824] 530

Testimony of Henry T. Collingsworth, Jr.—
Direct examination [830] 534
Cross-examination [837] 538

Testimony of Gordon B. Trulock, Jr.—
Direct examination [842] 542
Cross-examination [853] 548

Testimony of Ben C. Cook—
Direct examination [854] 548
Cross-examination [859] 552

Testimony of Merrill Autry, Jr.—
Direct examination [862] 554
Cross-examination [865] 555

Testimony of L. R. Gellerstedt, Jr.—
Direct examination [873] 559
Cross-examination [881] 564

Testimony of King Cleveland—
Direct examination [888] 569
Cross-examination [892] 571

Testimony of W. M. Jackson—
Direct examination [895] 573
Cross-examination [905] 579

Testimony of Evans Bruner—
Direct examination [932] 594
Cross-examination [940] 599

VOLUME III

Testimony of J. Mack Robinson—
Direct examination [942] 601
Cross-examination [946] 603

Testimony of Walter Eaves—
Direct examination [953] 607
Cross-examination [956] 609

Testimony of E. D. Dunn—
Direct examination [960] 611

Testimony of Nevins Dennis Baxter—
Direct examination [974] 619
Cross-examination [1004] 636

Depositions:

Warren Lanham Berry—
(GX-198) 671

Dr. William M. Cason—
(GX-199) 4.1-6.13 739

Gus Lockett Connelly—
(GX-200) 4-29.3; 53.13-54.22 741

Thomas E. Cook—
(GX-201) 4-26.4 760

Edward E. Elson—
(GX-202) 10.23-12.7 774

Louis J. Fortuna—
(GX-204) 19.6-22.3 775

Hubert L. Harris—
(GX-206) 4-28.7 778

T. Robert Hazelrig—
(GX-207) 4-28.13 793

Dr. W. Andrew Irvin—
(GX-208) 12.4-12.21; 18.10-18.24 811

Hugh F. Lane—
(GX-209) 812

Alva G. Maxwell—
(GX-211) 4-6.13 848

Dalton F. Scott—
(GX-215) 34.24-36.3 851

Economic Report (Excerpts):

Volume 1—|5-14|
|83-84|
|114 "E"-130 "B"|
|139-147| 852

Volume 2—Exhibits 20, 28, 29, 53, 54, 55, 69 877

Government Exhibits:

GX-33 B E-1
GX-33 C E-5
GX-33 D E-7
GX-33 E E-10
GX-35 ..... E-13
GX-36 ..... E-24
GX-37 ..... E-28
GX-38 ..... E-38
GX-104 ..... E-57
GX-105 ..... E-89
GX-106 A E-113
GX-107 ..... E-121
GX-108 ..... E-122
GX-109 ..... E-123
GX-110 ..... E-124
GX-111 ..... E-125
GX-112 ..... E-126
GX-113 ..... E-127
GX-114 ..... E-128
GX-115 ..... E-132
GX-116 ..... E-133
GX-117 ..... E-134
GX-118 ..... E-135
GX-119 ..... E-137
GX-120 ..... E-139

GX-121 ..... E-140
GX-122 ..... E-141
GX-123 ..... E-142
GX-124 ..... E-143
GX-125 ..... E-145
GX-126 ..... E-146
GX-127 ..... E-147
GX-128 ..... E-148
GX-134 ..... E-153
GX-136 ..... E-155
GX-138 ..... E-156
GX-139 ..... E-158
GX-140 ..... E-160
GX-142 ..... E-161
GX-148 ..... E-162
GX-151 ..... E-164
GX-153 ..... E-165
GX-162 ..... E-166
GX-163 ..... E-172
GX-164 ..... E-198
GX-166 ..... E-204
GX-169 ..... E-206
GX-170 ..... E-215
GX-177 [1-15.6] E-217
GX-177 B E-232
GX-177 D E-235

GX-188 ..... E-240
GX-189 ..... E-241
GX-190 ..... E-242
GX-191 ..... E-243
GX-192 ..... E-249
GX-193 [1-6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 28] ... E-251
GX-194 ..... E-268
GX-216 ..... E-269

Defendants' Exhibits:

DX-94 ..... E-305
DX-113 ..... E-329
DX-125 ..... E-330
DX-152 ..... E-331
DX-266 ..... E-337
DX-267 ..... E-460
DX-268 ..... E-502-2
DX-269 (Sections A, D, F, K and V) E-572
DX-270—Vol. I, GOG 9.27 and GOG 9.6 ..... E-692
Vol. II, GOG 26.01 and 26.011 ..... E-699
DX-277 ..... E-703
DX-278 ..... E-705
DX-300 ..... E-706
DX-301 ..... E-835
DX-302 ..... E-840
DX-310 ..... E-860

DX-311 ..... E-1024
DX-313 ..... E-1717
DX-316 ..... E-1804
DX-317 ..... E-1816
DX-318 ..... E-1822
DX-320 ..... E-1826

Notice of Appeal filed March 25, 1973 ..... E-1841
Order Noting Probable Jurisdiction dated October 29, 1974 ..... E-1842

DX-269

(Sections A, D, F, K and V)

ANALYSIS OF STOCKHOLDERS

APPROVING THE MERGER

Analysis of Stockholders Signing Petition 5/71	Number of Stockholders	Number Stockholders Signing Petition	% of Total Stockholders Signing Petition	Total Shares Outstanding	Total of Shares Signing	% to Total Shares Signing Petition
Chamblee	282	160	56.7%	75,000	60,260	80.3%
Park National	295	251	85.1%	40,000	37,011	92.5%
North Fulton	242	118	48.8%	20,000	12,777	63.9%
Sandy Springs	180	167	92.7%	45,000	42,859	95.2%
South DeKalb	255	162	63.1%	30,000	24,033	80.0%
Tucker	370	271	73.2%	66,000	59,759	90.5%

Analysis of Original Merger Proposal 10/70	Total Number Stockholders	Stockholders Approving Merger	% Approving Stockholders	Total Number Shares	Number Shares Approving	% Shares Approving
Chamblee	282	192	68.1%	75,000	64,546	86.1%
Park National	307	229	74.6%	40,000	32,458	81.1%
North Fulton	243	198	81.5%	20,000	16,994	85.0%
Sandy Springs	177	140	79.1%	45,000	39,897	88.6%
South DeKalb	233	168	72.1%	30,000	24,956	83.2%
Tucker	370	253	68.4%	66,000	57,439	87.0%

DX-269

(Sections A, D, F, K and V)

E- 572

We the undersigned stockholders of The Citizens and Southern _____, do hereby affirm that we purchased our shares of the Bank upon the expectation and trust that the Bank would be organized and operated under the auspices and sponsorship of The Citizens and Southern National Bank and affiliates ("C & S") and that C & S would furnish management and financial services of the type and scope furnished to its subsidiary banks, and in due course, should the branch banking laws of the state permit, this Bank would be merged into the C & S. At no time did we consider a separation from this sort of control by C & S, and thus we voted that C & S acquire this Bank now that those branch banking laws permit it.

NAME	NAME
_____	_____
_____	_____
_____	_____

E- 573

C&S SANDY SPRINGS

The largest outside stockholder for C&S Sandy Springs is Mr. A. J. Weinberg, who owns 6.46% of the outstanding stock. Mr. Weinberg was one of the original directors of C&S Sandy Springs, having been asked to serve as Chairman of the Board by Mr. Mills B. Lane, Jr. Mr. Weinberg served on the Board until his retirement in 1969. Mr. Weinberg has signed a petition.

There has been no transfer of stock in excess of 500 shares since the bank was formed in 1960. It is interesting to note that 69% of the original stockholders still hold stock, representing 70% of the original issue and 72.9% of outstanding shares on May 1, 1971.

The original merger proposal was approved by all voting stockholders except one, who represented 720 shares. All the stockholders of Sandy Springs who have been asked to sign the recent petition have done so. These stockholders hold in excess of 90% of the outstanding stock.

Due to the length of time C&S Sandy Springs has been open (eleven years), the attached stockholder chart accounts for transfers in stock ownership by year. The last two columns indicate the breakdown of stock ownership by category the year the bank opened and the present year.

REPORT OF C&S NATIONAL BANK OF SANDY SPRINGS STOCK PURCHASE TRANSACTIONS

- No New Shares Sold by Bank after Original Sale
- These Figures Represent the Categories that Bought Outstanding Shares
- No Figures Available on Who Sold or Number of Shares Sold

CATEGORIES	12/31/59	12/31/60	12/31/61	12/31/62	12/31/63	12/31/64	12/31/65	12/31/66
A) Officers, Directors and Employees of the C&S National Bank and Affiliates	750 2*	575 2*	0 0*	0 0*	0 0*	0 0*	30 1*	0 0*
B) Former Officers, Directors and Employees of the C&S National Bank and Affiliates	50 3*	100 1*	0 0*	0 0*	0 0*	200 1*	0 1*	86 1*
C) Officers, Directors and Employees of C&S National Bank of Sandy Springs and other C&S Banks	6,073 10*	871 8*	225 4*	52 3*	72 1*	0 0*	97 1*	114 5*
D) Customers of C&S National Bank and Affiliates	2,912 41*	1,000 9*	108 2*	145 3*	50 1*	110 2*	140 2*	0 0*
E) Customers of C&S National Bank of Sandy Springs and other C&S Banks	2,715 64*	80 1*	165 7*	220 6*	0 0*	10 1*	250 4*	5 1*
Total Shares of Stock Purchased During Year	12,500	2,626	499	417	122	320	526	205
Total Stockholders Involved in Purchases	119	21	13	12	7	4	9	10

* Number of stockholders that purchased shares in that year.

Notes: 1) On December 23, 1968, there was a 1 for 5 stock split. This totaled 15,000 shares outstanding.

2) On May 1, 1970, there was a 2 for 1 stock dividend. This totaled 45,000 shares outstanding.

E- 575

E-576

REPORT OF C&S NATIONAL BANK OF SANDY SPRINGS STOCK PURCHASE TRANSACTIONS

- No New Shares Sold by Bank after Original Sale
- These Figures Represent the Categories that Bought Outstanding Shares
- No Figures Available on Who Sold or Number of Shares Sold

CATEGORIES	12/31/67	12/31/68	12/31/69	12/31/70	Transaction Totals	Initial Ownership (1959)		Present Ownership (1971)	
A) Officers, Directors and Employees of the C&S National Bank and Affiliates	100	730	0	0	2,185	750	(6.0%)	4,826	(10.7%)
	1*	2*	0	0	8*	2*	(1.7%)	5*	(2.7%)
B) Former Officers, Directors and Employees of the C&S National Bank and Affiliates	595	110	340	56	1,546	50	(0.4%)	5,863	(13.1%)
	6*	3*	6*	6*	33*	3*	(7.6%)	9*	(5.0%)
C) Officers, Directors and Employees of C&S National Bank of Sandy Springs and other C&S Banks	10	50	410	0	7,974	6,073	(48.6%)	12,688	(28.1%)
	2*	1*	8*	0*	48*	10*	(25.2%)	30*	(16.7%)
D) Customers of C&S National Bank and Affiliates	418	335	120	287	5,625	2,912	(23.3%)	10,931	(24.3%)
	7*	3*	1*	5*	76*	41*	(34.5%)	55*	(30.6%)
E) Customers of C&S National Bank of Sandy Springs and other C&S Banks	0	0	0	18	5,464	2,715	(21.7%)	10,692	(23.7%)
	0*	0*	0*	1*	85*	64*	(68.1%)	81*	(45.0%)
Total Shares of Stock Purchased During Year	1,123	1,225	870	361	20,794	12,500	Total Shares	45,000	
Total Stockholders Involved in Purchases	16	9	17	12	250	119	Total Stockholders	180	

* Number of stockholders that purchased shares in that year.

Notes: 1) On December 23, 1968, there was a 1 for 5 stock split. This totaled 15,000 shares outstanding.

2) On May 1, 1970, there was a 2 for 1 stock dividend. This totaled 45,000 shares outstanding.

C&S CHAMBLEE BANK

The largest outside stockholder group for C&S Chamblee is Henry Williams, his wife, and the profit sharing plan for his drugstore. The ownership of this group represents 10% of the outstanding stock.

Dr. Williams was one of the original organizers of the Chamblee Bank and prior to that time was a strong customer of the C&S National Bank, as that Bank made him a term loan for the purpose of ~~and~~ enabling him to start his business.

Dr. Williams is a very strong advocate of C&S Chamblee and is highly desirous of merging with the C&S National Bank. Dr. Williams has signed a petition. His one and only business interest is that of operating his drugstore. He has no knowledge of banking, and he would never have any desire to advocate any plan which would separate C&S Chamblee from C&S National Bank.

The original merger proposal was approved by all voting stockholders except three, who represented 402 shares. One of the original dissenting stockholders, representing 126 shares, has now signed a petition.

Stockholders owning over 80% of the outstanding stock have signed the petition.

Over 50% of the outstanding stock of C&S Chamblee Bank is owned by people who work for C&S National Bank or do business with the National Bank.

E- 577

ANALYSIS OF STOCK OWNERSHIP
THE CITIZENS AND SOUTHERN BANK OF CHAMBLEE

CATEGORY	5/15/60	12/31/60	12/31/61	12/31/62	12/31/63	12/31/64	12/31/65	12/31/66
A) Officers, Directors, and Employees of the C&S National Bank and Affiliates	2,449 8.16%	2,334 7.77%	2,994 10.00%	2,935 9.85%	3,019 10.08%	2,971 9.90%	2,773 9.25%	2,973 9.91%
B) Former Officers, Directors and Employees of C&S National and Affiliates								
C) Officers, Directors and Employees of C&S Bank of Chamblee and other C&S 5% Banks	2,930 9.83%	2,530 8.04%	3,150 10.50%	3,999 13.33%	4,490 15.00%	4,585 15.30%	5,223 17.41%	5,143 17.14%
D) Customers of C&S National Bank and Affiliates	9,120 30.43%	9,320 31.06%	9,365 31.70%	9,205 30.68%	9,070 30.23%	9,070 30.23%	9,095 30.30%	9,095 30.36%
E) Customers of C&S Bank of Chamblee and other C&S 5% Banks	15,501 51.58%	15,816 53.13%	14,491 48.30%	13,861 46.14%	13,421 44.89%	13,374 44.57%	12,909 43.04%	12,789 42.65
TOTAL	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000

E-578

ANALYSIS OF STOCK OWNERSHIP
THE CITIZENS AND SOUTHERN BANK OF CHAMBLEE

CATEGORY	12/31/67	12/31/68	12/31/69	12/31/70	3/31/71			
A) Officers, Directors, and Employees of the C&S National Bank and Affiliates	2,908 9.69%	4,263 11.34%	4,668 12.45%	9,424 12.56%	9,424 12.56%			
B) Former Officers, Directors and Employees of C&S National and Affiliates			10 0%	20 0%	20 0%			
C) Officers, Directors and Employees of C&S Bank of Chamblee and other C&S 5% Banks	5,227 17.42%	6,284 16.76%	6,245 16.65%	12,486 16.64%	12,486 16.64%			
D) Customers of C&S National Bank and Affiliates	9,254 30.85%	11,378 30.34%	11,151 29.74%	22,050 29.40%	22,050 29.40%			
E) Customers of C&S Bank of Chamblee and other C&S 5% Banks	12,611 42.04%	15,575 41.56%	15,426 41.16%	31,020 41.40%	31,020 41.40%			
TOTAL	30,000	37,500	37,500	75,000	75,000			

E-69

POOR COPY

THE CITIZENS AND SOUTHERN BANK OF TUCKER

The largest block of stock owned outside of the C&S is held by the Cofer family. This family at one time owned 100% of the bank. When C&S National Bank Holding Company bought 80%, the Cofers retained 17% ownership. The Cofer family has signed a petition.

Shortly after C&S National acquired C&S Tucker stock, the stock was held by Mr. Howard Starks and Mr. Bennett Brown both Executive Vice Presidents of the C&S National Bank, as agents. The stock was then sold to C&S officers, directors, and customers. This accounts for the large "swing" of stock ownership in 1966.

The increase in Category B in 1969 and 1970 is due to Mr. Herb Dickson, former Executive Vice President of C&S National Bank, leaving in 1969, and Mr. Rountree Youmans, former General Vice President of C&S National Bank, retiring in 1970.

The original merger proposal was approved by all voting stockholders except three, who own a total of 26 shares. The recent petition was signed by persons owning over 99% of the outstanding shares. In recent years, there has not been any transfer of stock in excess of 2%.

ANALYSIS OF STOCK OWNERSHIP
THE CITIZENS AND SOUTHERN BANK OF TUCKER

CATEGORY	QUARTERS 2/75	3/31/75	12/31/75	12/31/76	12/31/77	12/31/78	12/31/79	12/31/80
A) Officers, Directors, and Employees of the C&S National Bank and Affiliates	22,000 80%	16,094 58.52%	14,420 52.45%	14,520 52.80%	14,305 52.02%	16,571 50.22%	13,694 41.50%	27,378 41.48%
B) Former Officers, Directors and Employees of C&S National and Affiliates	-0-	-0-	-0-	-0-	-0-	-0-	2,400 7.27%	4,200 6.51%
C) Officers, Directors and Employees of C&S Bank of Tucker and other C&S 5% Banks	-0-	2,441 8.87%	2,491 9.06%	2,541 9.24%	2,516 9.15%	3,185 9.65%	3,393 10.28%	6,591 9.98%
D) Customers of C&S National Bank and Affiliates	-0-	1,200 4.36%	1,300 4.73%	1,300 4.73%	1,300 4.73%	1,553 4.72%	1,553 4.71%	3,135 4.74%
E) Customers of C&S Bank of Tucker and other C&S 5% Banks	5,500 20%	7,765 28.23%	9,289 33.76%	9,139 33.23%	9,379 34.11%	11,691 35.43%	12,050 36.51%	24,696 37.39%
TOTAL	27,500	27,500	27,500	27,500	27,500	33,000	33,000	66,000

E-591

The largest single block of stock "outside" the C & S family is held by Mr. T. A. Bartenfeld, a personal friend of the Bank President, Mr. Hugh Lane. Mr. Bartenfeld owns 500 shares (2.5%) and has signed a petition approving the merger.

In April 1969, one of the original organizers of C & S North Fulton, Mr. George M. Couch, Jr. (age 72) resigned from the Board because he felt that there was entirely too close a relationship with the C & S family in that we had adopted practically every recommended policy of the C & S National Bank including the tenure of Directors. He did not approve of the retirement age 75 since he felt he had not outlived his usefulness.

The original merger proposal was approved unanimously by all voting stockholders. Recently, all stockholders asked to signed the petition have done so willingly.

It is interesting to note the percent ownership that C & S officers, directors, and employees, both active and retired (45.79%) and C & S customers and affiliate customers (49.48%) have in this bank.

ANALYSIS OF STOCK OWNERSHIP
THE CITIZENS AND SOUTHERN NORTH FULTON BANK

CATEGORY	Quarters 9/30/67	12/31/67	3/31/68	6/30/68	9/30/68	12/31/68	3/31/69
A) Officers, Directors, and Employees of the C & S National Bank and Affiliates	3,013 15.07%	3,063 15.32%	3,063 15.32%	3,013 15.07%	3,013 15.07%	3,013 15.07%	3,013 15.07%
B) Former Officers, Directors and Employees of C & S National and Affiliates	550 2.75%	550 2.75%	550 2.75%	550 2.75%	550 2.75%	550 2.75%	550 2.75%
C) Officers, Directors and Employees of C & S North Fulton and other C & S 5% Banks	4,601 23.01%	4,701 23.55%	4,701 23.55%	4,726 23.63%	4,726 23.63%	4,726 23.63%	5,076 25.38%
D) Customers of C & S National Bank and Affiliates	10,891 54.46%	10,741 53.71%	10.741 53.71%	10,766 53.83%	10,766 53.83%	10,766 53.83%	10,416 52.08%
E) Customers of C & S North Fulton and other C & S 5% Banks	945 4.73%	945 4.73%	945 4.73%	945 4.73%	945 4.73%	945 4.73%	945 4.73%
TOTAL	20,000	20,000	20,000	20,000	20,000	20,000	20,000

E-581

ANALYSIS OF STOCK OWNERSHIP
THE CITIZENS AND SOUTHERN NORTH FULTON BANK

Category	Quarters 9/30/69	12/31/69	3/31/70	6/30/70	
(A)	3,488 17.44%	3,488 17.44%	3,513 17.57%	3,563 17.82%	No changes since June, 1970
(B)	550 2.75%	550 2.75%	525 2.63%	525 2.63%	No changes since June, 1970
(C)	4,651 23.26%	4,776 23.88%	4,821 24.11%	5,071 25.36%	No changes since June, 1970
(D)	10,366 51.83%	10,241 51.21%	10,196 50.98%	9,896 49.48%	No changes since June, 1970
(E)	945 4.73%	945 4.73%	945 4.73%	945 4.73%	No changes since June, 1970
TOTAL	20,000	20,000	20,000	20,000	

E-584

THE CITIZENS AND SOUTHERN PARK NATIONAL BANK

The largest single block of stock outside of the C & S family is held by the Elson family group, headed by Edward E. Elson. Mr. Elson, a Director, owns the largest "outside" block of stock, 2,847 shares, or approximately 7% of total shares.

Included in this family group are Mr. Elson, his father, Harry, his mother, Esther, and his uncle, Louis (in trust for Edward's children).

Elson, originally a valuable depositor of the Citizens and Southern National Bank and friend of Mills B. Lane, has been one of our most helpful Directors and his companies are our second largest and second most profitable accounts. He and his family voted unanimously in favor of merger with The Citizens and Southern Emory Bank, Citizens and Southern National Banks' affiliate.

Below is a listing of transfers of stock in excess of 2%:

4-23-68 — Mills B. Lane, Jr., President of Citizens and Southern National Bank, bought 1,500 shares from Citizens and Southern National Bank customer Hilson & Company.

5-21-68 — Citizens and Southern National Bank customer Louis L. Dettelbach bought 500 shares from Citizens and Southern National Bank customer Earl Geiger.

9-2-68 — HLS Company, Citizens and Southern National Bank customer controlled by Citizens and Southern National Bank Director Hal Smith, bought 1,500 shares from Citizens and Southern National Bank President, Mills B. Lane and 500 from his wife, Anne Waring Lane.

The original merger proposal was approved by all voting stockholders except 2 who represented 525 shares. The recent petition was signed by stockholders who represent over 90% of the outstanding shares. It is interesting to note that one of the original dissenting stockholders representing 500 shares has now agreed to sign the petition.

C & S National Bank officers, directors, employees and customers and affiliate customers, again, own well over 50% of the outstanding stock.

ANALYSIS OF STOCK OWNERSHIP
THE CITIZENS AND SOUTHERN PARK NATIONAL BANK

CATEGORY	7/67	12/67	6/68	12/68	6/69	12/69	6/70	3/71
A) Officers, Directors, and Employees of the C&S National Bank and Affiliates	6,512 16.28%	6,812 17.03%	8,352 20.98%	7,992 19.98%	8,217 20.54%	8,407 21.02%	8,344 20.86%	8,344 20.86%
B) Former Officers, Directors and Employees of C&S National and Affiliates	0	0	0	75 .20%	75 .20%	80 .20%	80 .20%	80 .20%
C) Officers, Directors and Employees of C&S Park National and other C&S 5% Banks	5,150 12.87%	5,150 12.87%	5,567 13.92%	5,867 14.66%	5,892 14.73%	5,747 14.36%	5,782 14.46%	5,782 14.46%
D) Customers of C&S National Bank and Affiliates	25,788 64.47%	25,488 63.72%	22,766 56.91%	22,791 56.98%	22,466 56.16%	22,216 55.55%	22,244 55.61%	22,244 55.61%
E) Customers of C&S Park National and other C&S 5% Banks	2,550 6.38%	2,550 6.38%	3,275 8.19%	3,275 8.18%	3,350 8.37%	3,550 8.87%	3,550 8.87%	3,550 8.87%
TOTAL	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000

E- 586

The largest "outside" stockholders for C & S South DeKalb are Mr. Herb Dickson, a former Executive Vice President of C & S National Bank and Mr. Rountree Youmans, retired General Vice President of C & S National Bank. Mr. Dickson and Mr. Youmans own 600 shares each (2%) and have signed a petition approving the proposed merger.

The original vote on the merger indicated the strong support the stockholders have given to the proposed merger. It is interesting to note that only 100 shares out of 30,000 shares outstanding voted against the merger at that time. Presently, over 80% of the outstanding shares have again voiced their approval of the merger by signing the petition. There has only been one stockholder who has been contacted that has refused to sign.

In addition, the Board of Directors has seen fit to approve of all the recommendations of the C & S National Bank. There has not been a case of any dissenting votes on National Bank Recommendations.

ANALYSIS OF STOCK OWNERSHIP
THE CITIZENS AND SOUTHERN SOUTH DEKALB BANK

CATEGORY	QUARTERS 9/30/69	12/31/69	3/31/70	6/30/70	9/30/70	12/31/70	3/31/71
A) Officers, Directors, and Employees of the C & S National Bank and Affiliates	14,440 51%	13,890 46%	13,890 46%	13,940 46%	13,940 46%	13,940 46%	13,815 46%
B) Former Officers, Directors and Employees of C & S National and Affiliates	-0-	630 2%	630 2%	630 2%	630 2%	630 2%	630 2%
C) Officers, Directors and Employees of C & S South DeKalb and other C & S 5% Banks	5,330 18%	5,330 18%	5,330 18%	5,330 18%	5,330 18%	5,330 18%	5,330 18%
D) Customers of C & S National Bank and Affiliates	2,950 10%	4,225 14%	4,225 14%	4,225 14%	4,225 14%	4,225 14%	4,350 14%
E) Customers of C & S South DeKalb and other C & S 5% Banks	5,575 21%	5,925 20%	5,925 20%	5,875 20%	5,875 20%	5,875 20%	5,875 20%
TOTAL	28,295	30,000	30,000	30,000	30,000	30,000	30,000

E-588

Directors - Sandy Springs

E- 589

Dx 269
See D

GEORGIA HIGHWAY EXPRESS, INC.
3050 JONESBORO ROAD, S. E.
ATLANTA, GEORGIA 30315

DILLON WINSHIP, JR.
PRESIDENT

May 14, 1971

Mr. James Thomas
Alston, Miller & Gaines
12th Floor
Citizens & Southern National Bank Building
Atlanta, Georgia 30303

Dear Jim:

Thinking back over the incorporation of the Citizens National Bank of Sandy Springs, which is now the Citizens and Southern Bank of Sandy Springs, it never entered my mind at the beginning that the bank was anything but to be controlled by The Citizens and Southern National Bank system. Certainly The Citizens and Southern National Bank could not have more than five per cent ownership in the Citizens and Southern Bank of Sandy Springs; however, I think it was the intention of the C & S to have the bank in friendly hands from the very inception of the original Board of Directors.

Our company has, for a number of years, banked with The Citizens and Southern National Bank, and my father was on the Advisory Board of the downtown bank. I was specifically requested to become an original director of the Sandy Springs bank by Mills Lane personally. I would not have invested in the bank or had any knowledge of the bank had it not been for the interest of Mr. Lane in my presence on the Board.

From the very beginning we have been advised, counseled, and staffed at key positions by C & S personnel. There has always been a member of our

Board from the "mother" bank, and that particular director has always influenced our board decisions greatly.

From the outset we have attempted to identify with The Citizens and Southern National Bank. The name of the bank has constantly been as close to Citizens and Southern as we could possibly get it without being in violation of the banking laws. Our bank expansion has always been planned on the basis that ultimately the laws of Georgia would be changed and branch banking would be permitted and this bank would then become a part of the big bank.

Were we forced to be separated, or were the "mother" bank to lose interest in the Citizens and Southern Bank of Sandy Springs, I feel that our position as an independent bank would be terribly weakened since most of our key personnel presently participate in the fringes of the "mother" bank, and I think that we would lose them back into the main system. This would have a very serious effect upon the bank's earnings and the present stock's earning capacity.

I think, of the original stockholders, not one was actually living in Sandy Springs at the time we sought the bank charter, and I am sure none of us were actively engaged in any business enterprise in Sandy Springs. Local residents of Sandy Springs were not involved with the Board until after original incorporation was sought, but all of us on the original Board were either very close friends or very closely involved businesswise with the parent bank.

It has never been my thought that anybody ran that bank but Mills B. Lane and associates.

Yours sincerely,

H. Dillon Winship, Jr.
President

HDWjr/jc

J. TEUSCHER
8701 ROSWELL ROAD, N. E.
ATLANTA, GEORGIA 30328

May 11, 1971

Mr. J. E. Thomas
Austin, Miller and Gaines
C. & S. Bank Building
Atlanta, Georgia

Dear Mr. Thomas:

The proposed merger of the C. & S. Bank of Sandy Springs into the C. & S. Bank of East Point appears to be a natural step to take, and in my view could be considered a formal recognition of the way we have been operating since I have been a Director. I have been in Atlanta since January 1969, as General Manager of Western Electric's Southern Region. My predecessor was a member of the Board of Directors, and I was elected to the Board in March 1969.

I have been impressed with the close working relationship our bank has with the C. & S. National Bank, and with the level of support we receive. For example, I am a member of the committee on salary compensation, and our deliberations have always included representatives from the C. & S. National Bank with the objective of keeping our salaries in line with those in other parts of the C. & S. system. Our decisions on employee benefits have also been closely coordinated with the C. & S. National Bank. As further examples, on the operating side of the business we are tied in with the C. & S. National Bank computer system, we make use of the helicopter delivery service, and we benefit directly from the advertising program of the C. & S. National Bank.

The President of our Bank came to us from the C. & S. National Bank, and if he were to leave Sandy Springs for some reason, I feel certain the Board would look to C. & S. National for a replacement. In short, we are clearly a member of the C. & S. "family" and the success of our operations has resulted to a large degree from our access to C. & S. resources.

In my opinion it is important to preserve this arrangement and, in fact, to strengthen it wherever possible. There would be no benefit to the Sandy Springs Bank, its owners or its customers to break this relationship, and it has never occurred to me to think along those lines.

Yours truly,

J Terrell

J. H. (Jim) Aldredge
There Is No Substitute For Friends
1717 Havilon Drive, N. W.
Atlanta, Georgia

May 14, 1971

Mr. Dan Hodgson
% Alston, Miller and Gaines
1220 C&S Bank Building
Atlanta, Georgia 30303

Dear Mr. Hodgson:

The undersigned Stockholder, Director, and Finance Committeeman of the C&S National Bank of Sandy Springs and former merchant in Sandy Springs concurs in the sale of said Bank to the C&S National Bank of Atlanta.

Since the Sandy Springs Bank was organized the citizens in this area were informed by me and others that this Bank was a member of the C&S system which lent valuable aid to this Bank by recommending to us and allowing the employment of competent and experienced personnel to operate our Bank from the personnel of the C&S Bank of Atlanta. In addition, the larger Bank has participated with us in loans, thus, enabling this Bank to handle profitable business which otherwise would have been too large for our small Bank to handle.

Frankly, I feel the customers and stockholders of our Bank have greatly benefited by the identity and participation from the C&S Bank of Atlanta.

However, the main reason I favor the merger of our Bank with the C&S Atlanta Bank is that recent changes in the Georgia Law permits all of the larger Banks of Atlanta to establish branches in our community where we have heretofore enjoyed the large part of the banking business in this area. Therefore, in my opinion, with competition from all of the larger Atlanta Banks in this community for the best interest of our customers and stockholders would be the merger of our Bank to the C&S Bank of Atlanta.

Sincerely,

James H. Aldredge

James H. Aldredge
1717 Havilon Drive, N.
Atlanta, Georgia 303

JHA/h

E- 534

ALVA G. MAXWELL
P. O. BOX 4809
ATLANTA, GA. 30302

May 13, 1971

Dear Jim,

In 1959, a group of us in the Sandy Springs neighborhood recognized the need for a local bank and therefore applied to the State Banking Department for a charter. After much consideration, the proper authorities declined to issue a charter because they did not feel as though the economic situation in that neighborhood justified a bank. No Atlanta bank could then put a branch in that community.

~~Later in~~ 1959 through the leadership and influence of Mills B. Lane, Jr., President of The Citizens and Southern Nation Bank, a national charter was obtained, and the bank was opened as an associate of The Citizens and Southern National Bank in the name of The Citizens National Bank of Sandy Springs.

At that time I purchased stock in the bank and influenced others to make a similar investment. Through the influence of Mr. Lane and others, I was made one of the original directors. I had retired after serving as Vice President of The Citizens and Southern National Bank for thirty-two years and was glad to share a program to build a strong bank in a rapidly growing community.

The bank made excellent progress right from the beginning. Much of this was due to the cooperation of the parent bank. They supplied, not only management but individual auditors, advertising material, and general support which made it possible for us to grow and prosper without too much expense.

Even though we were an individual bank, we have felt right from the beginning that we were in the family of the C&S System and continue to feel that way. Now that the law has been changed providing for county-wide banking, we know that other banks will establish branches in Sandy Springs, and for that reason the directors and stockholders urge the banking authorities to make it possible for us to become a branch of the Citizens and Southern System.

Sincerely,

A G Maxwell

Mr. James E. Thomas
Alston, Miller & Gaines
The Citizens and Southern National Bank Building
Atlanta, Georgia 30303

E-535

Beers Construction Company

engineers and contractors
Post Office Box [illegible] 75
Atlanta, Georgia 30301

L. L. GELLERSTEDT, JR.
PRESIDENT

May 4, 1971

Alston, Miller and Gaines
Citizens & Southern National Bank Building
Atlanta, Georgia 30303

Attention: Mr. James E. Thomas

Dear Jim:

Reference is made to the formation and history of, and my relationship with, the Citizens and Southern Bank of Sandy Springs.

My father was a long-time employee of the Citizens and Southern National Bank and retired in about 1955, at which time he was executive vice president; consequently, for my entire life I was "raised" as a member of the Citizens and Southern National Bank. I have also done a considerable amount of building for the C&S since I have been in the construction business.

In 1959 I received a call from Mills Lane who asked me to come to his office. When I arrived, he advised he was putting together a group of people to apply for a national bank charter in the Sandy Springs area and he wanted me to be a director. My only basis for even considering this was because of my connection with the C&S and my knowledge the C&S Bank would be behind this effort from the start. After the charter was approved, I had the privilege of serving as a director until 1969, at which time I resigned in order to accept appointment to another C&S Bank board. I was, therefore, a part of the family who saw this bank start and grow through the years.

It was always my idea that if and when the laws would allow, this unit would come under the C&S system since it would never have been founded if it had not been for the C&S, and since Tom Cook, its original president, and Lou Fortuna, its second and current president, both came out of the C&S Bank system; also, most of the key personnel has come from the C&S Bank.

When the laws of the State of Georgia were changed this past year, I immediately felt the wheels would be put in motion to make a reality of the

dream that Sandy Springs would become a part of the C&S system. I feel for the good of the bank, and the good of the community this bank serves, a merger would be to the benefit of all.

Sincerely,

L. L. Gellerstedt, Jr.

LLGJr:pw

May 7, 1971

Mr. Daniel Hodgson
Alston, Miller & Gaines
The Citizens and Southern Bank Building
Atlanta, Georgia 30303

Dear Dan:

In support of the acquisition of The Citizens and Southern Bank of Sandy Springs by The Citizens and Southern National Bank through The Citizens and Southern Bank of East Point, I wish to reiterate comments made to several of the officers and directors of the bank. Since I was asked to serve and was nominated as one of the original directors, I am well aware of the organization attempts in the Sandy Springs area prior to becoming a director of this bank and the circumstances surrounding the initial sale of stock to local residents. It may be of interest to recall that there were two or three groups who had failed to organize a state bank and, in my opinion, it was the sponsoring of Mills B. Lane and The Citizens and Southern Bank that materially assured us of a successful application. The original bank name was "The Citizens National Bank of Sandy Springs" and I believe that the Citizens is part of the present name of the bank. Since branches of all C&S Banks could not be legally established outside the city's boundary, the bank adopted a name as close as possible. Tom Cook, the first president of the bank, informed me that Mills Lane suggested my name because I was a resident of the area and was interested in several businesses and was familiar with many of the local residents. I knew Mr. Lane for several years prior to this and had noted that he was an excellent businessman and banker. I, therefore, had confidence in him and was pleased to have the opportunity

E- 578

get Mr. Lane interested in cooperating with a bank in our community.

Obviously, I was interested in buying stock and influenced several of the people living in the community at that time to make investments in the bank and to make deposits because of the management and the sponsorship of the new bank. As time went on, I was convinced that many of the people in the community and customers of the new bank felt as strongly as I did and now do that the bank operates like a branch of the C&S National Bank. The personnel, the name, advertising and the mode of doing business in the C&S style are convincing proof of this feeling.

I have served as a director since 1959 and into 1971 and have enjoyed meeting director of other C&S banks; namely, C&S National, C&S affiliates and other C&S Fivepercenter bank directors. Such meetings have taken place at Christmas time and in the spring of the year at which Mills B. Lane presents interesting subjects to the joint membership.

I might add that the unavailability of stock in my bank is a reason for buying stock in the C&S National Bank. However, it is my belief that the closeness of these two banks make both an excellent investment, and I speak from a great deal of experience.

As a director, I am fully aware of the economic benefits derived through mutual cooperation in group purchasing, attitude, personnel, computer services, capital notes and helicopter mail service as examples.

From the beginning and currently, I have had the expectation that this bank would be acquired by the C&S to operate as a branch formation. Such resulting bank with the larger capital base will permit the granting of

large loans that are necessary to meet the increasing demand in this a rapidly expanding residential and commercial area. This certainly will help this community. We feel this will continue and most probably increase the benefits to the people in our community and in this rea.

Sincerely,

Dr. William M. Cason
P. O. Box 26425
Atlanta, Georgia 30328

H. VANCE GREENSLIT
GREENAWAY FARM
FOLSOM, LOUISIANA 70437

May 17, 1971

Ashton, Miller & Grimes
Atlanta, Ga.

Att: Mr James E. Thomas

Dear Jim:

The only thing bad about retirement is the loss of a Secretary, otherwise I wouldn't trade for anything.

Shortly after I was transferred to Atlanta in 1958 as President of Southern Grey Iron I was approached by Mr Miller Grimes and officials of the C. & S. Bank about accepting a Directorship and investing in a new bank to be organized in the growing area of Sandy Springs a suburb of Atlanta. Inasmuch as Troy was in the Sandy Springs area and Troy is not far away, I accepted the obligation with the understanding that the C. & S. National Bank was financially interested in, and was to advise and guide us in our activities and just as important to recommend competent people to manage the banks daily.

Greyhound Lines had always transacted its banking business with the C. & S. so I was familiar with some of its people and had the confidence in their ability and willingness to give us the necessary help that we sought to establish a first class banking service to a rapidly

GREENAWAY FARM
FOLSOM, LOUISIANA 70437

area of Fulton County that was without any banking facilities.

With the above in mind I not only became interested as a stockholder and one of the directors, but I recommended to several of my friends and business associates that they invest in the new bank — some of them did.

Needless to say the bank became an immediate success primarily because of the help, know-how and guidance furnished by the C. & S. bank in Atlanta.

I was transferred from Atlanta to Lexington, Ky. in late 1967 and had to resign my directorship but during those early years of the bank's life and continuing to the present C. & S. has had continuing interest in our activities and never ceased to be of immeasurable assistance in the many problems with which we were confronted.

Very Truly Yours

W. Vance Grant

Directors — Chamblee

E- 603

JOHN B. DANIEL, INC.
1824 NORTHEAST FREEWAY, N. E.
ATLANTA, GEORGIA 30329

ROBERT L. GARGES
PRESIDENT

May 19, 1971

Mr. Daniel Hodgson
Alston, Miller & Gaines, Attorneys
C & S National Bank Building
Atlanta, Georgia

Dear Dan:

From the first time that the idea of forming a bank in Chamblee, Georgia was presented, the Citizens & Southern Bank of Atlanta has been an integral part of this business venture.

The driving force that accomplished the formation of our bank in Chamblee and the resources represented by the talent derived from its various departments, has always been provided by the Citizens & Southern Bank.

I think that everyone concerned was fully aware from the start that the Chamblee Bank would eventually take its place within the corporate framework of the Citizens & Southern.

I wish at this time to strongly endorse the proposed merger of the Citizens & Southern Bank of Chamblee into the Citizens & Southern National Bank.

Cordially,

Robert L. Garges

Robert L. Garges

RLG/es

E-604

EASTMAN KODAK COMPANY
1775 COMMERCE DRIVE N.W.
ATLANTA, GEORGIA 30318

HOME OFFICE
ROCHESTER, NEW YORK 14650

TELEPHONE
AREA CODE 404

May 10, 1971

Mr. Hubert Harris
The Citizens & Southern Bank of Chamblee
5442 Peachtree Industrial Boulevard
Chamblee, Georgia 30341

Dear Mr. Harris:

Since I will not be in the city for the balance of this week and have just returned this morning, I would like to authorize you to sign the petition for the Justice Department, indicating that my reason for purchasing the stock in the original Chamblee National Bank was because of its connection with The Citizens & Southern National Bank. Had it not been for The Citizens & Southern National Bank, I would not even have been aware of the original Chamblee National Bank.

Yours very truly,

R. Langdon Common

RLCommon:bbb

E- 635

EASTMAN KODAK COMPANY
1775 COMMERCE DRIVE N.W.
ATLANTA, GEORGIA 30318

HOME OFFICE
ROCHESTER, NEW YORK 14650

TELEPHONE
AREA CODE 404

May 19, 1971

Mr. Daniel B. Hodgson
Alston, Miller & Gaines
C & S National Bank Building - 12th Floor
Atlanta, Georgia 30303

Dear Mr. Hodgson:

When I purchased the initial stock in The Chamblee National Bank in Chamblee, Georgia, which is now The Citizens & Southern Bank of Chamblee, I did so after being advised of its availability by Mr. Richard Carpenter, a vice president of The Citizens & Southern National Bank. I was also asked at that time to be a director of the new bank.

Since The Citizens & Southern National Bank sponsored the bank in Chamblee, I assumed that when the banking laws in Georgia were changed, that the Chamblee bank would automatically become a branch of The Citizens & Southern National Bank.

I feel that if the other downtown national banks are permitted to establish branches in the Chamblee - Doraville area, that The Citizens & Southern Bank of Chamblee will be at a very definite disadvantage.

I hope this information will be of help to you.

Yours very truly,

R. Langdon Common

RLCommon:bbb

E-606

WILLIAMS REXALL DRUGS, INC.
NORTHWOODS SHOPPING CENTER
3089 BUFORD HIGHWAY
DORAVILLE, GEORGIA 30040

PHONE 457-0224

May 19, 1971

Mr. Dan Hodgson
Attorney
Twelfth Floor, C & S National Bank Bldg.
Atlanta, Georgia

Dear Dan:

I am the largest stockholder in C & S Bank of Chamblee. I purchased the stock with the hope and the thought that the bank would become a part of the C & S System. Now this is possible since the law has been changed to permit it.

I became a director at the inception of C & S Chamblee, and I could see from the beginning the important assistance and directions C & S National gave in our formation and operation. The capable management and employees all came from C & S. Without C & S there would be no C & S Chamblee.

A large percentage of our customers believe we are a branch of C & S. In fact, they always mention this in my contact with them.

We will be at a disadvantage in competing with the large banks in our area. It will be impossible to furnish the scope of service that would be possible as a part of C & S.

It is my desire to be merged into C & S as soon as possible. We must give the best service possible to the customers in this area --- for that is what banking is all about.

Thank you for sharing a few thoughts and opinions.

Sincerely,

H. T. Williams

HTW:bs

E- 607

W. HARRIS MINTER, D. D. S.
CHAMBLEE-DORAVILLE PROFESSIONAL BUILDING
3509 CARROLL AVE.
CHAMBLEE, GA. 30005
PHONE 457-7378

May 7, 1971

Mr. Daniel Hodgson
Alston Miller & Gaines
C & S National Bank Building
Atlanta, Ga.

Dear Dan:

Some eleven years ago found some of us in the Chamblee-Doraville area at the end of a year and a half of work with one of the Atlanta banks in an effort to get a bank in the area. This was all to no avail, as we were refused.

It was at this time that Mr. Lane came to us offering his full cooperation in securing a bank for our area. His having already done an extensive survey put us in a position of proceeding with their help, counsel and guidance. From this time on until the present, this association has been one of a Big Family with everybody in both banks fully aware that our ultimate hope was of our joining forces as a part of C & S instead of just a five percenter.

The progress and growth of Chamblee would not have been reached as easily had we not had the very close and working association of C & S National. This is why it is so difficult for me to understand why it is meeting so much opposition. Why cannot the marriage take place after an engagement of eleven years?

Sincerely,

Harris

E-608

Laboratories
BROOKLYN, N. Y.
NEW BRUNSWICK, N. J.

ANTIBIOTICS
BIOLOGICALS
CHEMICALS
PHARMACEUTICALS
MEDICAL SPECIALTIES

Cable Address
ERSQUIBB NEW YORK

E·R·SQUIBB & SONS
MANUFACTURING CHEMISTS
TO THE MEDICAL PROFESSION SINCE 1858
DIVISION OF OLIN MATHIESON CHEMICAL CORPORATION
SQUIBB BUILDING · 745 FIFTH AVENUE · NEW YORK 22, N.Y.
AT FIFTY-EIGHTH STREET

ATLANTA
BOSTON-BALTIMORE
CHICAGO-CLEVELAND
DENVER
HOUSTON
KANSAS CITY
LOS ANGELES
MINNEAPOLIS
PHILADELPHIA
ST. LOUIS-SEATTLE
SAN FRANCISCO

Please address your reply to Atlanta Branch Office
820 Spring St., Atlanta 3, Ga.

P.O. Box 80424
Chamblee, Ga. 30[illegible]
May 11, 1971

Mr Dan L. Hodgens
6 & S. Nat. Bank Bldg.
Broad & Marietta Sts.
Atlanta, Ga.

Dear Dan:-

I am writing this letter as one of the orig[inal] organizers of the Chamblee National Bank, as [a] stock holder and a Director of this bank.

In the Fall of 1959 a group of local citizens asked me to contact Mr Mills B. Lane of the [C & S] Bank with reference to help organize a bank [in] I did and Mr Lane was agreeable to join hands with the local group for this purpose. A meeting was called at the Peachtree Gulf Club with a large group attending (approx 75) for the purpose of Organizing. Mr Lane spoke to us at length advising us, what the C & S could do in helping to organize and staffing our bank with personnel to operate it.

Mr Lane lent us Mr George McKinnon a C & S Vice President to help us organize the bank. Mr McKinnon worked with us for several months

Laboratories
BROOKLYN, N. Y.
NEW BRUNSWICK, N. J.
ANTIBIOTICS
BIOLOGICALS
CHEMICALS
PHARMACEUTICALS
MEDICAL SPECIALTIES
Cable Address
ERSQUIBB NEW YORK

E·R·SQUIBB & SONS

MANUFACTURING CHEMISTS
TO THE MEDICAL PROFESSION SINCE 1858
DIVISION OF OLIN MATHIESON CHEMICAL CORPORATION
SQUIBB BUILDING · 745 FIFTH AVENUE · NEW YORK 22, N.Y.
AT FIFTY-EIGHTH STREET

ATLANTA
BOSTON-BROOKLINE
CHICAGO-CLEVELAND
DENVER
HOUSTON
KANSAS CITY
LOS ANGELES
MINNEAPOLIS
PHILADELPHIA
ST. LOUIS SEATTLE
SAN FRANCISCO

Please address your reply to Atlanta Branch Office
820 SPRING ST., ATLANTA 3, GA.

We organized as a C & S. 5% bank and secured a National bank charter in May 1960 and opened for business on May 15, 1960, with C & S. work personnel, (with the exception of my wife Mrs Pearl C. Berry) and elected Mr Hubert Harris, a C & S. Vice Pres., as the President of the Chamblee National Bank.

We have operated under C & S. policies with C. & S. personnel since we opened our doors for business, and I personally believe that 99% of the public think that we are a full C & S. Bank now. I firmly believe that the success of our bank has been due to guidance of the C & S. Bank.

The fact that 87% of the stock holders voted at a recent stock holders meeting to merge with the C & S. Banking Organization is further evidence of their desire.

Yours very truly
Frank L. Berry

E-610

JAMISON COMPANY, INC.
PLEASANTDALE RD. AT LAKE DR.
P. O. BOX 395 - DORAVILLE, GEORGIA

E. K. JAMISON
PRESIDENT

May 7, 1971

Mr. Dan Hodgson
Alston, Miller & Gaines
C & S National Bank Building
Atlanta, Georgia 30303

Dear Dan:

With reference to the merger of "our bank", the C & S Bank of Chamblee, into the C & S system, I would like to make several statements representing my personal position in the matter:

1. For both myself and the companies to which I relate, we were both aware of and impressed by the fact that Chamblee National initially and on a continuing basis, drew management personnel and services from the "parent" C & S organization.

2. I am convinced that without the effective operating control which the C & S key personnel and accounting systems furnished our bank, sound growth (if not actual survival), would have been highly problematical.

3. If there had been any reason to believe that we could lose the support and direction of C & S National, or that they would become an active competitor, I never would have become involved as a stockholder or director.

In summary, I see as an alternative to the consolidation or merger of the C & S affiliates, a chaotic and most dangerous situation as the several major banking organizations move to penetrate and proliferate in areas now open to them under revised state law.

Sincerely yours,

EKJ:mb

Harry T. Fenn

2508 Carroll Avenue, Chamblee, Georgia 30341

May 6, 1971

Mr Dan Hodgson
Attorney at law
10th Floor C+S Bank Bldg
Broad at Marietta
Atlanta Ga 30303

Dear Dan,

As I recall when we formed the bank at Chamblee and called the original stock it was with the understanding that C+S System would furnish our man and whatever else was required to and operate the bank as a part the overall C+S System and we all felt that sometime in the future we would operate as a branch of C+S wherever the law was changed to make it possible. Our management and personnel have always been from the C+ system and we have looked to C+S for guidance in both operation and policy. Our personnel belong to the overall C+S retirement and profit

Harry T. Fenn

2508 Carroll Avenue, Chamblee, Georgia 30341

Saving plans and the success of our bank has been tied to the growth of the C&S system and attendant benefits of their programs and policies which we have used exclusively over the years. In our dealings we have always cooperated rather than competed and the neighborhood has always considered us the C&S System office for the area.

Sincerely

Harry T. Fenn

E-612-A

Harry T. Fenn
2508 Carroll Avenue, Chamblee, Georgia 30341

2 143

May 18, 1971

Dear Hodgson

Dear Dan

Some additional thoughts on the proposed merger. I remember when Frank Bevis, Bill Nasher and I met with Bill Lane to set up the bank at Chamblee. We would never have had a bank without C+S.

Their direction and personnel were the whole story in our formation and growth to the present. I have always felt that we were a direct part of C+S and have never felt that we would ever be anything else than a direct branch when the law allowed.

Regards
Harry

E-613

The Citizens and Southern Bank of Chamblee

P.O. Box 68, Chamblee, Georgia 30341

April 28, 1971

Mr. Dan Hodgson
Attorney at Law
Alston, Miller and Gaines
C & S Bank Building
Atlanta, Georgia

Dear Dan:

You have asked me to tell you of my experience with C & S National Bank, and also of my work with C & S Bank of Chamblee and the relationship of that bank with the C & S National Bank.

I am sure that you are aware that I have spent my entire business life in the C & S system. I began my work with C & S in 1926. I was first with C & S in Athens, then in the main office in Atlanta, and finally in 1950 I was asked to take over the operation of a branch office of the C & S Bank of Atlanta. This was a bank in which the C & S National Bank had acquired the controlling stock of, a short time earlier.

My duties there required that I work closely with the operating officers of the C & S National Bank and we operated as near like a C & S Bank as it was possible to do so, until the banking laws of Georgia were changed so that this bank could be merged with C & S National and operated as a branch office of that bank.

In early 1960 a group of citizens from Chamblee met with the officers of the C & S National Bank and asked the assistance of C & S in organizing a new bank in Chamblee. That area was growing and they felt the need for a new bank, but they had been denied a charter when they made application earlier.

The C & S National Bank made an extensive study of the area and provided economic information which indicated that a bank was needed in that area and that it would grow.

At that time I was asked by one of the officers of C & S National, to come to Chamblee to help in organizing the bank, securing stockholders, renting space, employing

personnel, and doing all things necessary to start a new bank.

The C & S National Bank helped in selecting our Directors. They assisted in the sale of stock of the bank by making loans available to stockholders who needed to borrow money to buy stock in the Chamblee bank.

I borrowed money from the C & S National Bank to purchase stock in the new bank. I used the help of almost every department in C & S in setting up operation procedures. Many of the beginning personnel were employees of C & S who were sent to help in getting the bank started. Some of the beginning personnel are still with the bank.

As the bank grew we continued to use many of the departments of C & S National, including the credit department, audit department, investment department, business development department, international department, personnel department, printing department and the trust department.

Later we felt the need for a second office for our bank, and again we asked for and received help from C & S in preparing our application and presenting the facts required for the application for this second office.

More recently, we were requested by the supervisory authorities to increase our capital because our deposits had grown faster than our accumulated capital funds. Again, we turned to C & S National for assistance. We used that bank's experience in helping to complete plans for additional capitalization by the issuance of a convertible debenture of $300,000. which was purchased by C & S National Bank, and by the issuance of additional stock amounting to $300,000.00.

C & S helped stockholders to finance the purchase of their additional stock with loans. I also borrowed from C & S to purchase additional stock.

From this information you can see that we have been very closely related to C & S National from the very beginning of our bank, up to and including the present time.

This relationship has been unusually beneficial to C & S Chamblee and has enabled us to grow very fast. I feel that much credit for this growth should be given to C & S National for the assistance and guidance we have received during all of the years of our operations.

Sincerely,

Hubert L. Harris
President

HLH:am

GOREE OIL CO., INC.
P. O. BOX 248
5423 BUFORD HIGHWAY DORAVILLE, GEORGIA 30040

C. P. GOREE, III
PRESIDENT

May 12,1971

Mr.Dan Hodgson
Alston,Miller & Gaines
C.& S.Natl.Bank Bldg.
Atlanta,Georgia 30302

Dear Dan:

About six months before The Chamblee National Bank was organized a local group of which I was a member tried to form a bank in the Doraville-Chamblee area. We thought our presentation to the state banking board was excellent, but we were turned down and told that our area would not support a bank.

After this some of this same group went to Mr.Mills Lane to solicit his help in getting a bank for our area. The C.& S.National Bank helped our group in every way to organize our bank, to secure a charter, and to start our business. We began operation as The Chamblee National Bank with C.& S. personnel and management and had available to us complete C.& S. financial services. There isn't anything the C.& S. did not do to help our bank get going, and has not done to help us operate at a profit.

The C.& S. from the start has owned 5% of our capital stock as per Georgia Law, but her influence over our affairs has been tremendously important to our success. I have believed from the beginning that when the Georgia Banking Laws were changed so as to allow county-wide branching we would become a branch of the C.& S.System.

The Chamblee National Bank (now C.& S.Bank of Chamblee) is located in a great growth area and has been tremendously successful due to sound and agressive management, a very active local board of directors, a large number of local people owning our stock,PLUS the C.& S. affiliation. This has been a real boon to us, and without it I do not believe we would have come anywhere near our present status.

Very truly yours,

Roy

C.P.Goree,3rd.

CPG

E- 617

PIERCE OIL COMPANY

GLENDALE 7-2521 • 5265 PEACHTREE ROAD • CHAMBLEE, GEORGIA

May 7, 1971

Mr. Daniel B. Hodgson
C & S Bank Building
12th. Floor
Atlanta, Georgia

Re: Proposed Merger, C & S Bank of Chamblee
with Citizen & Southern Emory Bank

Dear Dan:

I have a few thoughts that I would like to pass on to you regarding the above subject.

Since the beginning of our Chamblee Bank the C & S National Bank has been, what you might say, ... the making of our bank. They provided us with experienced officers and personnel, as well as some directors. The Chamblee Directors adopted practically all of the C & S policies from time to time, which has proven very wise over the years, as a matter of fact this is really a big factor in our bank being successful.

We, as directors and stockholders, always felt that one day, when the law allowed, we would be a part of the C & S system. All of my family and friends who owns stock in the C & S Bank of Chamblee share these sentiments with me.

We are hopeful that you as our counselor will convey our thoughts to the Regulator Agencies.

We are all looking forward to the approval of the Chamblee - - C & S merger if we are not permitted to do so we feel that our bank will be placed in an unfair and possibly a noncompetitive position.

With best regards.

Yours very truly,

Norris B. Pierce,
Director, C & S Bank of Chamblee

E- 618

Fire up with Firebird

May 15, 1971

2 145

Mr. Daniel B. Hodgson - Atty.
Citizens + Southern Bank of Chamblee
Atlanta, Georgia.

Dear Mr. Hodgson:

I am writing as a stock hol
a Director and one of the Organiz
of Chamblee National Bank.
I was instrumental in selling a la
number of people stock in the ban
at the time we Organized.
When ever I took prospectus to
that we wanted to be a Colleg
of The Citizen and Southern, also that
they the C&S. would own five per cent of ou
stock and women also staff it
with people who knew banking
operations. They were very
impressed and desired to buy
stock. The Original stock was
over subscribed. - E- 619

When our bank was organized
I was an officer in the bank
and my duties were principally
interviewing and opening new accounts.
It was very evident that our
customers were pleased when told
that we were an affiliate of
C. & S. with all C. & S. services.

In my opinion the remarkable
success of our bank is partly
due to the association with
the Citizen & Southern National Bank.

Yours truly
Boone C. Berry

5441 BUFORD HIGHWAY

"Quality Furniture at Lowest Cost"

Doraville, Georgia

May 24, 1971.

2 151

Mr. Daniel R. Hodgson, Attorney
C & S National Bank Bldg.
Atlanta, Georgia

Dear Dan:

In regard to the proposed merger of the C&S Bank of Chamblee and the C & S National Bank Of Atlanta: I feel that if the Justice Department and the FDIC knew how closely our two banks have operated over the past 11 years they would have little doubt of the propriety of our merger.

To reminesce a bit, I recall our meeting one snowy evening in early 1960 at the Peachtree Golf Club when Mr. Mills Lane graphically drew in word pictures the need, in our community, for a strong bank offering thru our relation with the C&S National the same safety and service offered by the several large banks in Atlanta.

Before opening the Chamblee National Bank the proposed elected directors met with and were interviewed privately by the representatives of the controlling banking authorities in Washington. These interviews took place in the main officies of the C&S National Bank in Atlanta.

After our bank opened for business Mr. Lane arranged joint meetings of our directors with the directors of the C&S National so as to familiarize our group with the responsibilities of bank directors and the opportunities each of us had to serve the people of our community and our banking institution.

On the day of our opening, C&S National depositied $100,000 dollars in our bank where it remained without drawing interest for, I believe, about 2 years.

C&S National after staffing our bank with some of their best people, loaned us, on several occasions, temporary clerical help and field men to "Blitz" our community with phone calls and house to house interviews to tell our prospective customers about Chamblee National Bank.

We have, for years, had C&S banking specialists meet with our directors at their regular meetings to advise and to maintain liaison between our two banks.

JOHNSTON'S HOME FURNISHINGS
5441 BUFORD HIGHWAY
Doraville, Georgia

"Quality Furniture at Lowest Cost"

2 152

C&S National investment department has advised us regularly on purchase and sale of bonds and other legal banking investments. Their helicoptor provides pickup and delivery for our checks and currency.

We have at our bank the same retirement and profit-sharing benefits for our officers and other employees as the C&S National has for theirs.

From our beginning, I believed and I think the other directors and practically all of the stockholders of our bank fully expected to become a "full partner" with C&S National when our state laws permitted us to do so. I think this new state banking law for several obvious reasons, would tend to weaken our bank, when thrown in competition with branches of the several large Atlanta banks in our immediate neighborhood as will be the case in the near future.

I sincerely hope that the governing bank authorities, before making a final ruling on our proposed merger will visit with and interview our directors and other stockholders. I believe this will give them new facts and more light in making their determination.

Very truly yours,

C. A. Johnston

C. A. Johnston, Director, C&S Bank Of Chamblee

Directors — Tucker

The Citizens and Southern Bank of Tucker

Post Office Box 105, Tucker, Georgia 30084. Telephone 404 934 2500

May 14, 1971

Daniel B. Hodgson, Attorney
Alston, Miller & Gaines
12th Floor
C&S Bank Building
Atlanta, Georgia

Dear Dan:

As you know, we have two major groups that own approximately 70% of our stock. The Cofer family with 17% and other C&S Bank officers, employees and wives with approximately 55%. In discussing with the larger individual stockholders, everyone had felt that if the branch banking laws were changed, we would be allowed to merge with C&S National or its affiliate. This feeling was strengthen by the fact the various regulatory authorities approving the large number of branches to be established by the Atlanta banks in our trade area. Northlake is now a prime example of an area being "over-banked". We have a major investment in our branch there with 6,000 square feet of floor space. Our four competitors are coming in with smaller buildings which will be much more economical to operate than ours and there is just so much business to go around.

On the subject of business we have received through our C&S National relationship - here is a breakdown:

From C&S Charge Account Service -

1. Fountain Drugs
2. Stone Mountain Ford

Listed below are accounts we were able to obtain through referrals from C&S National:

1. Allis Chalmers Material Handling	75,000
2. Corrosion Specialties	4,000
3. Hi Lo Oil Company	76,800
4. American Chain & Cable	4,000
5. Sears Roebuck Northlake	200,000
6. John J. Harte Associates	23,000
7. Morris-Wammock Company	10,000
8. Dunwoody Properties	20,000
9. Fibre Metal Southeast	15,000
10. L.C. Morris Company	55,000
11. The Quaker Oats Company	33,000
12. Litton Industries Credit Union	150,000

Also listed are accounts we obtained or assisted the National bank in acquiring.

1. Vantress Farms	100,000
2. Gulf Oil Company	2,000,000
3. International Laboratories	25,000
4. I.T.E. Imperial Corporation	100,000

In addition, we receive payrolls prepared by C&S National for delivery to the following companies:

1. Container Corporation
2. Road Machinery
3. Stone Mountain Park Association
4. Food Packaging Corporation
5. Technicarbon Corporation
6. Tucker Tool & Die
7. Raybestos-Manhattan

Also we receive large deposits from the companies listed below for transfer to C&S National or affiliates.

1. Atlanta Newspapers
2. Brown Transfer
3. Craft Shack
4. Gulf Oil Corporation

One of the reasons, this bank has been able to grow as we have, is due to the strong support we receive from C&S National in purchasing participations from us in our lines which exceed our legal limit. It's assistance far exceeds what you could expect in a normal correspondent relationship.

The following Directors were C&S customers that were asked by the C&S National Bank to be Directors of our bank when the C&S Holding Company purchased it's 5% interest.

1. Jack Fortenberry, President, F.E. Fortenberry, Inc.
2. Glen P. Robinson, Jr., President, Scientific-Atlanta, Inc.
3. Julian J. Attaway, President, Attaway & Howell, Inc.
4. L. Neil Williams, Jr., Attorney, Alston, Miller & Gaines.

Sincerely,

Gus L. Connelly
President

GLC/st

SCIENTIFIC-ATLANTA, INC.
P. O. BOX 13654
3845 PEACHTREE ROAD-AT DE EXPRESSWAY
GLEN P. ROBINSON, JR.
PRESIDENT
ATLANTA, GEORGIA 30324

2 156

May 12, 1971

Mr. Daniel B. Hodgson
12th Floor
C & S Bank Building
Atlanta, Georgia 30303

Dear Dan:

I am very disappointed that the merger of the C & S Bank of Tucker has run into some snags.

Scientific-Atlanta began banking with the C & S National Bank in 1954 when we were located on Piedmont Road within the Atlanta city limits. When we moved to our present location near Tucker, Georgia, we still had to maintain our banking connections with the C & S Tenth Street Office since no bank convenient to us in DeKalb County could meet our service and loan needs.

When I was approached by representatives of the C & S Bank to become a Director and invest in the Bank of Tucker, I did so with the hope and understanding that this small bank would some day become a branch of the C & S when the State banking laws permitted. Even though the bank was able to significantly increase its services through its affiliations with the C & S, our needs could still not be met because of its limited size. Scientific-Atlanta would benefit by being able to bank in Tucker and would do so if the C & S Bank of Tucker were a branch of C & S Emory or a larger bank.

From a personal standpoint, my agreement to invest in the C & S Bank of Tucker was to a large extent based on the knowledge that the majority of the investors desired to merge the bank into one with a publicly traded stock. The value of my investment would be reduced considerably if a merger is not allowed.

2 157

As a citizen concerned about urban problems, I believe that open branch banking will do much toward attracting industry and population to suburban and rural areas, thereby reducing the congestion of urban centers. I wonder if a study would not show that the most prosperous small towns and cities are those that have branches of national banks?

Please let me know if I can help you in any other way.

Cordially,

Glen P. Robinson, Jr.
President

GPR/gg

REID-PROVIDENT LABORATORIES INC.
25 FIFTH STREET, N. W.
ATLANTA, GEORGIA 30308

FERRELL B. RYAN
PRESIDENT

May 6, 1971

Mr. Daniel B. Hodgson
Attorney
Alston, Miller & Gaines
12th Floor
C & S National Bank Building
Atlanta, Georgia 30303

Dear Mr. Hodgson:

I am writing this letter as both a shareholder and a director of the Citizens and Southern Bank of Tucker and would like to express some of my views pertaining to the possible merger of our bank with the Citizens and Southern Bank of Emory.

I became a shareholder in the Citizens and Southern Bank of Tucker because I knew this bank had an affiliation with the Citizens and Southern National Bank and the potential and possibilities of such a bank were exceedingly bright due to the many aids and support that could be supplied by a bank such as the Citizens and Southern National. Advantages include manpower, competent management, financial stability, excellent controls, proven good techniques and many others. I felt that a bank with the aid and assistance from a National bank could prove to be a real boost to a community such as Tucker and would be in the best interest of the banking needs of that community. I felt that if banking laws should ever change allowing county wide banking, certainly this bank would without a doubt be merged into the Citizens and Southern National Bank.

I recently had an experience through my business developing an international subsidiary which I could never have done without the connections and assistance afforded me through the International Division of the Citizens and Southern National Bank.

I would probably have found it necessary to change from the C & S Bank of Tucker to one of the major banks of Atlanta to fulfill these corporate needs. While this is an individual situation, I think it reflects the needs of a bank such as the Citizens and Southern Bank of Tucker to have a very strong affiliation with a national bank such as the Citizens and Southern National.

I will consider it a tremendous disadvantage to our bank in Tucker if this merger is disallowed. Thank you for permitting me to express my views on this matter and I believe this is the attitude of every shareholder of the Citizens and Southern Bank of Tucker.

Very truly yours,

Ferrell S. Ryan

FSR/pl

cc: Mr. Gus Connely, President
Citizens & Southern Bank of Tucker

Insurance

THORNTON AND COMPANY, INC.

2331 FOURTH STREET
TUCKER, GEORGIA 30084

TELEPHONE: 938-3800

May 5, 1971

Mr. Daniel B. Hodgson, Attorney
12th Floor, C & S National Bank Bldg.
Atlanta, Georgia 30303

Dear Dan:

I would like to extend to you my gratitude for the personal interest you have taken in trying to put together the merger of the C & S National Bank and the Bank of Tucker.

When I heard of the delay in this merger, I was very disappointed as I personally had been waiting six years for the C & S Bank to be able to acquire the stock of the Bank of Tucker. In 1965 when I was asked by Bennett Brown of the C & S Bank and by Reid Cofer of the Bank of Tucker if I would be interested in becoming a part of the reorganized Bank of Tucker which was to be staffed by C & S personnel, I jumped at the opportunity. I could see that with the banking experience of the C & S Bank that this would be a wonderful opportunity for the community which I was vitally interested in as well as a wonderful business opportunity for me to be part of such an organization.

As you know, in 1965 our assets were in the neighborhood of $4,000,000 which had taken some 25 years to accumulate, and now have grown in the short period of six years to around $27,000,000. I believe you will agree that this is a fantastic growth, and there is no doubt that without the supervision and cooperation of the C & S Bank that this growth would not have been anywhere near as spectacular. The advantages that the bank has offered to the community in the last six years is unestimable.

In addition to the above, the financial increase to the stockholders in the last six years has paralleled the growth of the bank. I personally invested quite heavily in the bank stock because I expected the merger of the two banks to take place when and if the state law allowed it, and I knew this would be financially profitable to the stockholders.

Insurance

THORNTON AND COMPANY, INC.

2231 FOURTH STREET
TUCKER, GEORGIA 30084

TELEPHONE 938-3801

Speaking as a Director for the C & S Bank of Tucker and my many stockholder friends, I can assure you that we have no desire to be in competition with the C & S National Bank, but our desire is to carry through our initial plans and become a member of the C & S family.

If there is any way that I personally can be of service to you in this direction, do not hesitate to call upon me.

Yours truly,

Bill

William C. Thornton, Jr.

WCT,Jr:ab

The Citizens and Southern Bank of Tucker

Post Office Box 105, Tucker, Georgia 30084, Telephone 404 938-2700

April 30, 1971

Mr. Dan Hodgson
Alston, Miller & Gaines
Suite 12
The C&S National Bank Bldg.
Atlanta, Georgia 30302

Dear Dan:

C&S National is able to exercise control over this bank primarily through their control over me, which is based on my respect for C&S management and method of doing business. Also, when I came out here it was understood the bank would some day merge.

I look to a C&S National Officer to recommend my salary increases and review the bank's progress with me.

As you know, there is no competition as such between us and the other C&S Banks as the National Bank has solicited customers for us, and we have done the same for them.

Sincerely,

Gus L. Connelly
President

GLC:jak

ATTAWAY AND HOWELL, INC.
ARCHITECTURAL CONSTRUCTION PRODUCTS – SALES ENGINEERS

1990 TUCKER INDUSTRIAL ROAD
TUCKER, GEORGIA 30084
TELEPHONE (404) 938-7830

MAY 18, 1971

MR. DANIEL B. HODGSON
C & S BANK BUILDING
12TH FLOOR
ATLANTA, GA 30303

DEAR MR. HODGSON:

BEFORE I WAS ASKED TO BE A DIRECTOR OF THE BANK OF TUCKER, ATTAWAY AND HOWELL WAS DOING BUSINESS WITH C & S NATIONAL. GUS CONNELLY WAS OUR CONTACT AND HANDLED OUR LOANS AND ACCOUNT.

MY PARTNER AND I SET UP A COMPANY TO BUILD AND LEASE BUILDINGS, AND WE BORROWED THIS MONEY FROM C & S WITH GUS HANDLING ALL DETAILS. SEVERAL MONTHS AFTER WE MOVED TO TUCKER IN OUR NEW BUILDING, GUS WALKED IN ONE DAY AND ASKED FOR EITHER MY PARTNER OR MYSELF TO BE A DIRECTOR OF THE BANK OF TUCKER AND THAT HE WOULD BE THE NEW PRESIDENT. HE INDICATED THAT C & S NATIONAL WOULD OWN 5% AND "FRIENDS OF C & S" WOULD OWN THE REMAINDER. WE LATER LEARNED THAT MOST ALL THE EMPLOYEES WOULD MOVE FROM OR BE TRAINED BY C & S NATIONAL. WE WERE TOLD THAT WHEN THE GEORGIA BANKING LAWS COULD BE REVISED TO ALLOW "BRANCH BANKING" MORE EXTENSIVELY, WE WOULD BE BOUGHT OUT BY C & S NATIONAL. THEREFORE, FROM THE VERY BEGINNING OF OUR ASSOCIATION WITH THE BANK OF TUCKER, WE ALWAYS FELT WE WERE WORKING TOWARD BEING PART OF C & S NATIONAL.

ANOTHER FACTOR WHICH INDICATES OUR DESIRE AND ASSUMPTION THAT WE WERE PART OF C & S NATIONAL IS THAT WE CHANGED OUR NAME TO C & S BANK OF TUCKER. WE BUILT A TWO STORY BUILDING IN THE HEART OF TUCKER, AND WITH THE HELP OF C & S NATIONAL, WE WERE ABLE TO MAKE AN IMAGE IN THE TUCKER COMMUNITY THAT IT WAS A PART OF C & S NATIONAL.

WHEN I PROMOTE C & S BANK OF TUCKER, I STRONGLY INDICATE THAT IT IS A PART OF C & S NATIONAL AND ALL THE SERVICES AVAILABLE THROUGH NATIONAL C & S IS AVAILABLE THROUGH C & S TUCKER. IF WE WERE NOT BOUGHT OUT BY C & S EMORY THEN I AM SURE WE WOULD EVENTUALLY HAVE TO CHANGE OUR NAME, AND I AM SURE OUR PRESTIGE IN THE COMMUNITY WOULD SUFFER.

If we were not bought out, there are a few other items of importance that I would like to mention as follows.

1. I am sure we would lose many employees as many are loyal to C & S National. With C & S moving branch banks around us, these employees could easily move with little effort and not much change in traveling distance.

2. Many of our employees are trained by C & S National. We would not have this source of supply of trained personnel which is a major problem in the business world.

3. The greater majority of the Stockholders are C & S employees and I am sure many would immediately desire to sell C & S Tucker stock. This would tend to drive down the market value of the stock. This would be a very discouraging thing to many present stockholders since all have been pointing to the day of a merger as the converted shares would then have a greater potential.

4. The future potential of C & S Tucker's stock (or whatever name it would be changed to) would be much less, and I am sure that the market price would suffer since the number of potential stock purchases would be out considerably.

5. There is no way for an independent bank to compete with the major national banks that will be soon surrounding our bank. We are very much concerned about future growth and possibly a loss in total assets and profit.

If I can be of any further help, please contact me at your convenience.

Yours very truly,

J. J. Attaway

JG

J. J. Attaway

E-634

F. E. FORTENBERRY AND SONS, INCORPORATED
3880 MARKET STREET, CLARKSTON, GEORGIA 30021
Area Code 404 — 443-8424

May 20, 1971

Daniel B. Hodgson
12th Floor
C & S Bank Building
Atlanta, Georgia 30303

Dear Sir:

I was appalled to hear of a tenative ruling disallowing the legal marriage of the C & S Tucker Bank and the C & S Bank because of an idea that it would void competition. I was not conscious that a real economic competitive situation existed among the C & S bankers. I felt we were working together for the purpose of giving to the communities a well balanced banking service; a service that could only be provided by such an arrangement. I must say that from the inception of the idea of the Tucker Bank using the C & S Bank management, my every consideration was predicated upon the Tucker Bank being guided by C & S Bank personnel.

During the period of consideration of a change, one person from the Tucker Bank family ask me what I thought of an arrangement such as this. I made the statement at that time and still believe such to be correct, that if they wished to serve the community, "of which my company was considered one of, but was unable to do business with them because of management, a lack of total services, and allowable amounts of funds to serve my company" - they would need such an arrangement. My company was doing business with C & S Atlanta and C & S Avondale at that time, and still does except my company now does business with the C & S Tucker Bank and certainly feel they all work as a unit.

Later when the decision was reached to follow through with the management arrangement, Mr. Reid Cofer brought Mr. Bennett Brown of C & S to my office to explain and state they would sell stock in the Tucker Bank; also, to ask me if I would serve as a Director. I stated at that time that I would serve and I would buy stock, also I would promote the sale of stock among friends, provided that C & S Bank would provide the management personnel to operate the Tucker Bank; and that we would promote a legal marriage between the two banks at such time as our State Governing bodies reconized the need for strength in community banks and would legally permit such to be done. I did buy stock and did advise some 25 people to join with us in carrying this opportunity to the community through a wide participation of the people, at that time the above arrangement was a major consideration.

I still believe as I had said at that time, a full service bank would be economically profitable and good for the community. I believe time has proven me correct.

I believe at this time the community, the bank, and everyone involved is being better served by the joint efforts of all units of the C & S family. I know my company finds no pressures from either unit of the C & S family indicating an economic competive situation between the banks.

I sincerely hope you will make every effort to carry through with our hopes in joining these two banks that we may continue to provide the total service in the future to this community.

With respect,

W. J. Fortenberry
President

WJF:bb

STARK & STARK
STARK BUILDING
POST OFFICE BOX 8
LAWRENCEVILLE, GA. 30243

HOPE D. STARK
HOMER M. STARK

TELEPHONE
963-3071

May 25, 1971

Mr. Daniel B. Hodgson
12th Floor
C & S Bank Building
Atlanta, Georgia 30303

Dear Mr. Hodgson:

I was one of the directors of the Bank of Tucker at the time the decision was made by the stockholders of the Bank to reduce the number of shares held by the major stockholders and allow the C & S National Bank to aid in the management of the Bank.

The decision to bring the C & S National Bank into the picture was made for two reasons. First, in order for the Bank of Tucker to be able to serve the needs of the community, it was necessary to expand the services offered, build a new main bank building and a branch; however, there was no one in the picture at that time capable of operating an enlarged facility except Reid Cofer, who was advancing in years and due to his health and other demands that were being made on his time, could not adequately take on the additional burden of expansion and construction necessary for the Bank to continue to grow in a more competitive atmosphere.

The second reason for bringing the C & S National Bank into the picture was due to the fact that the Bank of Tucker had maintained a very close relationship with the C & S National Bank over the years. It was felt by the directors of the Bank of Tucker that the C & S National Bank was the most progressive banking institution in the Atlanta metropolitan area and could best serve the banking needs of the Tucker community.

The Cofer family established and developed over the years, through their operation of various business enterprises in Tucker, a very close and personal relationship with the people in the community; and the primary reason the Cofer family acquired the majority of the stock in the Bank of Tucker originally was so that there would be a Bank in the Tucker community which would encourage and facilitate commercial growth in the area. They were very much concerned about

the main bank remaining in the Tucker business area to serve those people which the Bank of Tucker had served for many years.

Reid Cofer had been a friend of Mills Lane for a number of years and when the offer was made to allow the C & S National Bank to assume the management of the Bank of Tucker, he was assured that the primary bank building of the Bank would remain in the Tucker community.

The C & S Bank of Tucker has continued to serve those customers who were the customers of the Bank of Tucker and has greatly enlarged the type of services offered. At the time the C & S National Bank took over the management of the Bank of Tucker, there was no formal understanding, but I personally felt, based on my conversations with the officers of the C & S Bank, that at some time, if possible, a merger of the C & S Bank of Tucker with other banks managed by the C & S National Bank would be desirable.

This certainly seemed a logical approach to me since central management of the DeKalb banks would eliminate a lot of the extra cost of record keeping and other administrative expenses associated with operating separate and independent banking facilities.

The C & S National Bank, through its guidance and furnishing of competent personnel, has increased the size of the Bank from approximately 4½ million total assets to approximately 28 million total assets in just a few years; and as long as there was no county-wide branch banking, I feel that the C & S Bank of Tucker could have continued to grow, but once branch banking was allowed, this meant that the C & S Bank of Tucker as an independent bank will be required to compete in a much more competitive banking situation with branches of the major Atlanta banks.

Now is the appropriate time for the C & S Bank of Tucker to merge with other banks managed by the C & S National Bank, and my primary concern as a director is that the shareholders of the Bank are adequately compensated for their stock in the C & S Bank of Tucker and that the customers of the bank will continue to have their banking needs met. Since a fair price was offered and an agreement reached to exchange C & S Bank of Tucker Stock for C & S National Bank stock, it is my personal opinion that the merger should take place immediately.

It is, therefore, my opinion that the regulatory authorities should reconsider their position and allow the merger to take place as planned.

Yours very truly,

STARK & STARK

By: Homer M. Stark

HMS/jc

Directors — North Fulton

E- 640

JOHN A. WAYT JR.
ROCK MILL FARM
ALPHARETTA, GEORGIA 30201

May 7, 1971

Mr. Daniel B. Hodgson
Attorney at Law
Twelfth Floor
C & S National Bank Bldg.
Atlanta, Georgia 30303

Dear Mr. Hodgson,

Re: Merging C & S North Fulton with parent C & S per meeting held May 3rd at home of Dr. Irvin, Roswell.

I certainly enjoyed meeting with you and other C & S officials to learn more about how "big brother" looks after us.

To try to aid you and shed new light on the proof of long standing and positive relationship between the C & S and local North Fulton Bank, I submit the following:

a) The local uniformed man on the street has always considered North Fulton a branch of the C & S system. If you told him other wise he ~~would think~~ you were fabricating a story.

b) Examination of stock holders list reveals a very sophisticated group of Atlanta business men bought stock in North Fulton. These stock holders were not risking funds in some non descript country bank. They were aware of the magic C & S tie and a stock swap when the Georgia banking laws changed.

Also a large amount of the stock was purchased by trust accounts and by guardians for minors. These buyers were not speculators; their aim was a growth situation supported and guided by C & S National.

As in the case of any new stock issue, investors look for growth and no risk on the down side. The C & S involvement alone made this a good investment.

c) Of interest is the fact that the only president of North Fulton is Hugh Lane. It is not likely that you would find that name very far away from the C & S.

d) I'm sure you are also aware that the C & S Holding Co. owns the land and building which houses the North Fulton Bank

I hope these suggestions might spark a new approach for you. In short these banks are as insouble as Russia and Communism.

Yours very truly,

John Wayt

John Wayt, Jr.
Director, C & S North Fulton

JAW:aa

Archie Lindsey Realty, Inc.
1166 ALPHARETTA HIGHWAY
Roswell, Georgia

May 11, 1971

Mr. Daniel B. Hodgson
Alston, Miller & Gaines
Twelfth Floor
C & S National Bank Building
Atlanta, Georgia 30303

Dear Mr. Hodgson:

Several independent groups at various times have approched me and others in North Fulton in regards to starting a new bank. I along with others declined these offers feeling that an independent bank without the help of a larger bank would not be successful.

When C & S offered to assist in organizing and managing our present proposed bank I felt confident we could succeed and that sone day we would become a full branch of C & S.

C & S did provide organizational help, selected and recommended directors, provided management and personel.

There has never been any doubt by me that as soon as legally possible we would be a full branch of the Citizens & Southern Bank.

Sincerely,

Archie Lindsey

AL/ns

118 Spring Drive
Roswell, Georgia
May 10, 1971

Mr. Daniel B. Hodgson
Alston, Miller & Gaines
Twelfth Floor
C & S National Bank Building
Atlanta, Georgia 30303

Dear Mr. Hodgson:

Recalling the thoughts and events that led to the creation of the C & S Bank of North Fulton, and my part and association with it, I remember that there had been numerous opinions and discussions by various members of the community concerning the feasibility and need for another competing bank in Roswell. Several attempts to do this had been made, but all had failed to get off the ground. I had been approached several times to participate, but had declined to do so because of what I considered lack of adequate support. However, when Mr. Archie Lindsey called and asked if I would be interested in helping establish a C & S Bank in Roswell, I immediately expressed interest - having done business with C & S National and having had good relations with them and admired their business ability and stability.

We met at C & S of Sandy Springs and it was explained in detail that due to the then present state banking regulations North Fulton could not at that time be a full-fledged C & S affiliate, but would operate in the same way as C & S of Sandy Springs in which I owned stock and was pleased with the support and guidance C & S National had given it. Assurances were given that C & S National would furnish trained personnel, guidance, forms and all other materials and services necessary for complete banking to comply with state and federal regulations. Of course, keeping in mind that we, as directors, had the prerogative and duty to our stockholders to accept or reject since we were in reality a separate unit within the system.

Checking with a friend who had just recently helped found an independent bank, I received the advice to "go the route with C & S", since they had realized how much easier and more logical it would have been for them had they the opportunity.

Selling stock was unbelievably easy when the name C & S was mentioned. I carefully explained to all that, under the state banking regulations, this could not at present be more than a 5% bank, but that, come the hoped and planned for change in the law, we someday fully expected to unite with C & S National. This was completely understood and approved of before stock was sold in each case The stock issue was oversold in a very short time. I bought the limit allowed and wished for more. Friends and relatives I contacted said, "A C & S ! Sure. How much can I have?" Most desired more than they received.

As a director of the C & S of North Fulton, I have always relied on the guidance - subject to my judgment - of C & S National and approved of the expected merger from inception. We have so completely merged our functions and procedures that I can visualize no other fact. My loyalties belong to the stockholders of C & S of North Fulton, and I believe that becoming a full-fledged member of the C & S system is most advantageous for all concerned. Should the merger, by Federal action, not be consumated I feel that C & S of North Fulton can survive and progress, despite dislocations that would inevitably ensue. It is my desire as a major stockholder that the merger be accomplished.

Yours very truly,

W. Andrew Irvin

Directors — Park National

E- 646

LLOYD C. SMITH, JR.

May 13, 1971

Mr. Daniel B. Hodgson, Attorney-at-Law
Alston, Miller & Gaines
12th Floor - C & S National Bank Bldg.
Atlanta, Georgia 30302

Dear Dan:

In connection with the proposed merger of the Citizens & Southern Park National Bank into the Citizens & Southern National Bank, as a director of C & S Park since its founding I was fully aware of the sponsorship from the very beginning by C & S National. As a matter of fact, it was through the banking relationship of C & S National with the company of which I was then an executive, that I came to be invited to serve on the Board of Directors of C & S Park. Moreover, it is doubtful that the company would at that time have permitted me to transfer its account from C & S National to C & S Park had it not been for the assurance I gave them that C & S Park was being founded under the aegis of C & S National and that the management personnel of the new bank would come from C & S National.

There was thus, from the very outset, no question in my mind but that when it became legally possible to do so, C & S Park would be merged into C & S National.

Sincerely,

Lloyd C. Smith, Jr.

LCS:af

The National Cash Register Company
5 Executive Park Drive, N. E.
Atlanta, Georgia 30329

May 5, 1971

Mr. Daniel B. Hodgson
Austin, Miller & Gaines
C & S National Bank Building
Atlanta, Georgia

Dear Dan:

It was very disconcerting to learn yesterday that the F.D.I.C. is opposing the merger of C & S Park National Bank with the Citizens & Southern Bank. Frankly, after this was approved by our Board Members and Stockholders, I did not anticipate any difficulty with a Federal agency.

I am sure you are aware that the Citizens and Southern Bank literally sponsored us during the formation of the Bank, furnished us with guidance as well as personnel to staff the bank. I have always felt that we were a part of the C & S family even though legally we have been a separate entity.

I was aware at the time our Bank was formed that the Georgia State law prohibited us from being legally a part of Citizens and Southern. However, I would never have consented to be a director nor purchased stock in C & S Park National if I had not felt that this Georgia law would be amended or repealed as it has, in fact, been.

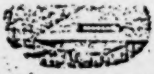
I will appreciate your doing everything possible to affect this consolidation at the earliest possible moment.

Very truly yours,

C. O. Miller
Branch Manager

COM:yst

E- 648



Employers Insurance of Wausau

9399 NORTHEAST FREEWAY • ATLANTA, GEORGIA 30099 • PHONE 939-1451

GERALD M. POWELL
REGIONAL VICE-PRESIDENT

May 10, 1971

Mr. Dan Hodgson, Attorney
Alston, Miller and Gaines
Citizens and Southern National
Bank Building
Atlanta, Georgia

Dear Dan:

When I was asked to become a Director of the Citizens and Southern Park National Bank, I knew full well of its origin within the Citizens and Southern National System and that without it the Citizens and Southern National Bank could not effectively extend its services to the Executive Park area of DeKalb County. With a direct branch system steps taken to set up a separate bank was the only way available at the time. The idea, the encouragement, the name, some of the services, the assistance and follow up came from the Citizens and Southern National Bank and its employees, including referrals of business and personal accounts.

If we had started our bank without the Citizens and Southern name, our success would have been less and far slower, even though Citizens and Southern Park National employees have all done an outstanding job. I feel with consolidation with the Citizens and Southern system that we will better serve the customers through greater strength, stability, flexibility and with a greater chance of handling directly our customers' and prospects' needs in all aspects of banking.

My fellow Directors and I have neither talked about nor considered operating our bank without the Citizens and Southern name or Citizens and Southern influence.

Operating our little bank without the close relationship with the Citizens and Southern National Bank is the farthest thing from my mind.

Sincerely,

Gerald M. Powell

Gerald M. Powell
Regional Vice-President

GMP/cl

April 29, 1971

COPY

Mr. Dan Hodgson, Attorney
Alston, Miller and Gaines
1220 C&S Bank Building
Atlanta, Georgia 30303

Dear Dan:

In July I'll celebrate my 20th Anniversary with C&S. Although I have been President and Director of "five percenter" C&S Park National Bank since July 1967, I feel that mine has been uninterrupted employment with C&S National because of my personal C&S orientation and moulding and because of C&S's sponsorship and direct ownership of part of C&S Park National, as well as the intimate working relationship between the banks.

When I was asked to seek a national bank charter for Park National, I understood that we would have the complete backing and support of C&S National which we got. When the original stock was sold, it was C&S officers, employees, customers, and friends who bought it 100%. (This has remained substantially the same.) Our Board was chosen from the more important customers of C&S National. Since we opened, we have had two important and most helpful C&S officers as official advisors to our Board. We negotiate contract after contract with C&S National to do for us those things that could be best done by them - and since our inception have been staffed by C&S-trained people. Many of their services are extensions and additions to our own which make us truly a small but full service bank. Our policies and procedures are identical.

While our C&S Park National Board and I as President and Director recognize our legal entity and responsibility, we have always looked to Mills Lane as the father of the family and to C&S National as our mother-bank. There has never been any conflict in our respective goals and interests.

In fact, the only difference between our banks is simply a legal one - and our Board, stockholders, and I have been unanimous in expressing our desire to adjust this difference.

E-651

Sincerely,

T. Robert Hazelrig

President

TRH:ls

JOHN SMITH CO.
ESTABLISHED 1869
HEADQUARTERS FOR CHEVROLET CARS AND TRUCKS
930-940 WEST PEACHTREE ST., N. W. ATLANTA, GA. 30308. TELEPHONE 875-7311

May 7, 1971

Mr. Dan Hodgson
Alston, Miller & Gaines
1220 C & S National Bank Building
Atlanta, Georgia 30302

Dear Dan:

As a Director of the C & S Park National Bank, I am quite disappointed that our planned merger with the C & S Emory Bank has not been consumated. It seems to me we should continue our efforts in this direction.

I recall that from our inception I have always considered ourselves an extension of the C & S National Bank. At the time we made application for charter, the C & S National Bank provided both research and legal help. They provided the manpower to open the bank and are now under contract to provide many basic services. We should not kid ourselves, our bank was opened because the State banking laws, at that time, prohibited the C & S National Bank from putting a branch where we are now located. From our growth it is apparent that the C & S National Bank was correct in its analysis of the banking needs of the community and filled that need with a 5% bank, the only form allowed under the State banking laws.

With my father, a member of the C & S National Bank Board of Directors, I naturally have close ties with the C & S National Bank and intend to retain them. I was never under the impression that our bank would go its merry way alone. I expected to be merged into the C & S National Bank and still hope this can be accomplished.

Very truly yours,

John E. Smith, II

E- 652

OUR 101st YEAR

ALEXANDER W. SMITH
1904-1964
L.T. CONEN
HERBERT A. RINGEL
ALEXANDER W. SMITH
BEN KOHLER, JR.
ARTHUR B. L. MARTIN
SAM F. LOWE, JR.
DE JONGH FRANKLIN
JOHN W. CHAMBERS
ROBERT W. SPEARS
ROBERT I. FALLER
HOKE SMITH
DAVID J. HARRIS
RALPH H. HICKS
WILLISTON C. WHITE
RONALD W. HARTLEY
HOMER A. HOUCHINS, JR.
ROBERT W. BEYNART
LEWIS CENKER
WARREN C. FORTSON
MALCOLM H. RINGEL
J. ARTHUR MOZLEY
JAMES R. BEACH, JR.
JOEL S. PIASSICK
ROBERT D. PANNELL
HILLYER McD. YOUNG
FRED W. ALAR, JR.
WILLIAM J. WADE
EDWARD S. KELLY
JOHN A. HOWARD
W. WYCHE FOWLER, JR.
JAMES B. HOWRY, JR.
PRENTISS O. YANCEY, JR.
HENRY S. ROGERS

ATTORNEYS AT LAW
3400 FIRST NATIONAL BANK TOWER
TWO PEACHTREE STREET, N.W.
ATLANTA, GEORGIA 30303
404/521-1200

ALEXANDER W. SMITH, SR.
1901-1923
THEODORE A. HAMMOND
1901-1938
VICTOR LAMAR SMITH
1907-1949
ESTES DOUGLAS
1904-1959
R. E. LEE FIELD
1899-1959

COUNSEL
WILLIAM G. GRANT

2 183

May 11, 1971

Mr. Daniel B. Hodgson
Alston, Miller & Gaines
C & S National Bank Building
Atlanta, Georgia

RE: The Citizens & Southern Park National Bank

Dear Dan:

In regard to the proposed merger of The Citizens & Southern Park National Bank ("Park Bank") into The Citizens & Southern Emory Bank, I am advised that the Department of Justice has determined that The Citizens & Southern National Bank ("the C & S Bank") does not in fact control the activities of the Park Bank. As a Director of the Park Bank, I am writing to you for the purpose of conveying my own personal knowledge of the dominant role of the C & S Bank in the organization, administration and operation of the Park Bank.

At the time the Park Bank initially applied for its charter, I was contacted by Mr. Herbert Dickson, who, as I recall, was at the time a Senior Vice President of the C & S Bank. Mr. Dickson informed me that the C & S Bank was attempting to organize a so-called "5%" bank to be located in the Executive Park area in DeKalb County, and that my name had been suggested as an initial Director. He also informed me of the other individuals who were being selected as directors. Mr. Dickson further advised that the C & S Bank would, through its holding

company and pension plan, own shares of stock in the new bank to the extent permitted by the laws of Georgia. I was told that the initial stock subscription would be generally limited to established customers of the C & S Bank and that I could subscribe for 500 shares of stock in the new corporation, being the maximum number of shares allocated to any one individual. Accordingly, my introduction to the new proposed Park Bank was by and through a Senior Officer of the C & S Bank, and from the beginning there was never any doubt in my mind but that the C & S Bank in fact conceived, organized and sponsored the Park Bank.

Following issuance of the charter, at the initial Directors' meetings, we were advised and guided by Mr. Howard Starks, as to various organizational and administrative matters. Mr. Starks at that time was also a Senior Vice President of the C & S Bank and appeared at all of our meetings in the capacity of an advisor and as representative of the C & S Bank.

All Board of Directors meetings of the Park Bank have been chaired by Mr. Robert Hazelrig, who has served as President of the Park Bank since its inception, and who was formerly employed for a number of years by the C & S Bank. It has been customary at Board meetings for Mr. Hazelrig to recommend for the Directors' approval adoption of various resolutions which had the effect of closely integrating the operations of the Park Bank with the C & S Bank. For example, the employees' pension and profit sharing plan applicable to the C & S Bank was recommended by Mr. Hazelrig for adoption by our Board of Directors. Similarly, resolutions providing for utilization of various accounting and general banking facilities maintained by the C & S Bank was recommended by Mr. Hazelrig for adoption by our Directors. In each instance, all recommendations of Messrs. Hazelrig and Starks, particularly with relation to coordination with the C & S Bank, were unanimously adopted by the Directors of the Park Bank.

Mr. Starks served as the advisor and representative of the C & S Bank at our Board meetings for approximately one year, and since then he has been succeeded by other full time employe of the C & S Bank acting in similar capacities.

On several occasions during the past several years, I have had informal discussions with Herbert Dickson and Howard Starks as well as other officers of the C & S Bank concerning the likelihood of legislative changes liberalizing the restrictive Georgia branch banking laws. On each occasion, the particular officer of the C & S Bank strongly implied that if and when the Legislature liberalized such statutes, the Park Bank, along with similar affiliate banks in the Atlanta Metropolitan Area, would in some manner be merged into or with the C & S Bank. Consequently, when in 1970 the Georgia Legislature amend the branch banking laws to permit branch banking in Fulton and DeKalb Counties, I as well as the other Directors of the Park Bank, assumed that the Park Bank would promptly be acquired in some manner by the C & S Bank.

I was present at the Directors' meeting at which it was propose that the Park Bank merge with the C & S Emory Bank in exchange for shares of C & S Bank stock. The sole question discussed was the ratio of exchange of Park Bank stock for stock of the C & S Bank, as there was never any question in the minds of any Director present but that such merger would be unanimously approved by the Board of Directors.

In summary, as a Director of the Park Bank since its inception to the present time, I have considered the Bank as a practical matter, to be operated and controlled by the C & S Bank, and I feel confident that all of the other Directors have the same view.

I might add that if the proposed merger cannot be consummated, the future of the Park Bank will be jeopardized as a result of the recent amendment to our branch banking laws. The Trust

Company of Georgia now has a branch bank within one block of the Park Bank, the Fulton National Bank will soon have a branch bank directly across the street, and additional branch banks of The First National Bank, National Bank of Georgia and Peoples American Bank will soon be established within a radius of less than one mile of the Park Bank. Hence, the proposed merger has now become a matter of necessity to avoid an untenable competitive position.

Very truly yours,

Ben Kohler, Jr.

BKJr/sm

newman and company

May 7, 1971

Mr. Dan Hodgson
Alston, Miller & Gaines
Citizens & Southern National Bank Building
Atlanta, Georgia 30303

Dear Dan:

As a stockholder of the Citizens & Southern Park National Bank, I want to emphasize that if it were not for the C & S National Bank, we would not be in existance and if we had not been under the control of the bank since it was formed, we would not have made a nickel.

Without the C & S National Bank, the fine national accounts we have would not be with us if they thought the National Bank was not running it.

Sincerely,

NEWMAN AND COMPANY

William T. Newman
President

WTN:gw

E- 657

ONE DUNWOODY PARK / ATLANTA, GEORGIA 30341 / PHONE 458-4455

Atlanta, Georgia
May 7, 1971

Mr. Daniel B. Hodgson
Alson, Miller & Gaines
12th Floor
Citizens and Southern National
Bank Building
Atlanta, Georgia 30303

Re: Acquisition of assets of The Citizens and Southern Park National Bank (Park) by The Citizens and Southern Emory Bank in exchange for common stock of The Citizens and Southern National Bank (C&S)

Dear Mr. Hodgson:

The application to the Federal Deposit Insurance Corporation for approval of this acquisition has continued pending for several months. It is thought that it might be helpful to state certain matters of which I have personal knowledge regarding the relationship of Park to C&S. I was an incorporator-organizer of Park and its attorney through the organizational period - 1966 to 1967 - and I have been a stockholder and director of Park and its general counsel within our firm from the time of its organization.

In each and all of these capacities, I have been very much involved in the plain fact that the existence and everyday operations of Park, from organization through the present date, have been an effort of C&S and its officers and employees, and under C&S guidance and in fact direction.

As I have observed to be the case in quite a number of instances and locations in and around the Atlanta area and the State of Georgia - Sandy Springs, Chamblee, Tucker, Roswell, South DeKalb County, to name a few - when it appeared to the satisfaction of C&S that the banking needs and convenience of the Park National area could be best served with "Banking the C&S Way" and could support a banking office, C&S set about to establish such an office. I have been variously involved in the similar efforts in the areas mentioned above, as a member of the firm of attorneys for C&S.

Given the status of the branch banking laws of Georgia at that time (1966), the only avenue to establishing a C&S Bank was to organize a new bank, in which C&S would actually own, in a legal sense, 5% of the outstanding stock. This ownership would be in Citizens and Southern Holding Company, the wholly owned subsidiary of C&S, in accordance with the Federal and State Bank Holding Company laws.

C&S designated one of its Assistant Vice Presidents, T. Robert Hazelrig, to coordinate and carry out the organizational efforts. He remained an employee of C&S until Park was organized, at which time he became President of Park - in all truth at the direction of C&S. The economic survey with supporting documents and data, which is the heart of the application to organize, was prepared by the research specialist employees of C&S and at the expense of C&S, in identical fashion as when C&S applies for a branch. The organizers-incorporators, who of course were interim directors, were other employees of C&S or representatives of long standing good customers of C&S, carefully screened by C&S for their interest in C&S. Many of these persons were already stockholders of C&S, and were chosen in part for that reason. The permanent directors were designated by C&S from among persons of these same characteristics. Of course the stockholders of Park actually elected these directors, but, in the nature of things, essentially as a matter of course.

C&S, through Mr. Hazelrig, designated or determined to whom the stock of Park would be offered, again going to those of understood interest in C&S, often already stockholders of C&S. No effort was made to disabuse their thinking that this was "a C&S Bank". The principal stockholders, each having 5%, were Mr. Hazelrig, Citizens and Southern Holding Company and the Employees' Savings and Profit Sharing Trust Fund of The Citizens and Southern National Bank.

After organization and at the present time, Park continued under the operational and business control of C&S, of course without legal control which is prohibited. As mentioned, the President had been a C&S employee. The entire staff of Park was and is drawn from employees of C&S and as changes have occurred

replacements have come from C&S or its subsidiary banks and those who have left Park but continued in banking went back to C&S or its subsidiary banks, almost without exception.

The C&S Retirement and Profit Sharing Plans and other employee benefit plans have been adopted by Park. Each amendment to such plans has been adopted as directed and in the language provided by C&S.

As is the procedure with C&S branches, Citizens and Southern Holding Company entered into the basic lease for the premises in which Park would operate. The Holding Company then subleased or assigned that lease to Park when it was organized and prepared to begin operations.

The attorneys for Park were chosen by C&S and are attorneys for C&S. The retainer to be paid was negotiated and fixed by C&S.

The data processing and bookkeeping for Park is done by C&S, under contract. Investment securities are purchased by Park, loan participations are made, and most lending activities of any substance are undertaken only on advice from C&S.

An advisory member of the Park Board of Directors who is an officer employee of C&S in its Branch Supervision Department, attends every meeting of the Park Directors.

The Directors of Park are invited to, and most attend, periodic general meetings of Directors of C&S and its subsidiary and affiliate banks where C&S banking philosophy and procedures are stated or reviewed.

Without belaboring the matter, suffice it to say that Park is furnished management and financial direction by C&S of the same nature as is provided to subsidiary banks of C&S.

The Officers and Directors of Park, in making their independent judgments in managing the Bank, do not vary in major matters from what they consider to be, and welcome as, sound

banking decisions advised by C&S. Those Officers and Directors, and the Park stockholders, it is believed, have always expected that Park would become legally, as well as in point of fact, a part of the C&S System if and when the branch banking laws of Georgia permitted. Those laws now permit that result.

Sincerely,

Hewitt H. Covington

Hewitt H. Covington

HHC:dw

ATLANTA NEWS AGENCY
3879 GREEN INDUSTRIAL WAY
ATLANTA, GEORGIA 30341

EDWARD E. ELSON
PRESIDENT

May 19, 1971

Mr. Dan Hodgson
Austin, Miller, Gaines
12th Floor, C & S National Bank Bldg.
Atlanta, Georgia 30303

Dear Dan:

I was quite astonished to learn that there were those who considered the stockholders, directors, and employees of the C & S Park National Bank to feel that they were employees of an independent bank rather than a part of the C & S system. When I was first approached about participating as a Director in this bank, it was from C & S officials, and I was made most specifically aware that this bank would ultimately become a part of the C & S National Bank or a direct affiliate. Moreover, it was with this in mind that I subscribed myself and my family to almost 3,000 shares of C & S Park National stock, anticipating that this would be a most advantageous purchase of C & S National Bank stock. I felt I would be purchasing C & S National stock for $15.00 a share when in reality it would be worth at the time of its conversion $50.00 or $60.00 a share as a result of the C & S purchasing the bank. My astuteness and perceptivity in this purchase can well be seen by the value which the stockholders in this bank will receive now that the acquisition which I had anticipated from the beginning is closer to becoming a reality.

Indeed, for anyone to think that this bank was anything but under the total control of the C & S National Bank would require an extraordinary juxtaposition of reality. Every decision which I made while a director of this bank was conditioned on the fact that the C & S National Bank had recommended its passage. "Recommended" is a euphemism in this case. One merely needs to examine the personnel policies, welfare plans, bonus systems, and purchases of bonds and participations to see that we were not acting independently of the National Bank. One look at our sign outside of the front door would certainly confirm this. Further, I can remember on at least three occasions laughing with the other directors when someone even facetiously referred to our taking an action other than that which one of the C & S National Bank employees serving on our board brought forward. To assume that

we considered ourselves anything but a part of the C & S National Bank is, without question, ludicrous and misinformed. Lastly, I must say that I was entirely satisfied with the purchase arrangement made between the C & S Emory and our bank which was arranged by the C & S National Bank in the offices of the C & S downtown. I felt that we had not received enough stock but, most certainly, I was well aware that this was the price that the C & S National Bank wanted to pay and, therefore, it was the price they would pay. I was well aware that there was no negotiating this point but accepting it was the option. I was not adverse to accepting it because it fitted in with my original concept of investing in Park National stock and I realized it was a very favorable transaction in which I was graciously allowed to participate. If several years ago C & S National Bank had not included me in these plans I would never have had the opportunity for such a windfall. Therefore, I accepted the arrangement not with reluctance but with appreciation. I would have liked to receive more but I have never felt that one should accept another's generosity with greed. Indeed, in a sense, I felt this was a gift. I hope this might shed some light to my feelings with regards to it being an "independent" bank.

Sincerely,

EEE:dtk

BROWNLEE & LIVELY REALTY COMPANY
Real Estate and General Insurance
2410 BRIARCLIFF ROAD, NE
ATLANTA, GEORGIA 30329

May 21, 1971

Mr. Dan Hodgson, Attorney
12th Floor, C & S Bank Building
Atlanta, Georgia

Dear Dan

I have been associated with the C & S Park National Bank since shortly after its origin was dreamed up by my close friends of the C & S National Bank. After being an important customer of the C & S National Bank, 10th Street Branch, for several years, I was invited to lunch by John McIntyre and Bob Hazelrigs, officers of the C & S National Bank. The purpose of the lunch was to ask me to serve on the Board of the Bank in offing, being sponsored by the C & S National Bank. I was especially interested because of being in the Executive Park area - kind of in my own back yard.

At that particular time I was delighted to work with the organizing group and was accepted as a formal member. I was appointed to the C & S Park National Bank Board, knowing full well that eventually when the laws allowed, would make the bank a branch of the "Mother Bank." During these past years since the forming of the bank, C & S worked with us "hand and glove" and we felt like an integral part of the C & S National Bank. They have performed innumerable services for us - and without their name we would never have grown as dynamic as we have grown.

Our directors were unanimously in favor of a merger with the C & S Emory Bank, a C & S affiliate, and I feel the only difference it will make is - making legal our "branch type" C & S existence.

Sincerely yours

W. W. Lively

E- 664

Dear Dan — 19

I was quite surprised and also quite upset to learn that there had been a hitch in the plans to put the C & S. Park Natl. Bank into the main C & S. System.

I became a director in the C & S Park Natl. Bank nearly four years ago. I did so with the idea that Park Natl. would become part of the C & S. System and at no time did I ever consider that Park Nat. would not be eventually under the complete management and direction of the C & S. Parent Bank.

I purchased Park Nat. stock on this presumption

...the U.T.S. union has ...
guide and has worked very
closely with the directors
and management of Park
Bank since it's inception
and all of us have felt we
were really a part of the
C & S. system.

We all voted in favor
of the merger - Now we
learn this may not come
about.

I want to reiterate that
I am still strongly in favor
of this merger I feel we
believe the best interest
of the Executive Park
Community can be served
better if this merger is
consummated

facilities that C & S can supply are unquestionably far more adequate than the small local bank could provide.

I therefore hope this matter will be carefully reviewed and re-presented to the Federal authorities who at present look with disfavor on this merger.

I am no longer a director but I still have a keen interest in the C & S Bank.

So, I sincerely hope this merger will be reconsidered in a favorable light.

Sincerely

C H Russell

Director Emeritus

E-667

Developers of Real Estate
1801 Peachtree Street, N.E.
Atlanta, Georgia 30309
Telephone (404) 874-5207

May 24, 1971

Mr. Daniel B. Hodgson
Alston, Miller and Gaines, Attorneys
35 Broad Street, N. W.
Atlanta, Georgia

RE: Merger of Citizens & Southern Park National Bank

Dear Dan:

It is my understanding that Federal authorities have expressed some concern about the wisdom of merging our Citizens & Southern Park National Bank with Citizens & Southern Emory Bank. I am personally convinced that the effect of such a merger will be none other than to improve the quality of service to customers of both banks. I am likewise convinced that the merger will be nothing other than formalizing, and making official "in the eyes of the public" a uniquely close relationship which already exists between the two banks.

First, I feel that I am especially qualified to make such statements about the effect of a merger because I am the real estate developer and landlord who first went to Citizens & Southern Holding Company several years ago urging them to establish or sponsor a new bank at the office complex which I was planning to develop at what has since become the headquarters of the Citizens & Southern Park National Bank. Throughout all of the negotiations for the leasing of this facility I dealt with officers of the C & S National Bank or C & S Holding Company. The long term lease for the bank facility was originally executed in the name of Citizens & Southern Holding Company, and was later assigned over to the newly formed "Park National" bank. As landlord, I can state unequivocally that the "Park National" bank was litterally put together by officials of Citizens & Southern National Bank.

Continued...

E- 668

Secondly, as a Director of Citizens & Southern Park National Bank, I can state that I was invited to become a Director and, in effect, a founder, of the Park National Bank by officials of Citizens and Southern National Bank when these officials first decided to sponsor the new bank several years ago. In my opinion, Citizens & Southern Park National Bank, could not and would not have attracted the calibre of Directors it may now claim had it not been for the sponsorship and backing of Citizens & Southern National Bank, and its affiliates.

Thirdly, as a stockholder of Citizens & Southern Park National Bank, I am convinced that the new Park National Bank could not have attracted the investment capital of so many and so varied a number of stockholders, hadit not been for its relationship with C & S National Bank. In this vein, it seems to me that it is of further significance that ownership of the Park National Bank is spread among a great number of people living in the DeKalb County area, and it is in no way dominated by any small number of individuals, as would have been the case if it had been founded without C & S National sponsorship.

I hope that these points are simply further evidence that a merger of the banks will simply publicly confirm a situation which has, in effect, existed for years.

Yours sincerely,

THE LANDMARKS GROUP, INC.

Maine Kelley Jr.

Maine Kelley, Jr.
President

cc: Mr. T. R. Hazelrig, President
Citizens & Southern Park National Bank

File: TLG Personal

E- 669

BK/at

Directors — South DeKalb

E. 670

HOLLAND & KNIGHT PHARMACY
3003 CANDLER ROAD
DECATUR, GA. 30032

May 13, 1971

Mr. Dan Hodgson
Austin, Miller & Gaines
14th Floor
C & S National Bank Building
Atlanta, Georgia 30302

Dear Mr. Hodgson:

I have been privileged to be a director of the Citizens and Southern South DeKalb Bank since it was formed in September 1969. I accepted the position of director since I knew that the bank would be associated with the Citizens and Southern National Bank and would receive its full support.

Since we have opened, all of our staff and management have been provided by C & S personnel and we have had access to all C & S National Bank's services.

From the beginning it was understood that there was a good possibility that we would merge directly into the C & S system, if regulations were changed to permit this. Looking back on the relationship we have had with the C & S National Bank, I can state that I would not want to be a director of the C & S South DeKalb Bank if we were to cease our relationship with the C & S system.

I feel that we are directly a part of C & S, and believe that most of our bank's customers have the same idea.

Sincerely,

Roy B. Holland, Jr.

RBH/em

E- 671

BOB BAILEY'S
TELEVISION · APPLIANCES · SERVICE
3153 GLENWOOD RD. AT CANDLER
TELEPHONE 289-2814
DECATUR, GEORGIA 30032

Mr. Dan Hodgson
12th Floor C&S National
Atlanta, Georgia 30303

Dear Mr. Hodgson,

When I was asked to serve as a director of the C&S Bank of South Dekalb, I fully understood that the C&S National Bank would furnish management and personnel. I further understood that the C&S National Bank would furnish funds if need be as per Sandy Springs C&S.

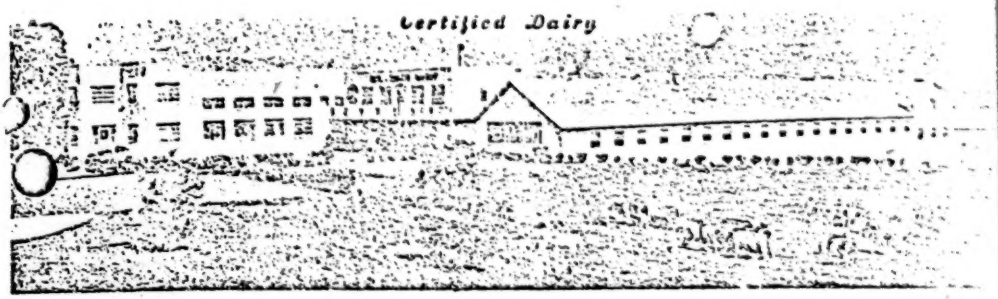
All the people I contacted about stock in C&S Bank of South Dekalb were told of this connection with the C&S National Bank, and like me, they probably would not have bought stock if not believed the National Bank would look after us.

Sincerely.

Bob Bailey's

Bob Bailey

E-672



May 7, 1971

Mr. Dan Hodgson
Alston, Miller and Gaines
14th Floor
C & S Bank Building
Atlanta, Georgia

Dear Mr. Hodgson:

I am writing this letter to state my position as to whether I prefer Citizens and Southern DeKalb Bank to remain independent or to merge with C & S National Bank.

On two occasions before I agreed to become a director of the C & S South DeKalb Bank, I was approached by two non-banking groups to participate as a director. I declined both offers because I preferred to be associated with a bank that would be supervised by a national bank.

Needless to say, when Mr. Warren Berry, a Vice President of C & S National Bank, asked me to become a director of a proposed C & S South DeKalb Bank, I was eager to accept. It was understood at that time that C & S National Bank would supervise our bank and that more than likely at a later date we would merge with them.

Since our opening in September 1969 our bank has received the complete support of the C & S National Bank. The management that they have provided has been our greatest asset. I look forward to the time when we can merge with C & S. National.

Sincerely,

R.L. Mathis, II

RLM/jf

E- 673

Producers

Putting You First In A Big Way!

LAMAR FERRELL CHEVROLET, INC.
4770 Covington Highway
Decatur, Georgia
"A Name You Know and Trust"

May 6, 1971

Mr. Dan Hodgson
Fourteenth Floor
C & S National Bank Building
Atlanta, Ga. 30302

Dear Mr. Hodgson:

At the time of the bank's inception I was asked by John F. Ingram, Jr., a Vice President of the C & S National Bank and a long time personal friend, to move my commercial business to the proposed South DeKalb Bank and to become a director. Since I had just changed locations and the bank was convenient I moved all of our commercial business to the bank. I was proud to accept the offer to become a director of the bank.

It was my understanding from the first that C & S National Bank was the initiator of the C & S South DeKalb Bank and that they would provide management and personnel along with other guidance during the life of the bank. As directors we have relied upon the leadership of the management of the C & S National Bank.

I have openly stated since the first time the merger was considered that I would not wish to be a director of or do business with this bank if it was not a C & S Bank and was operated independently.

Sincerely,

Lamar Ferrell

N. Lamar Ferrell, President
Lamar Ferrell Chevrolet, Inc.

NLF/gc

cc: Ed Johnson

CAPRICE IMPALA STATION WAGONS MONTE CARLO CHEVELLE CAMARO
CORVETTE NOVA VEGA CHEVROLET TRUCKS

...row, Pope & Carter Enterprises, 1100 Spring Street, NW, Suite 550, Atlanta, Georgia 30309 Ph-875-743

May 5, 1971

Mr. Daniel B. Hodgson
Alston Miller & Gaines
C & S National Bank Building
Atlanta, Georgia

Dear Mr. Hodgson:

The following remarks concerning my association with the C&S Bank system and more particularly my association with the C&S South DeKalb Bank were requested by your associate, Mr. John Train.

As you may or may not be aware, C& S has been the principal bank of Crow, Pope & Carter Enterprises since the formation of the Company six years ago. The association was begun at that time through a warm relationship between Mr. Herb Dickson, formerly of the C&S Bank, and Ewell Pope and Frank Carter. About two years ago, Mr. Dickson and Mr. Pope agreed that it would be appropriate if some of the junior partners of the Company became involved as directors of the C&S affiliates, and it was through this means that I was nominated and consequently contacted by Warren Berry, a C&S vice president and president-to-be of C&S South DeKalb.

I was honored to be asked to be a director and have greatly enjoyed my association with the C&S South DeKalb Bank. I was most impressed and continue to be impressed with the professional manner of the C&S, the manner in which C&S South DeKalb was formed, and the management and control that the C&S exercises over its affiliates which has resulted in the success of the C&S South DeKalb Bank today. Even though I am aware that technically the C&S Bank owns only 5% of the South DeKalb Bank, we all know that for all practical purposes it is run and operated exactly as if it was a branch of the C&S System. I might add that the average person considers it as they do all other 5% banks---as a full branch bank of the C&S System. In addition, the physical appearance identifies it as being a full C&S Bank in the minds of the public. Therefore,

I can say without reservation that there would be no noticeable difference in the management and operation of the Bank if and when it became a full branch of the C & S Banking system. In other words, the Bank would continue to be run exactly the same under either condition.

I hope these remarks will be helpful in your dealings with the Justice Department and other regulatory agencies.

Sincerely yours,

CROW, POPE & CARTER ENTERPRISES

William W. Ranck
Managing Partner

WWR:elh

PAGE CUT OFF

MOXIE-MONARCH-NUGRAPE CO.
3742 NORTHEAST FREEWAY, N.E. ◘ DORAVILLE, GEORGIA 30340 ◘ 404/451-6133

May 12, 1971

Mr. Dan Hodgson
C & S National Bank Building
12th Floor
Atlanta, Georgia 30303

Dear Mr. Hodgson:

About two years ago, Warren Berry and Bill Jones, both employees of C & S National Bank of Atlanta, called on me at my office to ask me if I would help organize a 5% C & S Bank in South Dekalb County.

After much discussion, I told them that I would give them an answer the next day. Warren wanted to know what time to call me for my answer. I told him to call about two o'clock and I would have an answer for him. When he called the next day, my answer was that I would do everything that I could to help organize the Bank.

All of the necessary information to make application for a 5% C & S Bank in South DeKalb was secured by employees of C & S National Bank of Atlanta. After the application was approved, C & S National Bank selected all of the personnel for the new C & S Bank of South DeKalb.

The temporary building was secured and placed on the property by C & S National Bank. The building that we now occupy was designed and built by people employed by C & S National Bank.

I was able to buy fifty shares of stock in the C & S Belvedere Bank and still had the stock when the C & S Belvedere merged with C & S DeKalb Bank. I was aware that the C & S Bank of South DeKalb would eventually attempt to merge with C & S National Bank.

Sincerely,

Dalton Scott

DS/bc

E- 677

Decatur, Georgia 30034
May 13, 1971

Mr. Dan Hodgson
Alston, Miller & Gaines
12th Floor, C&S Bank Building
Broad & Marietta Streets
Atlanta, Georgia 30302

Dear Mr. Hodgson:

It has been a pleasure for me to have participated in the organization of the Citizens and Southern South DeKalb Bank and to have served on its Board of Directors.

1954 I moved just a short distance from the present location of our Bank. 1965 I moved a little further out but am still in the immediate area. During the late 1950's I became interested in banks -- primarily selling them but my real interest was created when my brother-in-law organized the bank at Ormond Beach, Florida. The Ormond Beach First National Bank had of course a rapid growth and I envisioned a bank in the Candler-McAfee area. About 1965 I discussed informally with a number of people living in the area about the possibility of the organization of a bank. Everyone I talked with was very interested.

Time continued to move and the business that I am in continued to grow. I realized that I did not have time to make surveys, talk to people nor have the time to push the organization.

The Citizens and Southern people contacted a number of us and this excited me. Having done both banking and business with the Citizens and Southern I knew from my experiences that this was the Bank to serve the people. My relationships with the individuals employed by the Citizens and Southern were far beyond the average friendships. I knew the integrity of the Bank as well as the people.

The name of C&S is phonetic -- our Bank has been successful at South DeKalb because the C&S came in and did a wonderful job in making the surveys, talking to people, arranging the sale of the stock, handling the registration, preparing the plans for the building, putting up a trailer to get us in business, supervising the construction and many other facets along this line. The executives did everything possible to educate each of the directors. After all, we are businessmen -- they called upon their wealth of experience.

Today I feel that the Citizens and Southern South DeKalb Bank is successful, that it serves a group in a transitional area (and the C&S National knew this when they put this kind of money into the area). The success has come from the cooperation in every way of the officers of the Citizens and Southern National Bank. I knew that eventually we would consider merging our operation into the Citizens and Southern group some way. I think it is wonderful and I must say we have never been misled.

Sincerely,

Marcus D. Morris

E- 678

Builders & Developers
3357 Charlemagne Dr.
DECATUR, GEORGIA 30032
Area Code 404 — 289-8759

May 14, 1971

Mr. Dan Hodgson
Alston, Miller, & Gaines
14 Floor
C & S Bank Building
Atlanta, Georgia

Dear Mr. Hodgson:

As a director of the Citizens and Southern South DeKalb Bank, let me make my position clear regarding our proposed merger with the Citizens and Southern Emory Bank.

In the first place, our bank was formed with the guidance and support of the C & S National Bank. All of the directors and stockholders knew from the beginning that we would be part of the C & S family, and that if and when a change in the banking laws took place, we would merge into the C & S system.

Since the beginning, C & S has provided our management and personnel, and at our director's meeting we have received the advice of Mr. John F. Ingram, a vice-president of the C & S National Bank. C & S also provided many other services to us, to the extent that most of our customers assume we are a branch of the C & S National Bank.

Sincerely,

Ray Jones

RJ/em

E- 679

The Citizens and Southern Bank of Milledgeville

P.O. Drawer 745. 150 West Green Street. Milledgeville, Georgia 31061. Telephone 912 452-0521

May 19, 1971

Mr. Daniel B. Hodgson
Alston, Miller & Gaines, Attorneys
The Citizens and Southern National Bank Building
Atlanta, Georgia

Dear Dan:

Here are the ways C & S and I were partners in forming and operating The C & S South DeKalb Bank.

FORMING THE BANK

1. It was C & S's idea to form the new bank. Dan Handley asked me to start the bank.

2. C & S bought and put together the land so that it was suitable for banking. South DeKalb leases the property.

3. Branch supervision, research division and many others worked nights and weekends to put the necessary information together to substantiate locating a bank in the area and to substantiate the application for charter.

4. Although I was branch manager of the South Expressway Office for several weeks, most of my time was spent in forming this bank. Dan Blackwell, Cashier, and myself were freed from our National Bank responsibilities for several months to work on the formation of South DeKalb. We were paid by the National Bank throughout 1969.

5. Directors - Extensive help was provided by the Credit Department, Officers, and Employees of The C & S Bank in naming the Directors of the new bank. Specifically:

DIRECTOR	RECOMMENDED BY	INTERVIEWED BY
Roy Holland	Tom Mahone, Vice Pres. Don Ingram, Vice Pres.	Tom Mahone, Don Ingram and myself
William Ranck	Herb Dickson, Executive Vice President	William Mathis, Vice Pres. and myself

DIRECTOR	RECOMMENDED BY	INTERVIEWED BY
Robert Bailey	Don Ingram, Vice Pres. Roy Holland, Director	William Mathis and myself
Lamar Ferrell	Don Ingram, Vice Pres.	Don Ingram and myself
Ray Jones	Ted Knight, Vice Pres.	Ted Knight and myself
Robert Mathis	Don Ingram, Vice Pres. Roy Holland, Director	Roy Holland and myself
Marcus Morris	Bill Jones, Pres., C&S Belvedere (at the time) Don Ingram, Vice Pres.	Bill Jones and myself
Dalton Scott	Bill Jones, Pres., C&S Belvedere (at the time)	Bill Jones and myself

C & S guided me on every part of forming the bank. In fact, I do not believe any of the Directors would have been willing to serve without C & S's backing. This was particularly important to Marc Morris, Roy Holland, Bill Ranck, Ray Jones, and especially Bob Mathis.

6. Personnel - C & S provided professional help. All employees were screened, tested, and interviewed by C & S before being hired by South DeKalb.

EMPLOYEE	POSITION	REFERRED BY
Fran Plunk	Secretary	Myself, previously worked for C & S Clayton County.
Jo Williams	Head Teller	Applied for employment with C & S.
Clara McCannon	P & R Teller	Employed C & S East Point.
Polly Hunt	P & R Teller	Employed C & S South Expressway
Bettye Aldrich	Loan Teller	Employed C & S Executive Park.
Dan Blackwell	Cashier	Employed C & S Moreland Branch.
Warren Berry	President	Employed C & S South Expressway.

7. Dan Lindley, Bill Mathis, Ray Herman (Research Officer), and myself submitted the bank application by making a personal call on the Superintendent of Banking State of Georgia.

8. The Building - The construction of our bank building from the thinking to the completion stage was handled entirely by the C & S Construction Department. They supervised both the cost and the construction. All bills were prior approved by either Dick Griener or Harold Vogel, both in the C & S Construction Department.

9. Telephones - The installation and quantity of telephones were coordinated with C & S National Bank.

DURING OPERATION:

1. Investments - All investments were coordinated with C & S Bond Department. C & S sold us loan participations, providing an excellent yield to the bank for all available excess funds. Because we were a new bank, C & S allowed us to continue purchasing loan participations when other banks' investments were being terminated.

2. C & S helped us in analyzing proper reserve requirements so profits could be maximized.

3. C & S audited the bank closely to see that we maintained a quality operation and loan portfolio. I called on Bruce Cowie to come out and provide us with a credit audit when the need arose.

4. Operations - Jim Finley, Assistant Vice President, Raymond LaMon, Cashier, and Dave Houston, Assistant Cashier, and Louise Dunnaway, Cashier, C & S DeKalb, all helped immeasurably when we needed help in tracing items, balancing the Due From Accounts, etc.

5. Branch supervision aided us in determining when and if we needed additional employees and where they could best be used.

6. New Business - C & S National Officers in all classifications helped us tremendously in the solicitation of new business--either the transfer of present C & S customers to our bank from other C & S banks, or in the solicitation of new business to the C & S system. Many customers placed large deposits with us simply because they knew their deposits were protected by the C & S system.

7. Advertising - We advertised very little because we received the benefit of all C & S advertising.

8. Employees - They obtained the same privileges that the C & S National employees received. This is very important because there is no question that employees would have received much less without our relationship with the C & S National. It surely would have been three or four years

before any appreciable profit sharing could have been paid. Salaries and raises were examined and recommendations made by The C & S National Bank. Certainly free life insurance, hospitalization insurance, low employee interest, C-S-ta, etc. would not have been available otherwise.

9. Loans - All loans over $15,000 were reviewed by branch supervision. I attended the credit meetings on Monday morning of every week for this purpose. Any time I needed advice on the handling of a loan, The C & S was ready to help with all of their experience and information. Collection assistance was provided at no charge by the Atlanta Recovery Department

10. Security - C & S South DeKalb security system was coordinated with The National Bank. They checked our security system and substantiated that our protection was always the best possible. When we were robbed, The C & S Public Relations Department handled the publicity, and branch supervision worked directly with us covering all other matters.

11. Directors - The general supervision of the bank's operations by the directors is much easier because The C & S National Bank also supervises the operations. In fact, the question was often asked "Does C & S approve this?" or "Do other C & S banks do this?"; if so, the motion was almost automatically passed.

In summary, there is no way that The C & S South DeKalb Bank could have grown and become an influential part of the community without the tremendous and continuous assistance from The C & S National Bank.

Sincerely,

Warren L. Berry
President

WLB/pgs

cc: Mr. Dan Handley
Mr. Ed Johnson

EMPLOYMENT HISTORY OF BANK OFFICERS

OFFICER NAME	TITLE	PREVIOUS POSITION AT C&S NATIONAL	DATE EMPLOYED BY C&S NATIONAL	DATE TRANSFERRED TO ASSOCIATE	NOTES ON FORMER OFFICERS
C&S Bank of Sandy Springs					
Louis J. Fortuna	President	Vice Pres.-Branch Superv. - C&S Nat'l	1948	1965	
Thomas S. Griffin	Asst. Vice Pres.	Mgt. Associate at C&S Main Office	1964	1967	
Kenneth K. Ingram	Cashier	Asst. Cashier at C&S National Operations	1963	1967	
Kathleen S. Miers	Asst. Banking Off.	Employed originally at Sandy Springs	(1960)	----	
Thomas Cook	President	Vice Pres. in Credit at C&S	1938	1959	1964 Left Bank to become CPA
Hugh F. Lane	Asst. Vice Pres.	Mgt. Associate Credit Dept. of C&S	1960	1962	Trans. 1967 to becom Pres. of C&S N. Fult
Richard M. Zorn	Cashier	Auditor at C&S	1963	1966	Trans. 1967 to becom Operations Off. - Ja
James S. Farr	Cashier	Teller at C&S Main Office	1948	1959	Trans. 1962 to becom Cashier at Bank of Warner Robins

E
684

EMPLOYMENT HISTORY OF BANK OFFICERS

OFFICER NAME	TITLE	PREVIOUS POSITION AT C&S NATIONAL	DATE EMPLOYED BY C&S NATIONAL	DATE TRANSFERRED TO ASSOCIATE	NOTES ON FORMER OFFICERS
C&S Bank of Chamblee					
Hubert L. Harris	President	Vice Pres. & Mgr. of Northwest Branch of C&S National	1926	1960	
T. H. Plant	Mgr. Buford Highway Branch	Asst. Cashier at P'tree Branch of C&S	1946	1963	
Roger L. Crow	Cashier	Been with Chamblee since date of employment (1961)		----	
T. H. Fallaw	Vice Pres. & Cashier; Bank Director	Asst. Cashier - Mitchell St. Branch of C&S National	1942	1960	Trans. 1969 to become President of Bank of Norcross

E-685

EMPLOYMENT HISTORY OF BANK OFFICERS

OFFICER NAME	TITLE	PREVIOUS POSITION AT C&C NATIONAL	DATE EMPLOYED BY C&S NATIONAL	DATE TRANSFERRED TO ASSOCIATE	NOTES ON FORMER OFFICERS
C&S Bank of Tucker					
Gus L. Connelly	President	Asst. Vice Pres. in Corp. Accts. of C&S National	1956	1965	
Ray F. Bridges	Cashier	Employed originally by Bank of Tucker (1963)		-----	
James E. Harden, Jr.	Asst. Vice Pres.	Asst. Cashier of C&S Nat'l Branch Supervision	1947	1965	
Robert R. Young	Asst. Banking Off.	Chamblee Nat'l Bank Asst. Mgr. Buford Highway Branch	1966	1970	
Katherine B. Deaton	Asst. Operations Officer	Employed originally by Bank of Tucker (1956)		----	
Richard McClurg	Asst. Vice Pres.	C&S Bank of DeKalb; Asst. Vice Pres. Avondale Office	1959	1971	
Richard D. Gray	Banking Officer	Asst. Banking Officer at Main Office C&S National	1963	1970	Trans. 1971 to becc Banking Officer at Bolton Road Branch of C&S National

E-696

EMPLOYMENT HISTORY OF BANK OFFICERS

OFFICER NAME	TITLE	PREVIOUS POSITION AT C&S NATIONAL	DATE EMPLOYED BY C&S NATIONAL	DATE TRANSFERRED TO ASSOCIATE	NOTES ON FORMER OFFICERS
&S Park National Bank					
. Robert Hazelrig	President	Asst. Vice Pres. in Corp. Accts. at C&S National	1951	1967	
ois Chestnut	Operations Off.	Adm. Asst. at P'tree Branch of C&S National	1950	1967	Trans. 1971 to become Cashier C&S DeKalb
vans Sandy Edinger	Asst. Banking Off. Acting Cashier	Asst. Consumer Credit Officer at C&S National	1968	1971	
ichard Hodge	Cashier	Asst. Mgr. Northside Pkwy C&S National	1960	1968	Trans. 1970 Asst. Mgr S. Exp'way - C&S Nat'
ohn Montgomery	Cashier	Asst. Vice Pres.; Corp. Accounts C&S National	1963	1970	Resigned 1971 went into business with father
&S Bank of North Fulton					
ugh F. Lane	President	Asst. Vice Pres. of C&S Sandy Springs	1960	1967	
mes W. Lewis	Cashier	Mgt. Associate C&S Nat'l	1962	1969	
errell A. Murphy	Cashier	Auditor of C&S Nat'l	1961	1967	Resigned 1969 - Pres. of Citizens Bank of Clarkston

E-687

EMPLOYMENT HISTORY OF BANK OFFICERS

OFFICER NAME	TITLE	PREVIOUS POSITION AT C&S NATIONAL	DATE EMPLOYED BY C&S NATIONAL	DATE TRANSFERRED TO ASSOCIATE	NOTES ON FORMER OFFICERS
C&S Bank of South DeKalb					
Warren L. Berry	President	Asst. Vice Pres. C&S National	1957	1970	
Dan Blackwell	Cashier	Operations Mgr. at C&S National Moreland Avenue Branch	1960	1970	

E-698

PROPERTIES HELD BY C&S HOLDING CO. FOR 5% BANKS

NORTH FULTON - Bank established 4/5/67

3/29/67	South Side of Alpharetta Street, Roswell
5/15/68	Transferred to C&S National Bank, Atlanta
6/15/70	Sold by Bank to North Fulton
10/28/69	North Side of Main Street in Alpharetta Shopping Center
12/31/70	Transferred to C&S National Bank, Atlanta

SANDY SPRINGS - Bank established 12/11/59

4/4/69	Dalrymple Road Property (108.900 sq. ft.)
7/10/70	Sale of 49,729 sq. ft. to Chatham Properties
11/27/70	Paid to Fulton County for sewer relocation
12/31/70	Sold to C&S National Bank

CHAMBLEE - Bank established 5/11/60

	Cost of grading
5/31/60	Lot on Peachtree Industrial Blvd. for Chamblee
8/22/60	" " " " " adjoining
12/30/60	Sale of portion of above
9/27/65	Sale of above to Chamblee
6/2/60	Lot on Buford Highway
5/17/63	Sale of above to Chamblee

TUCKER - Bank established 3/12/65

5/17/65	Main Office Property
6/11/65	" " "
4/11/66	Construction Cost on Main Office to Land
4/11/66	Building and Land sold to CST R. E. Holding Co.
7/19/65 to 4/11/66	Building Construction paid for by C&S Holding Co.
4/11/66	Sale of Building to CST R. E. Holding Co.

E- 689

DX 269

TUCKER (Cont'd)

	Legal Fee
5/27/65	LaVista Road Branch Property
8/26/65	House sold on above property
12/31/65	Rezoning cost
4/11/66	Add cost from other assets
1/18/67	Right of way sold to DeKalb County
8/18/67	Site preparation cost
5/15/68	Transferred to C&S National Bank
1/31/69	Sold to CST R. E. Holding Co.

SOUTH DeKALB - Bank established 6/11/69

1/18/67	Down payment on 1987 Candler Road
2/10/67	Purchase of 1987 Candler Road
2/10/67	South Side of Melville Ave., adjacent to 1987 Candler
9/26/67	Sale of part of Melville Ave. to Evans, Inc.
9/1/67	Down Payment on 2564 McAfee Road
10/18/67	Purchase of 2564 McAfee Road
5/15/68	Transferred to C&S National Bank, Atlanta
	1987 Candler
	2564 McAfee Road
9/15/67	South Rainbow Drive & Candler Road
9/20/67	" " " " " add tract
5/15/68	Transferred to C&S National Bank, Atlanta
4/22/70	Purchase by Holding Company from C&S National Bank of all parcels at South DeKalb 1987 Candler, etc. (land only)

[illegible] - Bank established [illegible]

PARK NATIONAL - Bank established 3/21/67

No Real Estate purchased

CAPITAL PROVIDED BY
CITIZENS AND SOUTHERN NATIONAL AND HOLDING

	Chamblee	North Fulton	Sandy Springs	Tucker
Total Dollars Invested by All Stockholders	$ 712,500	$ 400,000	$ 425,000	$ 639,5
Capital Notes and/or Debentures	300,000	200,000	225,000	400,0
Total	$1,012,500	$ 600,000	$ 650,000	$1,039,5
C&S Holding Company Dollars Invested in Stock for 5% Interest Plus Dollars Invested under C&S Employees' Profit Sharing Plan*	$ 41,250	$ 20,000	$ 21,250	$ 33,2
Capital Notes and/or Debentures held by C&S National Bank	300,000	200,000	225,000	400,0
Total	$ 341,250	$ 220,000	$ 246,250	$ 433,2
Percent of Total Capital Provided by C&S	33.70%	36.66%	37.88%	41.0

*Profit Sharing Plan holds shares in Chamblee and Tucker

DX-270

Vol. I, GOG 9.27 and GOG 9.6

Vol. II, GOG 26.01 and 26.011

SECTION: Loans GOG 9.27

TOPIC: Real Estate Mortgage Foreclosure

PAGE: 1 of 1 DATE: January 9, 1961

To: Executive Vice Presidents - National Bank
Presidents - Affiliated Banks

You are occasionally faced with the problem of holding a second mortgage on collateral where the first mortgage holder institutes foreclosure proceedings. When this is so, please contact the Comptroller's Department for suggestions as to how the problem should be handled. Buying the property in at an incorrect figure can result in financial hardship either by way of a capital gains tax being assessed or by your office having to incur a loss chargeable against your Reserve for Loan Losses.

For example, suppose your bank holds a second mortgage on real estate with a balance of $5,000.00. You learn that the first mortgage holder has begun foreclosure proceedings and the property has to be sold. If the amount of the first mortgage is $9,000.00, and you buy the property at the foreclosure sale for $9,000.00, then the bank would own the property for $9,000.00. Of the $9,000.00 which you paid for the property, the first mortgage holder would receive $9,000.00 and the first mortgage balance on your note of $5,000.00 would be extinguished by operation. This means that if the property was later sold for $15,000.00, the bank would have to pay capital gains tax on the $6,000.00 excess over the bank's book value of the property, and the $5,000.00 balance due on your second mortgage note would have to be charged against your Reserve for Loan Losses.

However, if you had appraised the property and felt that it would bring at least the $5,000.00 balance due on the second mortgage loan plus the $9,000.00 due the first mortgage holder, you could have simply purchased the note of the first mortgage holder, which you would have to do prior to the foreclosure sale, and then you could have foreclosed against both the first and second notes. This means that you would have notes totalling $14,000.00 against the property and at the foreclosure sale, you would bid up to this amount to protect the bank's interest. (To bid more would result in the excess going to the mortgagor). Then when you sell the property, you would have no loss and no capital gain unless you received more than $14,000.00 for the property. If you did receive say $15,000.00 from the subsequent sale, then you would pay capital gains tax only on $1,000.00.

If for some reason you do not have time to contact the Comptroller's office under these circumstances and you hold a second mortgage, you should take these steps. First, have the property appraised to see whether or not, in the event you acquire it, you can sell it for an amount in excess of the amount due under the first mortgage. If its resale value does not exceed the first mortgage indebtedness due, you have a charge-off on your hands. If it does, you should then seek to persuade the first mortgage holder to postpone his foreclosure and let you foreclose your second mortgage subject to his first mortgage indebtedness, handling it to him as though you hold the first mortgage. If you cannot obtain the first mortgagee's cooperation, then you should tender to the first mortgagee the balance due under the first mortgage and foreclose the two together. When you do this, you should bid the property in at the foreclosure for the total amount that your appraisal has permitted you you can sell the property for, but in no event in an amount in excess of the total of the two mortgage indebtednesses.

If you have any questions or comments, please let me know.

Hoyt M. Kirby
Assistant Cashier

E- 692

GOG: 9.6

SECTION: Loans

OPERATING BULLETIN

TOPIC: Regulation Z Summary

PAGE: 1 of 6 DATE: July 1, 1969

PURPOSE TO PROVIDE REFERENCE INFORMATION IN GOG.

The Consumer Credit Protection Act was passed by Congress in May 1968 and becomes effective July 1, 1969. Title I of this Act is entitled "Consumer Credit Cost Disclosure" and covers requirements for disclosure of credit terms and the right of a borrower to cancel or rescind certain transactions. Title I is also referred to as the Truth-in-Lending Act.

The Federal Reserve Board issued Regulation Z setting forth the requirements for member banks in disclosing credit terms to loan customers. The general provisions of Regulation Z are given in this bulletin, however, more detailed coverage will be found in various bulletins in the Consumer Credit Operating Guide.

TYPES OF CREDIT COVERED

"All credit of $25,000 or less, or if secured by real estate regardless of amount, which is primarily for personal, family, household, or agricultural purposes and made to a person."

Under this definition Regulation Z applies to most of the loans we make. For instance, all loans in CAS, Sales Finance, and almost all instalment loans are covered. In addition, a great many loans that we classify as time, term, real estate, and demand loans are covered. When making a loan, we now must always determine the purpose of the loan and the type of borrower, since these are the controlling factors as to whether the loan is regulated. Whenever there is any doubt as to whether a particular loan is covered, we should go ahead and make the required disclosures.

The Act does not cover the following:

1. Extensions of credit to corporations, partnerships, trusts, governments, and governmental agencies.

2. Extensions of credit for business or commercial purposes, other than agricultural purposes.

3. Extensions of credit for transactions in securities or commodities accounts with a broker-dealer registered with the Securities and Exchange Commission.

4. Non-real property transactions for amounts exceeding $25,000.

5. Certain public utility transactions for public utility services if the tariffs are filed with, reviewed by, or regulated by an agency of the Federal Government or a State or political subdivision.

REGULATION Z DISCLOSURE REQUIREMENTS

Regulation Z requires that we disclose the following on all types of credit covered except real estate loans made to purchase a dwelling:

Finance Charge
Annual Percentage Rate
Total of Payments

All items of information which must be disclosed have been incorporated in our revised notes and contract forms.

FINANCE CHARGE

Definition: "The sum of all charges imposed directly or indirectly by the creditor as a condition to the extension of credit and payable directly or indirectly by the customer to the creditor or third party by the customer, seller, or anyone else on behalf of the customer."

We will continue to use terminology such as interest, etc., but we must combine all charges into one total identified by the term "Finance Charge".

Note: Certain charges are not part of the Finance Charge if itemized and disclosed. These are:

Real Estate Transactions

1. Fees for title search, title insurance, and property surveys.
2. Fees for preparation of deeds, settlement statements, or other documents.
3. Escrow amounts for taxes, insurance, etc.
4. Fees for credit reports, appraisals, and notarizing of documents.

Other Credit Transactions

1. Fees for perfecting, releasing or determining if a security interest exists on property related to the transaction.
2. Taxes, license fees and title fees required by law.
3. Credit life and disability insurance, if the insurance is not required by the creditor and the customer signs separately indicating his desire to purchase the insurance.
4. Property insurance if the customer is given the option of purchasing the insurance through any agent of his choice and
5. Late charges or reinstatement charges if imposed for actual unanticipated occurrences.

Any Finance Charge paid separately, such as points or discounts on real estate loans, must be deducted from the proceeds and added to the Finance Charge and Annual Percentage Rate.

DEMAND LOANS

A one half year maturity will be used to compute the amount of Finance Charge and Total of Payments. Information to this effect will be printed on all revised demand notes.

ANNUAL PERCENTAGE RATE

One of the most important requirements of Regulation Z is that we must quote an annual percentage rate to the customer. This is to provide a rate which will supposedly allow the customer to "shop" for credit and to compare the terms and costs for a loan the same as for any other item he may purchase. All credit transactions covered must carry this disclosure.

There are certain specific ways to determine the annual percentage rate, and these are given in the Consumer Credit Operating Guide.

UNKNOWN INFORMATION ESTIMATE

If information that is required to be disclosed is not available at the time the loan is made, an estimate can be made and identified as such, as long as the actual disclosures are delivered when this information is determined.

GENERAL INFORMATION

1. Multiple Creditors

   When there is more than one creditor in a transaction, all must be identified in the note or disclosure statement. Other than requirements imposed on rescindable transactions (in which case disclosures must be made to all parties to the transaction), disclosures need only be made to one of the customers, but that customer must be a primary party, not an endorser or guarantor.

2. Evidence of Compliance

   We must keep evidence that we are complying with the Act for two years after all disclosures are made. An extra copy of the note is being provided for this purpose.

3. Charge Account Service Notification

   Certain information must be given to all new CAS customers before the first transaction and all CAS accounts during July 1969. Also, monthly statements have been revised to give required disclosures each time the customer is billed.

4. Required Deposit Balance

   If a balance in a specific amount or percentage is required to be kept with the creditor as a condition of the loan, this amount must be deducted from the "Amount Financed" when computing the "Annual Percentage Rate". Certain types of balances are exempt:

a. Escrow amounts for taxes, insurance, etc.

b. A deposit balance that will be wholly applied to the loan at maturity.

c. A deposit balance in existence prior to the date of the transaction offered as collateral in the transaction.

d. A deposit balance created by the loan and offered as collateral for the loan, if upon written request of the customer.

5. Real Estate Loans

The amount of Finance Charge, the Total of Payments, and the Right of Recission need not be disclosed on real estate loans made to purchase a dwelling, although such loans are subject to provisions of the Act with respect to disclosure of the annual percentage rate. Construction loans are considered as loans to purchase real estate, regardless of whether the customer previously owned the land, and construction loans are therefore exempt from these three disclosures.

6. Refinances, Consolidations or Increases in Existing Accounts

All loans of this type must be treated as original extensions of credit and all required disclosures must be made.

7. Add-On Contracts

Our practice is to make all required disclosures at the time of the add-on sale, regardless of whether previous collateral is released.

8. Advances Under Loan Commitments

If all disclosures are made at the time of the loan commitment, each advance made under the commitment need not carry full disclosure.

9. Transfer of Equity or Loan Assumption

All required disclosures must be made to the new customer before he becomes obligated. Our Transfer of Equity form has been revised for this purpose.

10. Extensions and Deferrals

Certain information is required to be disclosed in connection with every extension or deferral. A Notice of Extension form is to be used for these disclosures.

11. Right to Rescind or Cancel

In instances where a security interest or lien interest may be retained or acquired in real property that is expected to be used as the customer's residence, the customer can cancel the transaction during the first three day period. Notice of this right must be given to the customer and the creditor is prohibited from performing under the

contract until this period has expired. The customer may waive this right under certain circumstances. Also certain transactions are exempt from this right.

ADVERTISING

1. Advertising Credit Terms

We have never advertised rates and terms to any degree and this area will not affect us too much. However, any officer who handles any advertising material should be familiar with the provision of Regulation Z with respect to advertising.

Regulation Z is quite specific in what cannot be advertised. Generally speaking, if any of the terms of an extension of credit are advertised then all must be advertised. Advertisement means any method or media used to aid or promote an extension of credit. No advertisement may state:

a. That a specific amount of credit or instalment amount can be arranged unless the creditor usually and customarily arranges or will arrange credit amounts or instalments for that period and in that amount; or

b. That no down payment or a specified down payment will be accepted unless the creditor usually and customarily accepts or will accept down payments in that amount.

2. Advertising Open End Credit

No advertisement may set forth any of the items required to be disclosed when opening a new account, or that no down payment, a specified down payment, or a specified periodic payment is required, or any of the following unless all the following items are set forth clearly and conspicuously in prescribed terminology:

a. An explanation of the time period during which any credit extended may be repaid without incurring a Finance Charge.

b. The method of determining the balance upon which a Finance Charge may be imposed.

c. The method of determining the Finance Charge, including any minimum or fixed charge that may be imposed.

d. Each periodic rate used to compute the Finance Charge, the range of balances to which each rate is applicable, and the corresponding Annual Percentage Rate.

e. The conditions under which other charges will be imposed and how they are determined.

f. The minimum periodic payment required.

3. Advertising Credit Other Than Open End

No advertisement shall state:

a. The rate of Finance Charge unless it states the rate of charge expressed as an Annual Percentage Rate.

b. The amount of down payment required or that no down payment is required, the amount of any instalment, the dollar amount of any Finance Charge, the number of instalments or period of repayment or that there is no charge for credit, unless it states all of the following in prescribed terminology:

(1) Cash price or amount of loan.

(2) Amount of down payment or that none is required.

(3) The number, amount and due dates of all payments or period of repayment if the credit is extended.

(4) The Finance Charge expressed as an Annual Percentage Rate.

(5) Except in the case of a sale of a dwelling or a purchase money loan to purchase a dwelling, the deferred payment price or the total of payments as applicable.

System Operations
Mitchell - 6

GOC: 26.01

SECTION: Miscellaneous

TOPIC: Antitrust Actions - Service Charges

PAGE: 1 of 3 DATE: May 17, 1962

To: Executive Vice Presidents - National Bank
Presidents - Affiliate Banks

I believe most of us have received communications from the Superintendent of Banks or have seen statements issued by the Comptroller of the Currency in which they ask for our directors to review the bank's service charge practices independently of any other bank and to take proper corporate action to establish a scale of service charges independent of any relationships with any other bank as a safeguard against any trust action by the Department of Justice.

Henry Miller suggests that our directors or Advisory Board members, as the case may be, should ask for a study of the schedules showing the amount of profit realized from each, the cost of the bank and the overall effect of the charge on the picture of the bank and its customer relations.

The directors can then make a determination of the adequacy and propriety of the various charges.

Here is a summary of what The Chamblee National Bank here in Atlanta drew up for their directors. We believe it can serve as a guide for you and suggest that you follow generally this outline. Of course, the amounts will be different, but the idea of the report to the directors is what I wanted to get across to you. After the report, then, of course, your directors may take appropriate action approving the report and your service charge schedules.

Joseph A. Hall, III
Vice President and Comptroller

At our Directors' Meeting of March 20, 1962, you asked me to prepare a resume of the Service Charge Schedules that we use at our Bank. It shall include information regarding Service Charges in all of our Departments in the Bank.

I. SERVICE CHARGES ON CHECKING ACCOUNTS

(a) Regular Checking Accounts:

A basic charge of 6¢ per check plus 75¢ per month. This charge is reduced at the rate of 15¢ per month for each unit of $100.00 bank balance maintained during the entire month. When the account averages more than $1,000.00 during the month no service charge is made. A copy of the Service Charge of Regular Checking Accounts is attached hereto.

(b) Special Checking Accounts:

The charge is 10¢ per check plus 25¢ per month.

(c) Analysis of Checking Accounts:

The more active accounts of our Bank are placed under analysis. A service charge is based on a schedule of 3¢ per each check deposited and 6¢ per each check drawn. The average float is deducted from the average bank balance. This makes a net collected balance. The legal Federal Reserve requirements of 13% is deducted from the collected balance and the remainder then becomes the loanable balance. An earned allowance of 3% is then allowed on this balance. In the event the account has a service cost in excess of the amount earned, a charge is made for the difference.

(d) Returned checks:

If checks are returned for "insufficient funds," a charge of $2.00 is made against the customer's account. If the check is paid and an overdraft is created the customer's account is charged $2.00. In both instances an advice is sent to the customer showing the disposition of the check.

(e) Non Par Checks:

10¢ up to $25.00. A slightly graduated charge for each check up to $500.00 when the charge is 65¢. Above

$500.00 the charge is 1/8 of 1%.

II. COLLECTION CHARGES

A charge of 50¢ is made for each item we send out for collection for our customer's. If drafts are received for collection the following charge is made:

25¢ up to $100.00
35¢ between 100.00 - $250.00
65¢ between 250.00 - 500.00
$1.00 for each draft between $500.00 and $1,000.00. On all drafts over $1,000.00 the rate is 1/8 of 1% with the maximum of $10.00.

III. SAFE DEPOSIT BOXES

$5.00 per year plus Federal Tax on our small boxes.
11.00 per year plus Federal Tax on our middle size boxes.
18.00 per year plus Federal Tax on our large size boxes.

IV. NIGHT DEPOSITORY BAGS

A basic rate of $10.00 per year is made. A second bag is given without additional cost; With the third bag there is an additional cost of $5.00.

V. LOANS

Loans secured by accounts receivable carry a rate of 7%. Most other loans carry a rate of 6% except those above $10,000.00 when the rate drops to 5½% on listed securities and Government securities. Construction loans are handled at 6% rate with a construction loan charge of 1½% up to $50,000.00. Above $50,000.00 the rate is 6% plus 1%. On all permanent loans a charge of $10.00 is made for appraisal fee. We charge 5½% on loans secured by passbooks of Savings & Loan Associations. We have a minimum charge on 30 day notes of $4.00; on 60 day notes of $5.00; and 90 day notes of $6.00.

In our Installment Loan Department the interest rate is 6% per annum on the original balance except loans on new automobiles carry a rate of 5½%. Savings accounts of $500.00 have a 5% rate. We have a basic late charge of 5¢ per $1.00 payment with the maximum charge of $2.00. This late charge is collected after the loan payment is more than seven (7) days past due.

GOG: 26.011

SECTION: Miscellaneous

TOPIC: Antitrust Actions - Agreements Between Banks

 DATE: February 26, 1964

MEMORANDUM TO: Executive Vice Presidents - National Bank
Presidents - Affiliate Banks

None of us would like to go to jail. None of us would like to be fined. With these thought in mind, I call your attention to the results of the civil and criminal antitrust actions against 17 Minnesota banks, the First Bank Stock Corporation and the Duluth Clearing House Association.

They were fined a total of $253,000.

Consent judgements resulted in setting forth the following antitrust guidelines for banks in general:

1. Agreements between banks to fix uniform service charges on checking accounts or to exchange data relating to service charges is prohibited. This reaffirms the consent decree in the case of the Hunterdon County Trust Company of New Jersey in 1962.

2. Agreements between banks to fix interest rates on deposits are prohibited.

3. Agreements between banks to fix the rate of interest, terms and conditions of any loans are prohibited except where the other bank is an actual party to the negotiations or the loan transaction itself.

4. Agreements between banks to restrict the advertising of interest or loan rates, service charges or other services rendered bank customers, or the media used for such advertising are prohibited.

5. Clearing Houses are prohibited from engaging in any activity except to effect the daily exchanges between members and the payment of the balances resulting from such exchanges and activities relating to civic, charitable, educational or eleemosynary promotions.

6. Agreements between banks to restrict the solicitation of business from correspondent banks are prohibited.

7. Agreement between banks concerning the furnishing of bank drafts, stationery, bank supplies or other gifts to correspondent banks are prohibited.

8. Agreements between banks to restrict absorption of exchange charges, or absorption of loss on securities, for correspondent banks are prohibited.

9. Agreements between banks to fix rebates or commissions on loans originated by correspondent banks are prohibited.

All three judgements state specifically that "transactions or communications solely between a registered bank holding company under the Bank Holding Company Act of 1956, or any servicing subsidiary of such bank holding company, and subsidiaries of such bank holding company recognized as such under such Act, shall be deemed to be transactions and communications not prohibited by this Final Judgment, . . ."

Please do review these carefully and keep them in mind in your dealings with your local competitors. Should there be any questions about any of the items, let's be sure we talk with someone else before we decide to do anything that might cause us to get into trouble with the antitrust folks.

Joseph A. Hall, III
Vice President and Comptroller

E-702-A

DX-277

McDONOUGH CONSTRUCTION COMPANY
OF GEORGIA
Industrial and Commercial Contractors

P. O. BOX 1738
ATLANTA 1, GEORGIA

January 7, 1960
(Dictated 1/6/60)

Mr. Joe Hall
The Citizens and Southern National Bank
Atlanta, Georgia

Dear Joe:

I am enclosing the following information on our Chambleee property per our discussion today.

1. Map of Greater Atlanta showing the location of Broad Street. There are plans to extend Broad Street under the Southern Railway track and tie it into Stone Mountain Road and this, of course, could open up our property and makeit much more accessible to residents east of the Southern Railway tracks. I could get you information on this from DeKalb County or the State Highway Department. Dr. W. F. Mosher, Councilman for the City of Chamblee, has been hand ing the negotiations for this with DeKalb County and he might also talk to you about it if you are interested in more information on it.

2. Copy of Drawing No. 524 showing in black the property we have offered to the Post Office Department for a new Chamblee Post Office, and showing in red a site of approximately four acres adjoining the above referenced site out of which we could set aside land for a bank assuming you are interested in it.

   We also have about six acres of land available on Irvindale Drive which has about 175' of frontage on Old Peachtree Road, although the Southern Railway Industrial Lead Track and Irvindale Drive itself takes up much of the frontage. The site marked "E", however, is available even though it may well be too small.

3. A group of pictures of the property on which we have shown for illustrative purposes only a "building" in red. You will note that a building erected on this property will have

Mr. Joe Hall January 7, 1960

a good view from the Boulevard all the way from the Chamblee-Dunwoody Road.

I understand that a recent study made by DeKalb County School Board which Dr. Mosher worked on with Mr. Jim Cherry, Superintendent of Schools, indicated an anticipated heavy growth west of the Peachtree Industrial Boulevard. If you would like to talk to Bill Mosher, who is also Mayor Pro Tem, you can reach him at the Chamblee Animal Hospital, 5220 Peachtree Industrial Boulevard, Telephone: GLendale 7-5246. I believe he could give you more statistical information on Chamblee and its future growth than anyone I know.

I believe any good site in the proximity of the Chamblee City Hall would be a good location for a bank and assuming the Post Office Department does go ahead with our property at the corner of Broad Street and Irvindale Drive (which is the old Chamblee Animal Hospitalsite), then the site adjoining it should have excellent business potential.

I will stop by and talk to you again later on in the week.

Very truly yours,

McDONOUGH CONSTRUCTION CO. OF GA.

W. C. Lea, President

WCL:hb
Enc.

DX-278

ATLANTA MAIN OFFICE

January 29, 1960

Mr. Willis B. Lane, Jr.
President

Re: Chamblee and Belvedere Surveys

I called Mrs. Ethel Liebscher, who is making a survey of the Chamblee area and also the Belvedere area in an attempt to determine the business potential of each area.

She said that she will have most of the information in by Monday of next week and it will take her several days to put it together. She promised to call me back Wednesday or Thursday of next week about the final report.

She offered the comment that quite a number of the people that were interviewed expressed a very strong feeling about needing a bank. This was both in the Chamblee area and in the Belvedere area. Apparently they have received some very unfavorable comments about the Glenwood National Bank and a noticeable portion of the people interviewed commented that another bank is needed in that area.

Of the two areas she said it looked like the greatest potential lay in the Chamblee area. However, she felt both of them were promising to be better than the Forest Park area which was the other area that she surveyed for us.

Just as soon as this information is in I will contact Les Bailey again about the formal application blanks.

Sincerely,

Joseph A. Hall, III
Vice President &
Comptroller

E-705

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

FILED IN CLERK'S OFFICE
DEC 2 1971
CLAUDE L. GOZA, Clerk
By: Deputy Clerk

DX-300

UNITED STATES OF AMERICA,

Plaintiff,

-vs-

THE CITIZENS AND SOUTHERN NATIONAL BANK, ET AL,

Defendants.

CIVIL ACTION

NO. 15823

FIRST INTERROGATORIES OF DEFENDANT CITIZENS AND SOUTHERN SOUTH DEKALB BANK TO THE PLAINTIFF

Comes now defendant, the Citizens and Southern South DeKalb Bank, in accordance with Rule 33 and other applicable Rules of the Federal Rules of Civil Procedure, and propounds the following written interrogatories to be answered by the plaintiff in writing under oath.

INTRODUCTION AND DEFINITIONS

A. These interrogatories seek answers as of the date hereof, and, as to those interrogatories addressed to matters falling within Rule 26(e)(1) and (2) of the Federal Rules of Civil Procedure, shall be deemed to be continuing, requiring the plaintiff to serve upon defendant such further answers promptly after plaintiff has acquired additional knowledge or information relating in any way to those interrogatories.

B. As used herein, the term "document" is used in its customary broad sense to include, without limitation, the following items, whether printed, or recorded, or filmed, or reproduced by any process, or written or produced by

hand, and whether or not claimed to be privileged against discovery on any ground, and whether an original, master or copy, namely: agreements; communications, including intra-company or intra-agency communications; correspondence; cablegrams, radio-grams and telegrams; notes and memoranda; summaries, minutes and records of telephone conversations, meetings and conferences, including lists of persons attending meetings or conferences, summaries and records of personal conversations or interviews; books, manuals, publications and diaries; laboratory and engineering reports and notebooks; charts; plans; sketches and drawings; photographs; reports and/or summaries of investigations and/or surveys; opinions and reports of consultants; opinions of counsel; reports and summaries of negotiations; brochures; pamphlets; catalogs and catalog sheets; advertisements; circulars; trade letters; press, publicity, trade and product releases; drafts of original or preliminary notes on, and marginal comments appearing on, any document; other reports and records; and any other information-containing paper, writing or physical thing.

C. As used herein, "identify", or to state the "identity" of, means:

(1) in the case of a person, to state:

a. name;

b. last known residence;

c. employer or business affiliation;

d. occupation and business position held;

(2) in the case of a bank, company, or other organization, to state:

a. name;

b. place of incorporation or other organization;

c. principal place of business;

d. identity of person(s) having knowledge of the matter with respect to which the company is named;

(3) in the case of a document, to state:

a. the identity of the person(s) that prepared it, the sender and recipient(s), if any;

b. the title or a description of the general nature of its subject matter;

c. the date of preparation;

d. the date(s) and manner of distribution and publication, if any;

e. the location(s) of each copy and the identity of the present custodian(s);

f. the identity of person(s) that can identify it;

g. if privilege is claimed, the specific basis therefor.

In lieu of the foregoing, a copy may be supplied.

(4) in the case of an act, to state:

a. a description of the act;

b. when it occurred;

c. where it occurred;

d. the identity of the persons performing said act (or in the case of an omission, failing to act);

e. the identity of all persons who have knowledge, information or belief about the act;

f. when the act or omission first became known to the government, identifying the individuals who first had such knowledge;

g. the circumstances and manner in which the government first obtained such knowledge.

INTERROGATORIES

1.

A. Will plaintiff contend that the proposed reorganization of defendants, as allegedly referred to in paragraph 37 of the complaint, may substantially lessen actual competition (as distinguished from "potential" competition) or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country, if so describe in detail the boundaries of that geographic area;

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f) or (g) above, describe in detail the effect on actual competition you contend may or will result and/or the factors you contend may or will tend to create a monopoly in the area named;

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive

effect will be felt and the amount thereof; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition may or will be affected;

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

2.

A. Will plaintiff contend that the proposed merger of C&S Chamblee with C&S Emory, as alleged in paragraph 46 of the complaint may substantially lessen actual competition (as distinguished from "potential" competition) or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country, if so describe in detail the boundaries of that geographic area;

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f) or (g) above, describe in detail the effect

on actual competition you contend may or will result and/or the factors you contend may or will tend to create a monopoly in the area named;

C. If the answer as to any of the subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive effect will be felt and the amount thereof; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition may or will be affected;

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

3.

A. Will plaintiff contend that the proposed merger of C&S Park National with C&S Emory, as alleged in paragraph 46 of the complaint may substantially lessen actual competition (as distinguished from "potential" competition) or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country,

and if so describe in detail the boundaries of that geographic area;

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f) or (g) above, describe in detail the effect on actual competition you contend may or will result and/or the factors you contend may or will tend to create a monopoly in the area named;

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive effect will be felt and the amount thereof; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition may or will be affected;

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

4.

A. Will Plaintiff contend that the proposed merger of C&S South DeKalb with C&S Emory, as alleged in paragraph 46 of the complaint may substantially lessen actual competition (as distinguished from "potential" competition) or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country,

and if so describe in detail the boundaries of that geographic area;

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f) or (g) above, describe in detail the effect on actual competition you contend may or will result and/or the factors you contend may or will tend to create a monopoly in the area named;

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive effect will be felt and the amount thereof; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition may or will be affected;

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

A. Will plaintiff contend that the proposed merger of C&S Sandy Springs with C&S East Point, as alleged in paragraph 46 of the complaint may substantially lessen actual competition (as distinguished from "potential" competition) or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country,

and if so describe in detail the boundaries of that geographic area;

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f) or (g) above, describe in detail the effect on actual competition you contend may or will result and/or the factors you contend may or will tend to create a monopoly in the area named;

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive effect will be felt and the amount thereof; (ii) the geographic

area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition may or will be affected;

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

6.

A. Will plaintiff contend that the proposed merger of C&S North Fulton with C&S East Point, as alleged in paragraph 46 of the complaint may substantially lessen actual competition (as distinguished from "potential" competition) or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country,

and if so describe in detail the boundaries of that geographic area;

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f) or (g) above, describe in detail the effect on actual competition you contend may or will result and/or

the factors you contend may or will tend to create a monopoly in the area named;

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive effect will be felt and the amount thereof; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition may or will be affected;

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

7.

With regard to your answers to the preceding interrogatories, does the plaintiff claim any specific injury to:

(a) Any specific bank or any specific bank customer(s) by virtue of the contended effects of the alleged lessening of actual competition or tendency to create a monopoly as defined in your answers above;

(b) Identify each alleged injury, identify each bank and/or bank customer(s) allegedly injured;

(c) If no specific injury is claimed, describe in detail the other injuries claimed;

(d) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

With regard to your answers to the preceding interrogatories, does the plaintiff claim any specific injury to:

(a) Any specific group, organization or association of banks, or any group, organization or association of bank customers by virtue of the contended effects of the alleged lessening of actual competition or tendency to create a monopoly as defined in your answers above;

(b) Identify each alleged injury, and identify each group, organization or association of banks, or any group, organization or association of bank customers allegedly so injured;

(c) If no specific injury is claimed, describe in detail the other injuries claimed;

(d) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

9.

Identify the trade or commerce allegedly unlawfully restrained when C&S National, et al, allegedly entered into a combination with C&S Sandy Springs, et al, (paragraph 38) whereby those two defendants combined to do the things alleged in paragraph 34, and in respect thereto:

(a) Identify the persons or organizations between or among whom trade or competition was allegedly unreasonably restrained, the amount of trade so restrained, and state when, how and exactly in what manner said trade or competition was so restrained;

(b) Identify the products or services as to which competition was restrained as a result of said initial organization;

(c) Describe in detail the geographic area in which such trade or competition was allegedly unreasonably restrained;

(d) Identify with particularity and specificity the effects of said alleged unlawful restraint of competition;

(e) Identify specifically all persons or organizations who plaintiff claims were injured by virtue of said effects and describe said injury;

(f) Is the combination alleged illegal in and of itself? If so, state in detail how and in what manner.

(g) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

10.

Identify the trade or commerce allegedly unlawfully restrained when C&S National, et al, allegedly entered into a combination with C&S Sandy Springs, et al, whereby C&S National and various persons associated with it contributed to the initial organization of C&S Sandy Springs (paragraph 34(1)), and in respect thereto:

(a) Identify the persons or organizations between or among whom trade or competition was allegedly unreasonably restrained, stating when, how and exactly in what manner said trade or competition was so restrained;

(b) Identify the products or services as to which competition was restrained as a result of said initial organization;

(c) Describe in detail the geographic area in which such trade or competition was allegedly unreasonably restrained;

(d) Identify with particularity and specificity the effects of said alleged unlawful restraint of competition;

(e) Identify specifically all persons or organizations who plaintiff claims were injured by virtue of said effects and describe said injury;

(f) Was the contribution of C&S National to the initial organization of C&S Sandy Springs illegal in and of itself? If so, state in detail how and in what manner.

(g) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

11.

Identify the trade or commerce allegedly unlawfully restrained when C&S National, et al, allegedly entered into a combination with C&S Sandy Springs, et al, whereby "C&S Holding acquired 5 percent of the outstanding shares of" C&S Sandy Springs (paragraph 34(2)), and in respect thereto:

(a) Identify the persons or organizations between or among whom trade or competition was allegedly unreasonably restrained, stating when, how and exactly in what manner said trade or competition was so restrained;

(b) Identify the products or services as to which competition was restrained as a result of said initial organization;

(c) Describe in detail the geographic area in which such trade or competition was allegedly unreasonably restrained;

(d) Identify with particularity and specificity the effects of said alleged unlawful restraint of competition;

(e) Identify specifically all persons or organizations who plaintiff claims were injured by virtue of said effects and describe said injury;

(f) Was the acquisition by C&S Holding of 5% of the outstanding shares of C&S Sandy Springs illegal in and of itself? If so, state in detail how, and in what manner.

(g) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogarory.

12.

Identify the trade or commerce allegedly unlawfully restrained when C&S National allegedly entered into a combination with C&S Sandy Springs whereby "C&S National and various persons associated with it assisted in the sale of the remainder of the stock" of C&S Sandy Springs (paragraph 34(3)), and in respect thereto:

(a) Identify the persons or organizations between or among whom trade or competition was allegedly unreasonably

restrained, stating when, how and exactly in what manner said trade or competition was so restrained;

(b) Identify the products or services as to which competition was restrained as a result of said initial organization;

(c) Describe in detail the geographic area in which such trade or competition was allegedly unreasonably restrained;

(d) Identify with particularity and specificity the effects of said alleged unlawful restraint of competition;

(e) Identify specifically all persons or organizations who plaintiff claims were injured by virtue of said effects and describe said injury;

(f) Was the assistance provided by C&S National in the sale of the remainder of the stock of C&S Sandy Springs illegal? If so, state in detail how and in what manner;

(g) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

13.

Identify the trade or commerce allegedly unlawfully restrained when C&S National, et al, allegedly entered into a combination with C&S Sandy Springs, et al, whereby "C&S National provided mutually beneficial correspondent services" to C&S Sandy Springs (paragraph 34(4)), and in respect thereto:

(a) Identify the persons or organizations between or among whom trade or competition was allegedly unreasonably

restrained, stating when, how and exactly in what manner said trade or competition was so restrained;

(b) Identify the products or services as to which competition was restrained as a result of said initial organization;

(c) Describe in detail the geographic area in which such trade or competition was allegedly unreasonably restrained;

(d) Identify with particularity and specificity the effects of said alleged unlawful restraint of competition;

(e) Identify specifically all persons or organizations who plaintiff claims were injured by virtue of said effects and describe said injury;

(f) Is the provision by C&S National of the correspondent services alleged to C&S Sandy Springs illegal? If so, state in detail how and in what manner;

(g) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

14.

Identify the trade or commerce allegedly unlawfully restrained when C&S National, et al, allegedly entered into a combination with C&S Sandy Springs, et al, whereby "C&S National allowed [C&S Sandy Springs] to use the C&S logogram" (paragraph 34(5)), and in respect thereto:

(a) Identify the persons or organizations between or among whom trade or competition was allegedly unreasonably

restrained, stating when, how and exactly in what manner said trade or competition was so restrained;

(b) Identify the products or services as to which competition was restrained as a result of said initial organization;

(c) Describe in detail the geographic area in which such trade or competition was allegedly unreasonably restrained;

(d) Identify with particularity and specificity the effects of said alleged unlawful restraint of competition;

(e) Identify specifically all persons or organizations who plaintiff claims were injured by virtue or said effects and describe said injury;

(f) Is it illegal in and of itself for C&S National to allow C&S Sandy Springs to use the C&S logogram? If so, state in detail how and in what manner;

(g) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

15.

Identify the trade allegedly unlawfully restrained when C&S National, et al, allegedly entered into a combination with C&S Sandy Springs, et al, whereby "the C&S System provided [C&S Sandy Springs], in varying degrees, with personnel, management and operational assistance" (paragraph 34(6)), and in respect thereto:

E- 724

(a) Identify the persons or organizations between or among whom trade or competition was allegedly unreasonably restrained, stating when, how and exactly in what manner said trade or competition was so restrained;

(b) Identify the products or services as to which competition was restrained as a result of said initial organization;

(c) Describe in detail the geographic area in which such trade or competition was allegedly unreasonably restrained;

(d) Identify with particularity and specificity the effects of said alleged unlawful restraint of competition;

(e) Identify specifically all persons or organizations who plaintiff claims were injured by virtue of said effects and describe said injury;

(f) Is it illegal in and of itself for the C&S System to provide C&S Sandy Springs with the assistance alleged? If so, state how and in what manner;

(g) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

16.

Identify the trade or commerce allegedly unlawfully restrained when C&S National, et al, allegedly entered into a combination with C&S Sandy Springs, et al, whereby "C&S National and [C&S Sandy Springs] have, in many instances, jointly determined the competitive strategy to be followed

it conducting the business of [C&S Sandy Springs]" (paragraph 34(7)), and in respect thereto:

(a) Identify the persons or organizations between or among whom trade or competition was allegedly unreasonably restrained, stating when, how and exactly in what manner said trade or competition was so restrained;

(b) Identify the products or services as to which competition was restrained as a result of said initial organization;

(c) Describe in detail the geographic area in which such trade or competition was allegedly unreasonably restrained;

(d) Identify with particularity and specificity the effects of said alleged unlawful restraint of competition;

(e) Identify specifically all persons or organizations who plaintiff claims were injured by virtue of said effects;

(f) Describe in detail each of the "many instances" referred to, identifying all persons and documents upon which plaintiff relies to support its answers to this subparagraph. Was each such incident or act of competitive strategy carried out?

(g) Describe in detail what restraint of trade resulted from each such "joint determination."

(h) State all facts and sources of information and identify all person and documents upon which plaintiff relies to support its answers to this interrogatory.

17-25.

Answer interrogatories 9 through 16 with respect to the alleged combination of C&S National with C&S Chamblee instead of C&S Sandy Springs.

26-34.

Answer interrogatories 9 through 16 with respect to the alleged combination of C&S National with C&S Park National instead of C&S Sandy Springs.

35-43.

Answer interrogatories 9 through 16 with respect to the alleged combination of C&S National with C&S South DeKalb instead of C&S Sandy Springs.

44-52.

Answer interrogatories 9 through 16 with respect to the alleged combination of C&S National with C&S North Fulton instead of C&S Sandy Springs.

53.

Referring to the relationships between the C&S System and each of C&S Chamblee, C&S Park National, C&S South DeKalb, C&S North Fulton and C&S Sandy Springs:

(a) Does the plaintiff contend that any element or elements of those relationships had a coercive or restrictive effect on outsiders?

(b) If the answer to the preceding subparagraph is affirmative, describe each said element, stating how and in what manner it had a coercive or restrictive effect on "outsiders", and identify the "outsiders" so affected;

(c) Will plaintiff contend at trial that any element or elements of those relationships should be conclusively presumed unreasonably to restrain competition? If so, describe in detail how, why and in what manner;

(d) Will plaintiff contend at trial that any element or elements of those relationships had as their main purpose the restraint of trade? If so, identify the trade so referred to;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

54.

(a) Does the plaintiff contend that the defendants, or any of them, engaged in predatory conduct?

(b) If the answer to subparagraph (a) is in the affirmative, describe said alleged predatory conduct in detail identifying the defendant alleged to have so engaged, the time, place and manner thereof and identify all individuals;

(c) Describe all instances, if any, where plaintiff contends that the defendants, or any of them, pooled their power in a manner which had adverse competitive effects on independent business entities, identifying said entities;

(d) Describe all arrangements between or among the defendants, or any of them, whereby they required third persons to engage in anticompetitive behavior, identifying said third persons and describing said required anticompetitive behavior in detail;

(e) State all facts and sources of information and

identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

55.

With regard to the allegations of paragraph 38 that C&S National and C&S Holding entered into a combination with C&S Sandy Springs to do things alleged by paragraph 34 to be in violation of Section 1 of the Sherman Act:

(a) Identify the "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S Sandy Springs;

(b) Identify the alleged "various other persons" who entered with C&S Sandy Springs, into an alleged combination with C&S National and C&S Holding;

(c) Describe the association existing between the C&S and each such "various other persons";

(d) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

56.

With regard to the allegations of paragraph 39 that C&S National and C&S Holding entered into a combination with C&S Chamblee to do things alleged by paragraph 34 to be in violation of Section 1 of the Sherman Act:

(a) Identify the "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S Chamblee;

(b) Identify the alleged "various other persons" who entered with C&S Chamblee, into an alleged combination with C&S National and C&S Holding;

(c) Describe the association existing between the C&S and each such "various other persons";

(d) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

57.

With regard to the allegations of paragraph 40 that C&S National and C&S Holding entered into a combination with C&S Tucker to do things alleged by paragraph 35 to be in violation of Section 1 of the Sherman Act:

(a) Identify the "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S Tucker;

(b) Identify the alleged "various other persons" who entered with C&S Tucker, into an alleged combination with C&S National and C&S Holding;

(c) Describe the association existing between the C&S and each such "various other persons";

(d) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

58.

With regard to the allegations of paragraph 41 that C&S National and C&S Holding entered into a combination with C&S North Fulton to do things alleged by paragraph 34 to be in violation of Section 1 of the Sherman Act:

(a) Identify the "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S North Fulton;

(b) Identify the alleged "various other persons" who entered with C&S North Fulton, into an alleged combination with C&S National and C&S Holding;

(c) Describe the association existing between the C&S and each such "various other persons";

(d) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

59.

With regard to the allegations of paragraph 42 that C&S National and C&S Holding entered into a combination with C&S Park National to do things alleged by paragraph 34 to be in violation of Section 1 of the Sherman Act:

(a) Identify the "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S Park National;

(b) Identify the alleged "various other persons" who entered with C&S Park National, into an alleged combination with C&S National and C&S Holding;

(c) Describe the association existing between the C&S and each such "various other persons";

(d) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

60.

With regard to the allegations of paragraph 43 that C&S National and C&S Holding entered into a combination with C&S South DeKalb to do things alleged by paragraph 34 to be in violation of Section 1 of the Sherman Act:

(a) Identify the "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S South DeKalb;

(b) Identify the alleged "various other persons" who entered with C&S South DeKalb, into an alleged combination with C&S National and C&S Holding;

(c) Describe the association existing between the C&S and each such "various other persons";

(d) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

61.

With regard to the allegations of paragraph 34 of the complaint:

(a) Identify each of the "various persons" referred to in each instance in said paragraph;

(b) Identify with specificity the "personnel and management" referred to therein;

(c) Describe in detail the "correspondent services" referred to therein, and state how and what manner said correspondent services differ from those provided by other banks to their correspondents;

(d) Describe in detail each instance of "the competitive strategy" referred to therein;

(e) Describe in detail the "operational assistance" referred to therein;

(f) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

62.

(a) Identfy each of the "various persons" alleged by paragraph 13 of the complaint to have combined with the defendants;

(b) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

63.

(a) Identify each of the "acts performed" by such various persons as alleged in paragraph 13 of the complaint.

(b) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

64.

(a) With regard to the allegation of paragraph 13 of the complaint that "various persons" have "otherwise contributed to the futherance" of alleged violations (herein referred to as "Other Contributions"), identify each of said Other Contributions in the same manner as you are asked to identify an act [Definition C.(4)];

(b) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

65.

(a) Referring to paragraph 14 of the complaint, is it plaintiff's contention that the term "Atlanta Area" includes cities, towns and municipalities within DeKalb and Fulton County, Georgia?

(b) If so, state what cities, towns and municipalities are contended by plaintiff to be included therein;

(c) Give the precise boundaries of the "Atlanta Area."

66.

(a) Referring to paragraph 15 of the complaint, state what cities, towns and municipalities are included within the term "North Fulton County" as used in the complaint;

(b) Give the precise boundaries of "North Fulton County";

(c) With regard to the complaint's reference to "Fulton County [e.g. para. 30] and DeKalb County" [e.g. para. 25], state what cities, towns and municipalities are intended by plaintiff to be included within said counties for purposes of the complaint.

67.

A. With regard to paragraph 48 of the complaint, what will be plaintiff's contention as to (i) the specific relevant geographic market, or markets, if more than one is contended, and (ii) the specific relevant product market or markets (and submarkets if any are contended) in which to measure the alleged affects of:

(a) The agreements of C&S Chamblee, C&S Park National, and C&S South DeKalb to merge into C&S Emory;

(b) The agreements of C&S Sandy Springs and C&S North Fulton to merge into C&S East Point;

(c) The "joint...effect of the aforesaid agreements to merge" as alleged in said paragraph;

(d) Does plaintiff agree that "relevant geographic market" as used above is synonymous with "section of

the country" as that latter phrase is used in §7 of the Clayton Act? If the answer is negative, describe, in detail, the difference in meaning between the two phrases.

B. With regard to paragraph 48 of the complaint, what will be plaintiff's contention as to (i) the specific relevant geographic market, or markets, if more than one is contended, and (ii) the specific relevant product market or markets (and submarkets if any are contended) in which to measure:

(a) The joint effects; and

(b) The several effects;

of the violations of the Sherman Act alleged in paragraph 44 of the complaint.

68.

(a) With regard to the use of the word "the combination" in paragraph 16 of the complaint, describe each and every element of said "combination" which is included within the complaint's use of the term "C&S System" as defined.

(b) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

69.

Is it plaintiff's contention that all commercial banks perform all the functions and/or services mentioned in paragraph 17 of the complaint?

(a) If the answer to the preceding interrogatory is in the negative, name the banks made defendant herein which do not perform all such functions and services, listing

the functions and services not performed or performed only to a minor or negligible degree by each such bank;

(b) Name and describe the location of the remaining banks encompassed within the Atlanta Area as defined in the complaint and where said banks have more than one banking office, answer this interrogatory as to each such office;

(c) State whether any of said banks or bank offices do not perform all such functions and services, and if any do not, state the function and/or services not performed by each.

70.

(a) With regard to the allegations set out in paragraph 17 of the complaint (the role of commercial banks), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

(b) What other types of financial institutions perform any or all of the services described in paragraph 17 of the complaint?

(c) In each area plaintiff will contend at trial is a relevant geographic market as stated in answer to interrogatory 67, named in descending order of importance the other financial institutions and the services performed by them.

71.

With regard to the allegations set out in paragraph 18 of the complaint (C&S National in Atlanta), state all facts and sources of information and identify all persons

and documents upon which plaintiff relies to support those allegations.

72.

With regard to the allegations set out in paragraph 19 of the complaint (C&S Emory), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

73.

With regard to the allegations set out in paragraph 20 of the complaint (C&S National, DeKalb, and Emory in DeKalb County), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

74.

With regard to the allegations set out in paragraph 21 of the complaint (C&S Chamblee), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

75.

With regard to the allegations set out in paragraph 22 of the complaint (C&S Park National), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

76.

With regard to the allegations set out in paragraph 23 of the complaint (C&S South DeKalb), state all facts

and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

77.

With regard to the allegations set out in paragraph 24 of the complaint (C&S Tucker), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

78.

With regard to the allegations set out in paragraph 25 of the complaint (DeKalb County Market), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

79.

With regard to the allegations set out in paragraph 26 of the complaint (C&S East Point), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

80.

With regard to the allegations set out in paragraph 27 of the complaint (C&S North Fulton), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

81

With regard to the allegations set out in paragraph 28 of the complaint (C&S Sandy Springs), state all facts

and sources of information and identify all persons and document upon which plaintiff relies to support those allegations.

82.

With regard to the allegations set out in paragraph 29 of the complaint (North Fulton County Market), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

83.

With regard to the allegations set out in paragraph 30 of the complaint (Fulton County Market), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

84.

With regard to the allegations set out in paragraph 31 of the complaint (Atlanta Area Market), state all facts and sources of information and identify all persons and documents upon which plaintiff relies to support those allegations.

85.

Referring to paragraph 18 of the complaint, what criterion (e.g. deposits, assets, number of offices) was used by plaintiff to characterize C&S National as the "largest banking organization" in the Atlanta Area?

86.

With reference to paragraphs 20-31 of the complaint:

A. Identify each bank office and each bank organization in:

(a) DeKalb County;

(b) North Fulton County;

(c) Fulton County;

(d) the Atlanta Area as defined in the complaint;

(e) the Atlanta Standard Metropolitan Statistical Area as defined by the Bureau of Standards.

B. As to each such bank so named, state:

(a) The amount and percentage of deposits held by that bank office and banking organization;

(b) The amount of net loans and discounts of each such office and organization;

(c) As to all such answers state the date as to which the figures contained in your answers are accurate;

(d) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

87.

Referring to paragraph 25 of the complaint wherein it is alleged that DeKalb County is "a concentrated banking market", state:

(a) What in specific detail, do the words "concentrated banking market" mean;

(b) What specific number of commercial banks must hold what specific percentage of commercial bank deposits in a given banking market for that market to be characterized by plaintiff as "concentrated";

(c) Do different numbers or different percentages result in characterization of a given banking market as something other than "concentrated" (for example, "highly concentrated," "deconcentrated," "unconcentrated"), and if so, state the criteria for each of said characterizations;

(d) Does plaintiff ever consider any other criteria in determining the concentration of a banking market? If so, describe such criteria and give details of how their consideration applies to the relevant market in this case.

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

88.

Referring to paragraph 25 of the complaint, identify each of the "four largest banking organizations" referred to therein and state as to each of such organizations what percentage of total county deposits is held by that organization, stating as to all figures the date on which you claim they are accurate.

89.

Referring to paragraph 26 of the complaint, identify all other banks, banking offices, and banking organizations which account for that percentage of total Fulton County deposits not alleged to be accounted for by C&S National and C&S East Point.

90.

(a) Referring to paragraph 29 of the complaint, identify each of the "five commercial banks" referred to therein

and as to each such, state what dollar amount and percentage of total North Fulton County deposits are held by that bank office and/or bank organization;

(b) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

91.

(a) Referring to paragraph 30 of the complaint, identify each of the "four largest banking organizations" referred to therein and as to each such, state what dollar amount and percentage of total Fulton County deposits are held by that bank organization;

(b) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

92.

(a) Referring to paragraph 31 of the complaint, identify each of the "four largest banking organizations" referred to therein and as to each such, state what dollar amount and percentage of total Atlanta Are deposits are held by that bank organization;

(b) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

93.

(a) On what date did: (i) the Atlanta Area; (ii) Fulton County; (iii) North Fulton County; (iv) DeKalb County, become a concentrated banking market;

(b) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

94.

(a) Referring to paragraph 33 of the complaint, identify "the major Atlanta banks" referred to therein;

(b) Identify the "various relationships with suburban banks" referred to therein, describing each such relationship in detail and identifying each "major Atlanta bank" and the "suburban bank" who were parties to those relationships;

(c) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

95.

(a) Will the plaintiff contend that C&S Sandy Springs has, at any time from the date of its organization until the present, been an independent competitive force;

(b) If the answer to the preceding subparagraph is in the affirmative, state during what period of time it is contended that C&S Sandy Springs was an independent competitive force;

(c) Describe in detail each fact on which the government relies to support that contention;

(d) Describe in detail the geographic area as to which the government contends that C&S Sandy Springs was an independent competitive force;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

96.

(a) Identify each instance known to plaintiff when a business decision affecting its competitive posture was made by C&S Sandy Springs independent of the C&S National Bank or the C&S System;

(b) Identify each instance in the competitive bahavior of C&S Sandy Springs which the plaintiff contends evidences that C&S Sandy Springs has since its organization acted independently of C&S National Bank or the C&S System;

(c) Does the plaintiff contend that C&S Sandy Springs should have, from the date of its organization, competed against C&S National as if those two banks were independent competitors;

(d) Does the government contend that there were no pro-competitive effects from the initial organization of C&S Sandy Springs;

(e) If the answer to the preceding interrogatory is in the negative, identify each and every pro-competitive effect referred to;

(f) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

97.

(a) Identify each instance known to plaintiff when a business decision affecting its competitive posture was

made by C&S Chamblee independent of the C&S National Bank or the C&S System;

(b) Identify each instance in the competitive behavior of C&S Chamblee which the plaintiff contends evidences that C&S Chamblee has since its organization acted independently of C&S National Bank or the C&S System;

(c) Does the plaintiff contend that C&S Chamblee should have, from the date of its organization, competed against C&S National as if those two banks were independent competitors;

(d) Does the government contend that there were no pro-competitive effects from the initial organization of C&S Chamblee;

(e) If the answer to the preceding interrogatory is in the negative, identify each and every pro-competitive effect referred to;

(f) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

98.

(a) Identify each instance known to plaintiff when a business decision affecting its competitive posture was made by C&S Tucker independent of the C&S National Bank or the C&S System;

(b) Identify each instance in the competitive behavior of C&S Tucker which the plaintiff contends evidences that C&S Tucker has since its organization acted independently of C&S National Bank or the C&S System;

(c) Does the plaintiff contend that C&S Tucker should have, from the date of its organization, competed against C&S National as if those two banks were independent competitors;

(d) Does the government contend that there were no pro-competitive effects from the initial organization of C&S Tucker;

(e) If the answer to the preceding interrogatory is in the negative, identify each and every pro-competitive effect referred to;

(f) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

99.

(a) Identify each instance known to plaintiff when a business decision affecting its competitive posture was made by C&S North Fulton independent of the C&S National Bank or the C&S System.

(b) Identify each instance in the competitive behavior of C&S North Fulton which the plaintiff contends evidences that C&S North Fulton has since its organization acted independently of C&S National Bank or the C&S System.

(c) Does the plaintiff contend that C&S North Fulton should have, from the date of its organization, competed against C&S National as if those two banks were independent competitors;

(d) Does the government contend that there were no pro-competitive effects from the initial organization of C&S North Fulton;

(e) If the answer to the preceding interrogatory is in the negative, identify each and every pro-competitive effect referred to;

(f) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

100.

(a) Identify each instance known to plaintiff when a business decision affecting its competitive posture was made by C&S Park National independent of the C&S National Bank or the C&S System;

(b) Identify each instance in the competitive behavior of C&S Park National which the plaintiff contends evidences that C&S Park National has since its organization acted independently of C&S National Bank or the C&S System;

(c) Does the plaintiff contend that C&S Park National should have, from the date of its organization, competed against C&S National as if those two banks were independent competitors;

(d) Does the government contend that there were no pro-competitive effects from the initial organization of C&S Park National;

(e) If the answer to the preceding interrogatory is in the negative, identify each and every pro-competitive effect referred to;

(f) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

(a) Identify each instance known to plaintiff when a business decision affecting its competitive posture was made by C&S South DeKalb;

(b) Identify each instance in the competitive behavior of C&S South DeKalb which the plaintiff contends evidences that C&S South DeKalb has since its organization acted independently of C&S National Bank or the C&S System;

(c) Does the plaintiff contend that C&S South DeKalb should have, from the date of its organization, competed against C&S National as if those two banks were independent competitors;

(d) Does the government contend that there were no pro-competitive effects from the initial organization of C&S South DeKalb;

(e) If the answer to the preceding interrogatory is in the negative, identify each and every pro-competitive effect referred to;

(f) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

102.

(a) Will the plaintiff contend at trial that C&S Chamblee has, at any time from the date of its organization until the present, been an independent competitive force;

(b) If the answer to the preceding subparagraph is in the affirmative, state during what period of time it is contended that C&S Chamblee was an independent competitive force;

(c) Describe in detail each fact on which the government relies to support that contention;

(d) Describe in detail the geographic area as to which the government contends that C&S Chamblee was an independent competitive force;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

103.

(a) Will the plaintiff contend at trial that C&S Tucker has, at any time from the date of its organization until the present, been an independent competitive force;

(b) If the answer to the preceding subparagraph is in the affirmative, state during what period or time it is contended that C&S Tucker was an independent competitive force;

(c) Describe in detail each fact on which the government relies to support that contention;

(d) Describe in detail the geographic area as to which the government contends that C&S Tucker was an independent competitive force;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

104.

(a) Will the plaintiff contend at trial that C&S North Fulton has, at any time from the date of its organization until the present, been an independent competitive force;

(b) If the answer to the preceding subparagraph is in the affirmative, state during what period of time it is contended that C&S North Fulton was an independent competitive force;

(c) Describe in detail each fact on which the government relies to support that contention;

(d) Describe in detail the geographic area as to which the government contends that C&S North Fulton was an independent competitive force;

(e) State all facts amd sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

105.

(a) Will the plaintiff contend at trial that C&S Park National has, at any time from the date of its organization until the present, been an independent competitive force;

(b) If the answer to the preceding subparagraph is in the affirmative, state during what period of time it is contended that C&S Park National was an independent competitive force;

(c) Describe in detail each fact on which the government relies to support that contention;

(d) Describe in detail the geographic area as to which the government contends that C&S Park National was an independent competitive force;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

106.

(a) Will the plaintiff contend at trial that C&S South DeKalb has, at any time from the date of its organization until the present, been an independent competitive force;

(b) If the answer to the preceding subparagraph is in the affirmative, state during what period of time it is contended that C&S South DeKalb was an independent competitive force;

(c) Describe in detail each fact on which the government relies to support that contention;

(d) Describe in detail the geographic area as to which the government contends that C&S South DeKalb was an independent competitive force;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

107.

(a) Does the government contend in this complaint that the 1965 acquisition of C&S Tucker as alleged in paragraph 35 of the complaint is in violation of Section 7 of the Clayton Act for which relief is here sought?

(b) If the answer to the preceding subparagraph is in the affirmative, describe each factor which supports said contention;

(c) If the answer to subparagraph (a) of this interrogatory is in the negative, describe each factor which supports that determination;

(d) If the answer to subparagraph (a) is in the negative, describe each factor which distinguishes the acquisition of C&S Tucker in 1965 from the fact situation attacked as violative of Section 7 in this complaint;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

108.

(a) Does the government contend in this complaint that the 1960 organization of C&S Chamblee as alleged in paragraph 36 of the complaint is in violation of Section 7 of the Clayton Act for which relief is here sought?

(b) If the answer to the preceding subparagraph is in the affirmative, describe each factor which supports said contention;

(c) If the answer to subparagraph (a) of this interrogatory is in the negative, describe each factor which supports that determination;

(d) If the answer to subparagraph (a) is in the negative, describe each factor which distinguishes the organization of C&S Chamblee in 1960 from the fact situation attacked as violative of Section 7 in this complaint;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

109.

(a) Does the government contend in this complaint that the 1967 organization of C&S North Fulton as alleged

in paragraph 36 of the complaint is in violation of Section 7 of the Clayton Act for which relief is here sought?

(b) If the answer to the preceding subparagraph is in the affirmative, describe each factor which supports said contention;

(c) If the answer to subparagraph (a) of this interrogatory is in the negative, describe each factor which supports that determination;

(d) If the answer to subparagraph (a) is in the negative, describe each factor which distinguishes the organization of C&S North Fulton in 1967 from the fact situation attacked as violative of Section 7 in this complaint;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

110.

(a) Does the government contend in this complaint that the 1967 organization of C&S Park National as alleged in paragraph 36 of the complaint is in violation of Section 7 of the Clayton Act for which relief is here sought?

(b) If the answer to the preceding subparagraph is in the affirmative, describe each factor which supports said contention;

(c) If the answer to subparagraph (a) of this interrogatory is in the negative, describe each factor which supports that determination;

(d) If the answer to subparagraph (a) is in the negative, describe each factor which distinguishes the organization

of C&S Park National in 1967 from the fact situation attacked as violative of Section 7 in this complaint;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

111.

(a) Does the government contend in this complaint that the 1969 organization of C&S South DeKalb as alleged in paragraph 36 of the complaint is in violation of Section 7 of the Clayton Act for which relief is here sought?

(b) If the answer to the preceding subparagraph is in the affirmative, describe each factor which supports said contention;

(c) If the answer to subparagraph (a) of this interrogatory is in the negative, describe each factor which supports that determination;

(d) If the answer to subparagraph (a) is in the negative, describe each factor which distinguishes the organization of C&S South DeKalb in 1969 from the fact situation attacked as violative of Section 7 in this complaint;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

112.

(a) Does the government contend in this complaint that the 1959 organization of C&S Sandy Springs as alleged in paragraph 36 of the complaint is in violation of Section 7 of the Clayton Act for which relief is here sought?

(b) If the answer to the preceding subparagraph is in the affirmative, describe each factor which supports said contention;

(c) If the answer to subparagraph (a) of this interrogatory is in the negative, describe each factor which supports that determination;

(d) If the answer to subparagraph (a) is in the negative, describe each factor which distinguishes the organization of C&S Sandy Springs in 1959 from the fact situation attacked as violative of Section 7 in this complaint;

(e) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

113.

(a) Referring to paragraph 48 of the complaint, does the plaintiff contend that the plans of acquisition would, if effectuated, tend to create a monopoly?

(b) If so, describe in detail exactly how and in what manner said reorganizations would tend to create a monopoly.

114.

Referring to paragraph 48(c) of the complaint, state whether the words "concentration...will be substantially increased" mean anything other than or more than that by reason of the proposed plans of reorganization the separate corporate entities of C&S Chamblee, C&S Park National, C&S South DeKalb, C&S North Fulton and C&S Sandy Springs will disappear, and that if the plans are consummated, the

commercial banking business of the C&S System will increase to the extent of such business presently done by each of said banks. If so, give full explanatory details.

115.

(a) State whether or not plaintiff contends that concentration in a market, in and of itself, is unlawful;

(b) State whether plaintiff contends that any and all mergers in a concentrated market are unlawful;

(c) Describe in detail each and every way in which actual competition between and among the defendants has been and will be eliminated and unreasonably restrained as alleged in paragraph 48(a) of the complaint;

(d) Describe in detail each and every way in which competition in general has been and will be substantially lessened as alleged in subparagraph (b) of paragraph 48 of the complaint;

(e) Describe in detail each and every way in which plaintiff contends that potential for increased competition between and among the defendants has been and will be eliminated and unreasonably restrained.

116.

Referring to paragraph 47 of the complaint, does the government contend that the several effects of each of the aforesaid agreements to merge, taken separately, constitute a violation of Section 7 of the Clayton Act.

117.

(a) Does the plaintiff contend that any defendant named herein has violated the Bank Holding Company Act of 1956 [Act of May 9, 1956 (70 Stat. 1330)], as amended?

(b) If the answer to the preceding subparagraph is in the affirmative, describe in detail the facts of each such alleged violation;

(c) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

118.

(a) Has the plaintiff received any communication, oral or written, from any bank, bank customer, bank association, bank organization or other individual or group commenting upon the proposed reorganization of the C&S System?

(b) If the answer to the preceding subparagraph is in the affirmative, state as to each communication the following: (i) the identity of the person making such communication; (ii) the identity of the person to whom such communication was made; (iii) the date or dates thereof if said communication was written, identify each document reflecting such writing; (iv) if such communication was oral, identify each and every document which reflects or relates in any way to the subject of said oral communication.

119.

A. Will plaintiff contend at trial that the proposed reorganization of defendants, as allegedly referred to in paragraph 37 of the complaint, will substantially lessen potential competition or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country,

and if so describe precisely the boundaries of that area.

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f), or (g) above, describe in detail the effect on potential competition and/or the factors tending to create a monopoly in the area named.

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive effect will be felt; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition will be affected.

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

120.

A. Will plaintiff contend at trial that the proposed merger of C&S Chamblee with C&S Emory, as alleged in paragraph 46 of the complaint will substantially lessen potential competition or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country,

and if so describe precisely the boundaries of that area.

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f), or (g) above, describe in detail the effect on potential competition and/or the factors tending to create a monopoly in the area named.

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive effect will be felt; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition will be affected.

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

121.

A. Will plaintiff contend at trial that the proposed merger of C&S Park National with C&S Emory, as alleged in

paragraph 46 of the complaint will substantially lessen potential competition or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country,

and if so describe precisely the boundaries of that area.

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f), or (g) above, describe in detail the effect on potential competition and/or the factors tending to create a monopoly in the area named.

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive effect will be felt; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition will be affected.

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

A. Will plaintiff contend at trial that the proposed merger of C&S South DeKalb with C&S Emory, as alleged in paragraph 46 of the complaint will substantially lessen potential competition or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country,

and if so describe precisely the boundaries of that area.

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f), or (g) above, describe in detail the effect on potential competition and/or the factors tending to create a monopoly in the area named.

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive effect will be felt; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition will be affected.

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

123.

A. Will plaintiff contend at trial that the proposed merger of C&S Sandy Springs with C&S East Point, as alleged in paragraph 46 of the complaint will substantially lessen potential competition or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country,

and if so describe precisely the boundaries of that area.

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f), or (g) above, describe in detail the effect on potential competition and/or the factors tending to create a monopoly in the area named.

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product of commercial banking as to which said competitive effect will be felt; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect;

(iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition will be affected.

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

124.

A. Will plaintiff contend at trial that the proposed merger of C&S North Fulton with C&S East Point, as alleged in paragraph 46 of the complaint will substantially lessen potential competition or tend to create a monopoly in:

(a) Georgia;

(b) the Atlanta Standard Metropolitan Statistical Area as delineated by the Office of Statistical Standards of the Bureau of Budget;

(c) the Atlanta Area as defined in the complaint;

(d) North Fulton County as defined in the complaint;

(e) Fulton County;

(f) DeKalb County;

(g) any other geographic area of the country, and if so describe precisely the boundaries of that area.

B. If the answer is affirmative as to (a), (b), (c), (d), (e), (f), or (g) above, describe in detail the effect on potential competition and/or the factors tending to create a monopoly in the area named.

C. If the answer as to any of subparagraphs (a)-(g) above is affirmative, state as to each such affirmative answer: (i) each specific service and each specific product

of commercial banking as to which said competitive effect will be felt; (ii) the geographic area which plaintiff contends is the relevant geographic market to determine such effect; (iii) the identity of the persons, banking organizations, bank offices or other businesses as to which competition will be affected.

D. State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

125.

With regard to your answers to the preceding six interrogatories, does the plaintiff claim a specific injury will result to:

(a) Any specific bank or any specific bank customer(s) by virtue of the effects of the alleged lessening of potential competition or tendency to create a monopoly as defined in your answers above;

(b) Identify each alleged potential injury, identify each bank and/or bank customer(s) allegedly injured;

(c) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

126.

With regard to any field investigation conducted by the plaintiff in connection with the applications for permission to merge filed by C&S Emory and C&S East Point to the Federal Deposit Insurance Corporation:

(a) Identify the person or persons conducting the investigation for plaintiff;

(b) State the inclusive dates during which said field investigation was conducted;

(c) Identify each and every person interviewed or contacted by plaintiff's investigators and identify each and every document reflecting said interviews resulting therefrom;

(d) Identify all persons supplying information to plaintiff's investigators and describe the information so supplied;

(e) Identify all documents reflecting or referring to such information received from persons supplying information to the plaintiff's investigators;

(f) Describe all information developed by plaintiff's field investigation which related particularly to (i) C&S North Fulton, (ii) C&S Sandy Springs, (iii) C&S Chamblee, (iv) C&S Park National, (v) C&S South DeKalb, (vi) C&S Tucker;

(g) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

127.

(a) Identify each individual who plaintiff has interviewed or otherwise communicated with relevant to this matter who has knowledge of any facts believed to support plaintiff's allegations stated in the complaint;

(b) Identify each individual who plaintiff has interviewed or otherwise communicated with relative to this matter who has knowledge of any facts which may be contrary to any of plaintiff's allegations made in the complaint;

(c) Identify each individual, organization, or association not a part of the federal government, who plaintiff through any regulatory or executive agency has supplied with information, documents or otherwise concerning any of the matters involved in this lawsuit, and/or concerning the applications of defendants to the Federal Deposit Insurance Corporation, identifying separately and in detail such information and documents so supplied.

128.

State whether plaintiff has any question as to the authenticity or genuineness of any of the documents submitted to the Federal Deposit Insurance Corporation as a part of or in support of the application of the Citizens and Southern Bank of East Point for prior written consent to acquire the assets of and to assume liability to pay deposits made in the Citizens and Southern Bank of Sandy Springs and the Citizens and Southern Bank of North Fulton and the application of the Citizens and Southern Emory Bank for prior written consent to acquire the assets of and to assume liability to pay deposits made in the Citizens and Southern Bank of Chamblee, the Citizens and Southern Bank of Tucker, the Citizens and Southern Park National Bank, and the Citizens and Southern South DeKalb Bank (hereinafter jointly referred to as "Applications").

State whether plaintiff has any question as to the mathematical accuracy of any of the data in any of the documents submitted to the Federal Deposit Insurance Corporation in connection with the Applications, and, if so, identify all such data claimed to be mathematically inaccurate and state with respect to each item thereof:

(a) The figure plaintiff contends is incorrect;

(b) The figure plaintiff contends is the correct figure;

(c) The manner by which plaintiff derived the figure claimed by it to be correct; and,

(d) State all facts and sources of information and identify all persons and documents upon which plaintiff relies to support its answers to this interrogatory.

130.

(a) Identify separately every document in the possession or control of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or any other department, branch or agency of the United States of America which plaintiff has examined in connection with this case;

(b) Identify separately every document, including transcripts, pleadings, orders, or other papers involved in any other lawsuits, hearings, investigations, or other similar proceedings, which relate in any way to any of the issues involved in this lawsuit which plaintiff has examined in connection with this case.

131.

(a) Identify each person whom plaintiff expects to

call as an expert witness at the trial of this matter;

(b) State the subject matter on which each such expert is expected to testify;

(c) State the substance of the facts and opinions to which each such expert is expected to testify and a summary of the ground for each opinion.

132.

Identify each individual who has assisted in the preparation of answers to these interrogatories.

DATED this 2nd day of December, 1971.

DANIEL B. HODGSON

MICHAEL A. DOYLE

JOHN K. TRAIN

WALTER M. GRANT

OF COUNSEL:

ALSTON, MILLER & GAINES
1200 C&S National Bank Building
Atlanta, Georgia 30303

PHILIP L. ROACHE, JR., ESQUIRE
1150 17th Street, N. W.
Washington, D. C. 20036

CERTIFICATE OF SERVICE

This is to certify that I have this day served a copy of the foregoing "First Interrogatories of Defendant Citizens and Southern South DeKalb Bank to the Plaintiff" by personally delivering a copy of same to:

Donald A. Kinkaid, Esq.
Attorney, Department of Justice
Antitrust Division
1776 Peachtree Street, N. W.
Suite 420
Atlanta, Georgia 30309

This 2nd day of December, 1971.

MICHAEL A. DOYLE

E- 769

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

UNITED STATES OF AMERICA, Plaintiff, v. CITIZENS AND SOUTHERN NATIONAL BANK, CITIZENS AND SOUTHERN HOLDING COMPANY, CITIZENS AND SOUTHERN EMORY BANK, CITIZENS AND SOUTHERN BANK OF EAST POINT, CITIZENS AND SOUTHERN BANK OF CHAMBLEE, CITIZENS AND SOUTHERN PARK NATIONAL BANK, CITIZENS AND SOUTHERN SOUTH DEKALB BANK, CITIZENS AND SOUTHERN BANK OF TUCKER, CITIZENS AND SOUTHERN BANK OF NORTH FULTON, AND CITIZENS AND SOUTHERN BANK OF SANDY SPRINGS, Defendants.	Civil Action No. 15823 Filed: November 2, 1971

PLAINTIFF'S ANSWERS TO FIRST INTERROGATORIES OF DEFENDANT CITIZENS AND SOUTHERN SOUTH DEKALB BANK

The answers propounded herein are made without waiving, but on the contrary reserving: (1) the right to object, on the grounds of relevancy, materiality, competency, privilege or any other ground, to the use of said answers, for any purpose, in whole or in part, in any subsequent step or proceeding in this action or any other action; (2) the right to object on any and all grounds, at any time, to other interrogatories or other discovery procedure involving or relating to the subject matter of the interrogatories herein answered; and (3) the right, at any time, to revise, correct, add to or clarify any of said answers propounded herein.

Plaintiff notes that the meaning of those subparagraphs of defendants' interrogatories which, like Interrogatory 9(g), request that plaintiff "state all facts and sources of information and identify all persons and documents upon which

plaintiff relies to support its answers" to the interrogatories, is unclear. Where plaintiff is asked to identify "persons and documents upon which plaintiff relies" to support answers containing or setting forth ultimate contentions, it appears that plaintiff, in effect, is being asked to identify its trial witnesses and exhibits. At this stage of the proceedings such identification would, of course, be clearly premature, as well as impossible. Stating the "sources of information...upon which plaintiff relies" could raise the same problem, since such sources could be only "persons and documents." Finally, stating "all facts... upon which plaintiff relies" could mean "all evidentiary facts" rather than the ultimate facts which are stated in the answers; presentation of all evidentiary facts is, of course, the function of trial, not pre-trial. Since plaintiff does not believe that defendants' request was intended to convey any of these objectionable meanings, plaintiff has interpreted that request as asking for the identity of persons or documents possessing or containing information used by plaintiff in answering the interrogatories.

Answer to Interrogatory 1

This interrogatory, although purportedly directed to allegations in paragraph 37 of the Complaint, inquires about something, namely "the proposed reorganization of defendants," that was not referred to in that or any other paragraph of the Complaint. Nor is plaintiff aware of what defendants intend to convey by this phrase. In paragraph 37 of the Complaint, however, plaintiff did refer to regulatory approval of the proposed mergers of C&S Chamblee, C&S Park National and C&S South DeKalb with C&S Emory and C&S Sandy Springs and C&S North Fulton with C&S East Point. Plaintiff will, therefore, answer this interrogatory in terms of those proposed mergers.

In this interrogatory plaintiff, in effect, is asked whether it will contend that consummation of the proposed mergers may substantially lessen competition or tend to create a monopoly by virtue of the elimination of actual competition existing between or among defendants. Plaintiff will not contend that consummation of any of the proposed mergers may tend to create a monopoly in any section of the country. At this time, however, plaintiff cannot definitively state whether or not it will contend that actual competition exists between and among defendants. A determination of this issue requires knowledge concerning the extent, if any, to which C&S Chamblee, C&S Park National, C&S South DeKalb, C&S Sandy Springs, and C&S North Fulton, make independent decisions in conducting their respective businesses despite the existence of the combinations referred to in paragraphs 38, 39, 40, 41, 42, and 43 of the Complaint, and, if so, the extent of competition

E- 772

between and among defendants. Absent discovery, plaintiff does not have knowledge sufficient to make such determinations.

Answer to Interrogatory 2

For the reasons set forth in Answer to Interrogatory 1, plaintiff cannot definitively answer this interrogatory absent discovery except to the extent the answer is incorporated in the Answer to Interrogatory 1.

Answer to Interrogatory 3

For the reasons set forth in Answer to Interrogatory 1, plaintiff cannot definitively answer this interrogatory absent discovery except to the extent the answer is incorporated in the Answer to Interrogatory 1.

Answer to Interrogatory 4

For the reasons set forth in Answer to Interrogatory 1, plaintiff cannot definitively answer this interrogatory absent discovery except to the extent the answer is incorporated in the Answer to Interrogatory 1.

Answer to Interrogatory 5

For the reasons set forth in Answer to Interrogatory 1, plaintiff cannot definitively answer this interrogatory absent discovery except to the extent the answer is incorporated in the Answer to Interrogatory 1.

Answer to Interrogatory 6

For the reasons set forth in Answer to Interrogatory 1, plaintiff cannot definitively answer this interrogatory absent discovery except to the extent the answer is incorporated in the Answer to Interrogatory 1.

Answer to Interrogatory 7

Plaintiff does not allege any specific injury to any specific bank(s) or any specific bank customer(s) by virtue

of consummation of the proposed mergers. Plaintiff's allegations are as described in Answer to Interrogatory 8.

Answer to Interrogatory 8

(a) - (c) Plaintiff does not allege any specific injury to any specific group, organization or association of banks, or any specific group, organization or association of bank customers. However, plaintiff does allege that all individuals, partnerships, corporations and other organizations which have need of commercial banking services in the Atlanta area may be adversely affected by virtue of the consummation of the proposed mergers. Such adversely affected customers in general would be those who reside or conduct business in the Atlanta area. Such customers may be adversely affected because competition in commercial banking in the Atlanta area and various portions thereof may be substantially lessened as a consequence of the fact that significant actual competition, if such exists, and the significant actual competition between and among the defendant commercial banks which would exist absent the combinations alleged, will be permanently eliminated; that commercial banking customers in the Atlanta area and portions thereof would be deprived of significant commercial banking alternatives; that the defendants, combined, would control an undue share of the commercial banking markets in DeKalb County, Fulton County, North Fulton County, the Atlanta area, or some portions of the foregoing and that concentration in commercial banking in such areas would be substantially increased.

(d) In answering this interrogatory, plaintiff relied on information contained in the documents identified in Answer to Interrogatory 71.

E- 774

Answer to Interrogatory 9

The trade or commerce which plaintiff presently believes has been and continues to be unlawfully restrained by the alleged combination of C&S National, et al., and C&S Sandy Springs, et al., consists of the products and services, both severally and in the aggregate, in which such commercial banks deal. The principal banking "products" are various kinds of bank credit such as unsecured personal and business loans, mortgage loans, loans secured by securities or accounts receivable, automobile installment and consumer goods installment loans, and bank credit cards. Banking services include acceptance of demand deposits; acceptance of time and savings deposits; estate and trust planning and trusteeship services; correspondent services and investment advice.

At the present time, plaintiff is without sufficient knowledge to state specifically each of the areas of commercial banking activity in which each of the defendant commercial banks has engaged or presently engages. However, plaintiff believes that each of the defendant commercial banks offers demand deposit accounts and many of the other products and services generally provided by commercial banks. Also, plaintiff is, at present, without sufficient knowledge to state whether all of the areas of commercial banking in which C&S National, et al., and C&S Sandy Springs engage have been adversely affected as a consequence of the combination or whether only certain areas have been adversely affected.

(a) Competition between the members of the C&S System, C&S Sandy Springs and other defendant commercial banks has been and continues to be restrained as a result of the

combination between C&S National, et al., and C&S Sandy Springs, et al., to create a legally independent bank, C&S Sandy Springs, and thereafter jointly direct the business activity of C&S Sandy Springs in such a way as to restrict or eliminate competition between C&S Sandy Springs, the members of the C&S System and other defendant commercial banks. Plaintiff presently believes that competition has been restrained or eliminated from the date of the formation of C&S Sandy Springs. At the present time, plaintiff lacks sufficient knowledge to specify the amount of trade or commerce restrained during the existence of the combination, but plaintiff believes that the amount involved has been and is substantial.

(b) Plaintiff is unsure of the meaning of "said initial organization" as used in this interrogatory. If it refers to the formation of the combination, then see answer as to trade or commerce above.

(c) Competition has been and is continuing to be unreasonably restrained within the Atlanta area.

(d) - (e) Plaintiff believes that all individuals, partnerships, corporations and other organizations which have need of commercial banking services in the Atlanta area have been adversely affected as a consequence of the elimination of competition resulting from this combination and the other combinations alleged to exist. Such persons have been and are being deprived of the benefits of competition between the members of the C&S System, C&S Sandy Springs, and other defendant commercial banks.

(f) Yes. The combination eliminated competition between C&S Sandy Springs, members of the C&S System, and

other defendant commercial banks in providing the products and services in which these commercial banks deal. See also Answer to Interrogatory 16(f) and (g).

(g) In answering this interrogatory, plaintiff relied on information contained in the following documents:

1. Application to the FDIC by C&S Emory for approval to acquire the assets of and to assume liability to pay deposits made in, C&S Chamblee, C&S Park National and C&S South DeKalb (hereinafter referred to as "Emory Application").

2. Application to the FDIC by C&S East Point for approval to acquire the assets of and to assume liability to pay deposits made in, C&S Sandy Springs and C&S North Fulton (hereinafter referred to as "East Point Application").

3. Supplementary material submitted to the FDIC in support of the Emory Application and East Point Application (hereinafter referred to as the "Supplement").

4. Transcript of Conference between Mills B. Lane, Jr. and other C&S National and C&S Sandy Springs officers and Thomas J. O'Connell, Deputy General Counsel of the Federal Reserve System, and other officers of the Federal Reserve System and the Federal Reserve Bank of Atlanta, held in Washington, D.C. on April 24, 1968, In the Matter of Citizens and Southern National Bank and Subsidiaries (hereinafter referred to as "1968 Fed. Hearing").

5. Report of Special Study Committee prepared

by Georgia Bankers Association and adopted August 21, 1969, including Minutes of The Bank Holding Company Study Committee Meeting on August 18, 1969 and a Statement To The Legislative Banking Study Committee dated August 14, 1969, and signed by Mills B. Lane, Jr.

6. FDIC News Release PR-51-71 (10-5-71) with enclosures B-30 (10-4-71), B-31 (10-4-71) and B-32 (10-4-71) (hereinafter referred to as "FDIC News Release").

7. Deposition of Joseph A. Hall, III, taken on September 28, 1971, at 1200 C&S National Bank Building, Atlanta Georgia in the matter of Independent Bankers Association of Georgia, Inc. v. W. M. Jackson, et al.

8. Deposition of Mills B. Lane, Jr., taken on September 28, 1971, at 1200 C&S National Bank Building, Atlanta, Georgia, in the matter of Independent Bankers Association of Georgia, Inc. v. W. M. Jackson, et al.

Answer to Interrogatory 10

In this interrogatory plaintiff is apparently asked whether it contends that a separate illegal combination existed whereby C&S National and various persons associated with it contributed to the initial organization of C&S Sandy Springs. Plaintiff does not so contend. Plaintiff believes that such activity was undertaken pursuant to the combination described in Answer to Interrogatory 9.

(a), (b), (c), (d), (e), and (g) See corresponding portions of Answer to Interrogatory 9.

(f) Plaintiff does not presently intend to contend that the contribution of C&S National to the initial organization of C&S Sandy Springs was illegal in and of itself. But, see Answer to Interrogatory 16.

Answer to Interrogatory 11

In this interrogatory plaintiff is apparently asked whether it contends that a separate illegal combination exists whereby C&S Holding acquired 5 percent of the outstanding shares of C&S Sandy Springs. Plaintiff does not so contend. Plaintiff believes that this action was taken pursuant to the combination described in Answer to Interrogatory 9.

(a), (b), (c), (d), (e), and (g) See corresponding portions of Answer to Interrogatory 9.

(f) Plaintiff does not presently intend to contend that the acquisition of 5 percent of the outstanding shares of C&S Sandy Springs by C&S Holding was illegal in and of itself. But, see Answer to Interrogatory 16.

Answer to Interrogatory 12

In this interrogatory plaintiff is apparently asked whether it contends that a separate illegal combination exists whereby C&S National and various persons associated with it assisted in the sale of the remainder of the stock of C&S Sandy Springs. Plaintiff does not so contend. Plaintiff believes that such assistance was provided pursuant to the combination described in Answer to Interrogatory 9.

(a), (b), (c), (d), (e), and (g) See corresponding portions of Answer to Interrogatory 9.

(f) Plaintiff lacks sufficient knowledge as to the nature and effect of such assistance to determine if plaintiff will contend that it resulted in a violation of law. But, see Answer to Interrogatory 16.

Answer to Interrogatory 13

In this interrogatory plaintiff is apparently asked whether it contends that a separate illegal combination exists whereby C&S National provided mutually beneficial correspondent services to C&S Sandy Springs. Plaintiff does not so contend. Plaintiff believes that such services were provided pursuant to the combination described in Answer to Interrogatory 9.

(a), (b), (c), (d), (e), and (g) See corresponding portions of Answer to Interrogatory 9.

(f) Plaintiff does not contend that the provision of mutually beneficial correspondent services is illegal in and of itself. But, see Answer to Interrogatory 16.

Answer to Interrogatory 14

In this interrogatory plaintiff is apparently asked whether it contends that a separate illegal combination exists whereby C&S National allows C&S Sandy Springs to use the C&S logogram. Plaintiff does not so contend. Plaintiff believes that this was done pursuant to the combination described in Answer to Interrogatory 9.

(a), (b), (c), (d), (e), and (g) See corresponding portions of Answer to Interrogatory 9.

(f) Plaintiff does not presently intend to contend that C&S National's allowing C&S Sandy Springs to use the C&S logogram is illegal in and of itself. But, see Answer to Interrogatory 16.

Answer to Interrogatory 15

In this interrogatory plaintiff is apparently asked whether it contends that a separate illegal combination exists whereby the C&S System provided C&S Sandy Springs with personnel, management, and operational assistance. Plaintiff does not so contend. Plaintiff believes that such assistance has been provided pursuant to the combination described in Answer to Interrogatory 9.

(a), (b), (c), (d), (e), and (g) See corresponding portions of Answer to Interrogatory 9.

(f) Plaintiff lacks sufficient knowledge as to the

nature and effect of such assistance to determine whether the provision of such assistance was illegal in and of itself. But, see Answer to Interrogatory 16.

Answer to Interrogatory 16

In this interrogatory plaintiff is apparently asked whether it contends that a separate illegal combination exists whereby C&S National and C&S Sandy Springs have, in many instances, jointly determined the competitive strategy to be followed in conducting the business of C&S Sandy Springs. Plaintiff contends that the joint determination of competitive strategy has been and is the sine qua non of the combination between C&S National, et al., and C&S Sandy Springs, et al., to create a legally independent bank, C&S Sandy Springs, and thereafter jointly direct the business activity of C&S Sandy Springs in such a way as to restrict or eliminate competition between C&S Sandy Springs, the members of the C&S System, and other defendant commercial banks.

Plaintiff contends that the joint determination of competitive strategy alone is sufficient to condemn the combination alleged. However, as has been stated in answer to previous interrogatories, plaintiff believes that all of the relationships which are described in paragraph 34 were undertaken pursuant to the combination alleged and evidence its existence and illegal purpose and contributed to achieving the joint determination of competitive strategy, thereby restricting or eliminating competition.

(a), (b), (c), (d), and (e). See corresponding portions of Answer to Interrogatory 9.

(f) Absent discovery, plaintiff is unable to describe in detail each of the many instances of C&S National and C&S Sandy Springs jointly determining the competitive strategy to be followed in conducting the business of C&S Sandy Springs. Plaintiff believes that such instances include virtually all major decisions which have been made concerning the business activities of C&S Sandy Springs, including decisions as to interest rates and service charges on loans and deposits, banking hours, loans in excess of $25,000, employee salaries, and business development.

(g) Plaintiff is unable to describe in detail what restraint of trade resulted from each such joint determination. Collectively, they restricted or eliminated competition between C&S Sandy Springs, members of the C&S System and other defendant banks in unreasonable restraint of the trade or commerce previously described.

(h) See Answer to Interrogatory 9(g).

Answers to Interrogatories 17 through 24

The answers to these interrogatories are the same as the Answers to Interrogatories 9 through 16, respectively, except that the phrase, "C&S Chamblee" is substituted for the phrase "C&S Sandy Springs."

Answers to Interrogatories 26 through 33

The answers to these interrogatories are the same as the Answers to Interrogatories 9 through 16, respectively, except that the phrase, "C&S Park National" is substituted for the phrase "C&S Sandy Springs."

Answers to Interrogatories 35 through 42

The answers to these interrogatories are the same as the Answers to Interrogatories 9 through 16, respectively, except that the phrase, "C&S South DeKalb" is substituted

for the phrase "C&S Sandy Springs."

Answers to Interrogatories 44 through 51

The answers to these interrogatories are the same as the Answers to Interrogatories 9 through 16, respectively, except that the phrase, "C&S North Fulton" is substituted for the phrase "C&S Sandy Springs."

Answers to Interrogatories 25, 34, 43 and 52

Plaintiff believes that these are extraneous interrogatory numbers, without an analogous interrogatory.

Answer to Interrogatory 53

(a) Plaintiff does not presently contend that the relationships referred to in this interrogatory had a coercive or restrictive effect on outsiders. However, such an effect may have occurred which is unknown to plaintiff.

(b) See above.

(c) - (d) Plaintiff presently intends to contend that the combinations alleged to exist constitute per se violations of Section 1 of the Sherman Act in unreasonable restraint of the trade and commerce described in Answer to Interrogatories 9, 17, 26, 35, and 44 as a consequence of their purpose and effect of restricting or eliminating competition between members of the C&S System and the other defendant commercial banks. Plaintiff is unaware of what defendants consider the "main purpose" of the relationships to be.

(e) Not applicable.

Answer to Interrogatory 54

(a) Plaintiff is unsure of the meaning of the term "predatory conduct" as used in this interrogatory. If the term is intended to mean the use of economic coercion, then plaintiff does not presently contend that any of the

defendants have engaged in predatory conduct. However, such conduct may have been engaged in which is unknown to plaintiff.

(b) See above.

(c) Plaintiff is not presently aware of any such instances.

(d) Plaintiff is not presently aware of any such arrangements.

(e) Not applicable.

Answer to Interrogatory 55

(a) The "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S Sandy Springs are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 34 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the combination as it is more fully described in the Answers to Interrogatories 9 through 16. Such persons would include those persons, not employed by any member of the C&S System, who participated in the initial organization of C&S Sandy Springs with the knowledge or understanding defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following persons can be identified by name (their addresses, business positions, etc., are already known to defendants):

Dr. William Cason

H. Dillon Winship, Jr.

Such persons would also include officers, directors or

employees of any member of the C&S System who acted on behalf of such member in performing any of the acts as defined above with the knowledge as defined above. For example, this group would include the officers of C&S National who were responsible for the decision to allow C&S Sandy Springs to use the C&S logogram, if such officers had the "knowledge or understanding" defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following person can be identified by name (his address, business position, etc., are of course, already known to defendants):

Mills B. Lane, Jr.

Such persons would also include C&S personnel who transferred to C&S Sandy Springs with the knowledge or understanding that while working for C&S Sandy Springs they would be part of the joint direction of the business activities of C&S Sandy Springs referred to in the Answers to Interrogatories 9 through 16. The identities of such persons are not known to plaintiff at this time. Such persons may also include individuals not employed in any capacity by the C&S System, but who have some other connection with it, such as customers of C&S National, C&S Emory or C&S East Point, who purchased stock in C&S Sandy Springs intending to vote such stock in a way that would support and further the joint direction of the business activities of C&S Sandy Springs referred to in the Answers to Interrogatories 9 through 16. The identities of such persons are, however, not known to plaintiff at this time, although plaintiff believes that their existence is suggested

by the information contained in the Supplement.

There may be other persons not described herein who also joined with C&S National and C&S Holding in the alleged combination, but their existence and identities are not known at this time.

(b) The "various other persons" who entered with C&S Sandy Springs into the alleged combination with C&S National and C&S Holding are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 34 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the combination as it is more fully described in the Answers to Interrogatories 9 through 16. Such persons would include officers, employees and directors of C&S Sandy Springs who acted on behalf of C&S Sandy Springs in performing any of the acts as defined above with the knowledge as defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following persons can be identified by name (their addresses, business positions, etc., are, of course, already known to defendants):

Dr. William Cason

H. Dillon Winship, Jr.

There may be other persons not described herein who also joined with C&S Sandy Springs in the alleged combination, but their existence and identities are not known at this time.

(c) Assuming that the term "the C&S" means the C&S System, and assuming that the term "association" means the person's relationship with the C&S System in terms of being

an officer, employee, or director of a member of said System, or of being a customer of or a stockholder in such a member, the association existing between the C&S System and each of the persons identified in (a) and (b) is already known to defendants.

(d) As noted in (a) and (b) above, the information which plaintiff relied on in arriving at the descriptions and identifications set out therein is contained in the Supplement.

Answer to Interrogatory 56

(a) The "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S Chamblee are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 34 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the combination as it is more fully described in the Answers to Interrogatories 17 through 24. Such persons would include those persons, not employed by any member of the C&S System, who participated in the initial organization of C&S Chamblee with the knowledge or understanding defined above. Such persons would also include officers, directors or employees of any member of the C&S System who acted on behalf of such member in performing any of the acts as defined above with the knowledge as defined above. For example, this group would include the officers of C&S National who were responsible for the decision to allow C&S Chamblee to use the C&S logogram, if such officers had the "knowledge or understanding" defined above. Such persons would also include C&S personnel who transferred to C&S Chamblee with the

E-787

knowledge or understanding that while working for C&S Chamblee they would be part of the joint direction of the business activities of C&S Chamblee referred to in the Answers to Interrogatories 17 through 24. The identities of such persons are not known to plaintiff at this time. Such persons may also include individuals not employed in any capacity by the C&S System, but who have some other connection with it, such as customers of C&S National, C&S Emory or C&S East Point, who purchased stock in C&S Chamblee intending to vote such stock in a way that would support and further the joint direction of the business activities of C&S Chamblee referred to in the Answers to Interrogatories 17 through 24. The identities of such persons are, however, not known to plaintiff at this time, although plaintiff believes that their existence is suggested by the information contained in the Supplement.

There may be other persons not described herein who also joined with C&S National and C&S Holding in the alleged combination, but their existence and identities are not known at this time.

(b) The "various other persons" who entered with C&S Chamblee into the alleged combination with C&S National and C&S Holding are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 34 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the combination as it is more fully described in the Answers to Interrogatories 17 through 24. Such persons would include officers, employees and directors of C&S Chamblee who acted on behalf of C&S Chamblee in performing any of the acts as

defined above with the knowledge as defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following persons can be identified by name (their addresses, business positions, etc., are, of course, already known to defendants):

Frank L. Berry

Harry T. Fenn

E.K. Jamison

There may be other persons not described herein who also joined with C&S Chamblee in the alleged combination, but their existence and identities are not known at this time.

(c) Assuming that the term "the C&S" means the C&S System, and assuming that the term "association" means the person's relationship with the C&S System in terms of being an officer, employee, or director of a member of said System, or of being a customer of or a stockholder in such a member, the association existing between the C&S System and each of the persons identified in (b) is already known to defendants.

(d) As noted in (a) and (b) above, the information which plaintiff relied on in arriving at the descriptions and identifications set out therein is contained in the Supplement.

. . . Answer to Interrogatory 57

(a) The "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S Tucker are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 35 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the combination alleged in paragraph 40 of the Complaint. Such

persons would include officers, directors or employees of any member of the C&S System who acted on behalf of such member in performing any of the acts as defined above with the knowledge as defined above. For example, this group would include the officers of C&S National who were responsible for the decision to allow C&S Tucker to use the C&S logogram, if such officers had the "knowledge or understanding" defined above. The identities of such persons are not known to plaintiff at this time. Such persons would also include C&S personnel who transferred to C&S Tucker with the knowledge or understanding that while working for C&S Tucker they would be part of the joint direction of the business activities of C&S Tucker. The identities of all such persons are not known to plaintiff at this time. However, on the basis of the information contained in the Supplement, plaintiff believes that the following person can be identified by name (his address, business position, etc., are, of course, already known to defendants):

Gus L. Connelly

Such persons may also include individuals not employed in any capacity by the C&S System, but who have some other connection with it, such as customers of C&S National, C&S Emory or C&S East Point, who purchased stock in C&S Tucker intending to vote such stock in a way that would support and further the joint direction of the business activities of C&S Tucker. The identities of such persons are, however, not known to plaintiff at this time, although plaintiff believes that their existence is suggested by the information contained in the Supplement.

There may be other persons not described herein who also joined with C&S National and C&S Holding in the alleged

combination, but their existence and identities are not known at this time.

(b) The "various other persons" who entered with C&S Tucker into the alleged combination with C&S National and C&S Holding are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 35 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the said combination. Such persons would include those persons, not employed by any member of the C&S System, who participated in the conversion of Bank of Tucker in 1965 into C&S Tucker with the knowledge or understanding defined above. The identities of such persons are not known to plaintiff at this time. Such persons would also include officers, employees and directors of C&S Tucker who acted on behalf of C&S Tucker in performing any of the acts as defined above with the knowledge as defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following persons can be identified by name (their addresses, business positions, etc., are, of course, already known to defendants):

Julian J. Attaway

Gus L. Connelly

William C. Thornton, Jr.

There may be other persons not described herein who also joined with C&S Tucker in the alleged combination, but their existence and identities are not known at this time.

(c) Assuming that the term "the C&S" means the C&S

System, and assuming that the term "association" means the person's relationship with the C&S System in terms of being an officer, employee, or director of a member of said System, or of being a customer of or a stockholder in such a member, the association existing between the C&S System and each of the persons identified in (a) and (b) is already known to defendants.

(d) As noted in (a) and (b) above, the information which plaintiff relied on in arriving at the descriptions and identifications set out therein is contained in the Supplement.

Answer to Interrogatory 58

(a) The "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S North Fulton are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 34 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the combination as it is more fully described in the Answers to Interrogatories 44 through 51. Such persons would include those persons, not employed by any member of the C&S System, who participated in the initial organization of C&S North Fulton with the knowledge or understanding defined above. Such persons would also include officers, directors or employees of any member of the C&S System who acted on behalf of such member in performing any of the acts as defined above with the knowledge as defined above. For example, this group would include the officers of C&S National who were responsible for the decision to allow

C&S North Fulton to use the C&S logogram, if such officers had the "knowledge or understanding" defined above. Such persons would also include C&S personnel who transferred to C&S North Fulton with the knowledge or understanding that while working for C&S North Fulton they would be part of the joint direction of the business activities of C&S North Fulton referred to in the Answers to Interrogatories 44 through 51. The identities of such persons are not known to plaintiff at this time. Such persons may also include individuals not employed in any capacity by the C&S System, but who have some other connection with it, such as customers of C&S National, C&S Emory or C&S East Point, who purchased stock in C&S North Fulton intending to vote such stock in a way that would support and further the joint direction of the business activities of C&S North Fulton referred to in the Answers to Interrogatories 44 through 51. The identities of such persons are, however, not known to plaintiff at this time, although plaintiff believes that their existence is suggested by the information contained in the Supplement.

There may be other persons not described herein who also joined with C&S National and C&S Holding in the alleged combination, but their existence and identities are not known at this time.

(b) The "various other persons" who entered with C&S North Fulton into the alleged combination with C&S National and C&S Holding are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 34 with the knowledge or understanding that such relationship was

part of, pursuant to, or would contribute to effectuating or furthering, the combination as it is more fully described in the Answers to Interrogatories 44 through 51. Such persons would include officers, employees and directors of C&S North Fulton who acted on behalf of C&S North Fulton in performing any of the acts as defined above with the knowledge as defined above. The identities of such persons are not known to plaintiff at this time.

There may be other persons not described herein who also joined with C&S North Fulton in the alleged combination, but their existence and identities are not known at this time.

(c) Not applicable.

(d) As noted in (a) and (b) above, the information which plaintiff relied on in arriving at the descriptions set out therein is contained in the Supplement.

Answer to Interrogatory 59

(a) The "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S Park National are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 34 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the combination as it is more fully described in the Answers to Interrogatories 26 through 33. Such persons would include those persons, not employed by any member of the C&S System, who participated in the initial organization of C&S Park National with the knowledge or

understanding defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following persons can be identified by name (their addresses, business positions, etc. are already known to defendants):

Hewitt H. Covington

Edward E. Elson

Ben Kohler, Jr.

William T. Newman

Such persons would also include officers, directors or employees of any member of the C&S System who acted on behalf of such member in performing any of the acts as defined above with the knowledge as defined above. For example, this group would include the officers of C&S National who were responsible for the decision to allow C&S Park National to use the C&S logogram, if such officers had the "knowledge or understanding" defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following person can be identified by name (his address, business position, etc., are, of course, already known to defendants):

Howard Starks

Such persons would also include C&S personnel who transferred to C&S Park National with the knowledge or understanding that while working for C&S Park National they would be

part of the joint direction of the business activities of C&S Park National referred to in the Answers to Interrogatories 26 through 33. The identities of all such persons are not known to plaintiff at this time. However, on the basis of the information contained in the Supplement, plaintiff believes that the following person can be identified by name (his address, business position, etc., are, of course, already known to defendants):

T. Robert Hazelrig

Such persons may also include individuals not employed in any capacity by the C&S System, but who have some other connection with it, such as customers of C&S National, C&S Emory or C&S East Point, who purchased stock in C&S Park National intending to vote such stock in a way that would support and further the joint direction of the business activities of C&S Park National referred to in the Answers to Interrogatories 26 through 33. The identities of such persons are, however, not known to plaintiff at this time, although plaintiff believes that their existence is suggested by the information contained in the Supplement.

There may be other persons not described herein who also joined with C&S National and C&S Holding in the alleged combination, but their existence and identities are not known at this time.

(b) The "various other persons" who entered with C&S Park National into the alleged combination with C&S National and C&S Holding are those persons who participated in establishing, or in carrying out activities that resulted

in, any of the relationships set forth in paragraph 34 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the combination as it is more fully described in the Answers to Interrogatories 26 through 33. Such persons would include officers, employees and directors of C&S Park National who acted on behalf of C&S Park National in performing any of the acts as defined above with the knowledge as defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following persons can be identified by name (their addresses, business positions, etc., are, of course, already known to defendants):

Hewitt H. Covington	William T. Newman
Edward E. Elson	Gerald M. Powell
T. Robert Hazelrig	Howard Starks
Ben Kohler, Jr.	

There may be other persons not described herein who also joined with C&S Park National in the alleged combination, but their existence and identities are not known at this time.

(c) Assuming that the term "the C&S" means the C&S System, and assuming that the term "association" means the person's relationship with the C&S System in terms of being an officer, employee, or director of a member of said System, or of being a customer of or a stockholder in such a member, the association existing between the C&S System and each of the persons identified in (a) and (b) is already known to defendants.

(d) As noted in (a) and (b) above, the information

which plaintiff relied on in arriving at the descriptions and identifications set out therein is contained in the Supplement.

Answer to Interrogatory 60

(a) The "various other persons" who entered with C&S National and C&S Holding into the alleged combination with C&S South DeKalb are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 34 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the combination as it is more fully described in the Answers to Interrogatories 35 through 42. Such persons would include those persons, not employed by any member of the C&S System, who participated in the initial organization of C&S South DeKalb with the knowledge or understanding defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following persons can be identified by name (their addresses, business positions, etc., are already known to defendants):

Warren L. Berry

William W. Ranck

Such persons would also include officers, directors or employees of any member of the C&S System who acted on behalf of such member in performing any of the acts as defined above with the knowledge as defined above. For example, this group would include the officers of C&S National who were responsible for the decision to allow

C&S South DeKalb to use the C&S logogram, if such officers had the "knowledge or understanding" defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following person can be identified by name (his address, business position, etc., are, of course, already known to defendants):

John F. Ingram, Jr.

Such persons would also include C&S personnel who transferred to C&S South DeKalb with the knowledge or understanding that while working for C&S South DeKalb they would be part of the joint direction of the business activities of C&S South DeKalb referred to in the Answers to Interrogatories 35 through 42. The identities of such persons are not known to plaintiff at this time. Such persons may also include individuals not employed in any capacity by the C&S System, but who have some other connection with it, such as customers of C&S National, C&S Emory or C&S East Point, who purchased stock in C&S South DeKalb intending to vote such stock in a way that would support and further the joint direction of the business activities of C&S South DeKalb referred to in the Answers to Interrogatories 35 through 42. The identities of such persons are, however, not known to plaintiff at this time, although plaintiff believes that their existence is suggested by the information contained in the Supplement.

There may be other persons not described herein who also joined with C&S National and C&S Holding in the alleged combination, but their existence and identities are not known at this time.

(b) The "various other persons" who entered with C&S

South DeKalb into the alleged combination with C&S National and C&S Holding are those persons who participated in establishing, or in carrying out activities that resulted in, any of the relationships set forth in paragraph 34 with the knowledge or understanding that such relationship was part of, pursuant to, or would contribute to effectuating or furthering, the combination as it is more fully described in the Answers to Interrogatories 35 through 42. Such persons would include officers, employees and directors of C&S South DeKalb who acted on behalf of C&S South DeKalb in performing any of the acts as defined above with the knowledge as defined above. The identities of all such persons are not known to plaintiff at this time. However, on the basis of information contained in the Supplement, plaintiff believes that the following persons can be identified by name (their addresses, business positions, etc., are, of course, already known to defendants):

Warren L. Berry

N. Lamarr Ferrell

William W. Ranck

There may be other persons not described herein who also joined with C&S South DeKalb in the alleged combination, but their existence and identities are not known at this time.

(c) Assuming that the term "the C&S" means the C&S System, and assuming that the term "association" means the person's relationship with the C&S System in terms of being an officer, employee, or director of a member of said System, or of being a customer of or a stockholder in such a member, the association existing between the C&S System and each of the persons identified in (a) and (b) is already known to defendants.

POOR COPY

(d) As noted in (a) and (b) above, the information which plaintiff relied on in arriving at the descriptions and identifications set out therein is contained in the Supplement.

Answer to Interrogatory 61

(a) The "various persons" referred to in subparagraph 34(1) are those who performed any of the acts which, altogether, resulted in a charter being obtained for each of C&S Chamblee, C&S Park National, C&S South DeKalb, C&S North Fulton and C&S Sandy Springs or in each of these banks beginning to conduct the business of commercial banking. At the present time, plaintiff lacks sufficient knowledge to identify all such persons, but on the basis of information contained in the Supplement, plaintiff believes that such persons would include the corporate members of the C&S System, particularly C&S Holding, as well as any officers, directors or employees of any member of the C&S System who acted on behalf of such member in carrying out the acts defined above. The "various persons" whom plaintiff believes can presently be identified are as follows (their addresses, business positions, etc., are already known to defendants):

Warren Berry	Mills B. Lane, Jr.
Dan Blackwell	Archie Lee Lindsey
Hewitt H. Covington	W.W. Lively
Herbert Dickson	George McKinnon
T. Robert Hazelrig	John McIntyre
Hubert Harris	Dalton Scott
Bill Jones	Howard Starks

The "various persons" referred to in subparagraph 34(3)

would include any officers, directors or employees of C&S National or of any other corporate member of the C&S System, who performed any acts which, singly or collectively, resulted in the sale of stock in C&S Chamblee, C&S Park National, C&S South DeKalb, C&S North Fulton or C&S Sandy Springs. At the present time, plaintiff lacks sufficient knowledge to identify all such persons, but on the basis of information contained in the Supplement, plaintiff believes that the following can be identified (their addresses, business positions, etc.. are already known to defendants):

Bob Bailey	T. Robert Hazelrig
Herbert Dickson	W. Andrew Irvin
Edward E. Elson	Mills B. Lane, Jr.

There may be other persons associated with C&S National not described herein who also contributed to the initial organization of, or assisted in the sale of stock in, C&S Chamblee, C&S Park National, C&S South DeKalb, C&S North Fulton or C&S Sandy Springs, but their existence and identities are not known at this time.

(b) Paragraph 34(6), when referring to personnel and management provided by the C&S System to each bank, was intended to mean those persons specifically named in Exhibits F, G and H of the Supplement. At this time plaintiff has no knowledge of other personnel and management supplied by the C&S System to the other defendant banks.

(c) Paragraph 34(4), in referring to correspondent services, was intended to include the following services, as noted in the Supplement on the pages indicated:

1. Computer operations	pp. 52 and 59
2. Bookkeeping functions	p. 52

3. Proof and transit operations p. 52

4. Audits p. 53

5. Coin and currency service p. 53

6. Accrual operations and preparation of tax returns p. 53

7. Investment advice on security portfolios p. 54

8. Loan participations p. 58

9. Charge account service p. 59

Plaintiff cannot state how or in what manner these services differ from those provided by other banks to their correspondents as plaintiff has not made a survey of services provided by other banks.

(d) See Answers to Interrogatories 16(f), 24(f), 33(f), 42(f) and 51(f).

(e) Paragraph 34(6), in referring to operational assistance, was intended to include the following, as noted in the Supplement on the pages indicated:

1. Establishment and review of goals pp. 42-43

2. Personal and bank performance appraisals p. 42

3. Review of salaries and cash profit sharing pp. 42-43

4. Customer service audits p. 43

5. Credit analysis and technical advice p. 44

6. Requests for additional personnel and employment services pp. 46 and 49

7. Education and training of personnel p. 52

8. Use of helicopter and surface transportation p. 55

(f) In answering this interrogatory, plaintiff relied on information contained in the Supplement.

Answer to Interrogatory 62

The "various persons" alleged by paragraph 13 to have combined with the defendants are the same as the "various other persons" which were referred to in paragraphs 38 through 43 and which have been defined and identified in the Answers to Interrogatories 55 through 60.

Answer to Interrogatory 63

Plaintiff is presently unable to identify each of the acts performed by such various persons except to the extent these acts have been identified in Answers to Interrogatories 55 through 60 and in the Supplement.

Answer to Interrogatory 64

The phrase "otherwise contributed to the furtherance thereof" as used in paragraph 13 means anything other than the performance of acts which is attributable to the "various persons" and which contributed to effectuating or carrying out the alleged combinations. Such "other contributions" would thus generally consist of refraining from doing something as opposed to performing an act, where such refrainment was consciously part of, or in furtherance of, the alleged combinations. At this time, plaintiff lacks sufficient information to identify specific instances of such "other contributions."

Answer to Interrogatory 65

(a) Yes.

(b) All cities, towns, and municipalities which are located within DeKalb and Fulton Counties, Georgia.

(c) Plaintiff is unable to define the "Atlanta Area" more precisely than is done in paragraph 14 of the Complaint.

Answer to Interrogatory 66

(a) All cities, towns, and municipalities which are located within "North Fulton County" as defined in paragraph 15 of the Complaint.

(b) Plaintiff is unable to define "North Fulton County" more precisely than is done in paragraph 15 of the Complaint.

(c) All cities, towns and municipalities located within Fulton County and DeKalb County.

Answer to Interrogatory 67

A. Plaintiff contends, as found by the Supreme Court in United States v. Philadelphia National Bank, 374 U.S. 321 (1963) and United States v. Phillipsburg National Bank, 399 U.S. 350 (1970), that it is the cluster of products and services that commercial banks offer, termed commercial banking, which constitutes the relevant product market for the purpose of evaluating the anticompetitive effects of the proposed mergers under Section 7 of the Clayton Act.

Absent discovery, plaintiff cannot definitively state what its contentions will be at trial as to the specific relevant geographic markets involved. As to the proposed mergers described in (ii)(a), plaintiff presently believes the relevant geographic market to be DeKalb County. As to the proposed mergers described in (ii)(b), plaintiff presently believes the relevant geographic markets to be North Fulton County and Fulton County. As to the joint effect of all five proposed mergers, plaintiff presently believes the

relevant geographic market is the Atlanta Area. As plaintiff uses the terms "relevant geographic market" and "section of the country," they are synonymous.

B. Plaintiff will make no contentions as to "relevant geographic markets" or "relevant product markets." Such concepts are not relevant to plaintiff's claims under the Sherman Act. With respect to the trade or commerce restrained, see Answer to Interrogatory 16.

Answer to Interrogatory 68

(a) The element of "combination" which is included within the Complaint's use of the term "C&S System" is the common control exercised by C&S National over C&S Holding, C&S Emory, Citizens and Southern DeKalb Bank and C&S East Point as a result of stock ownership by C&S National and C&S Holding. The definition contained in paragraph 16 was intended to convey the fact that when using the term "C&S System" plaintiff was referring to C&S National, C&S Holding, C&S Emory, Citizens and Southern DeKalb Bank, and C&S East Point, collectively.

(b) Not applicable.

Answer to Interrogatory 69

Plaintiff does not contend that all commercial banks perform all the functions and/or services mentioned in paragraph 17.

(a) Plaintiff believes that the banks named defendant herein perform or provide directly or indirectly the functions and/or services mentioned in paragraph 17 of the Complaint. However, absent discovery, plaintiff lacks sufficient knowledge to state whether, in fact, certain functions and services are not performed or provided or are performed or

provided to a minimum or negligible degree by each of such banks.

(b) See Answer to Interrogatory 80A(d).

(c) Plaintiff does not believe that all of said banks perform or provide all such functions and/or services. However, plaintiff lacks sufficient knowledge to state specifically which functions and services are not performed by each.

Answer to Interrogatory 70

(a) Plaintiff's allegations are based upon its understanding and belief as to the nature of the commercial banking industry and as to the unique role which the industry plays in the economy. This unique role has been recognized by the Supreme Court in finding that commercial banking comprises a distinct line of commerce. United States v. Philadelphia National Bank, 374 U.S. 321 (1963).

(b) Plaintiff has made no attempt to develop information on the services provided by other types of financial institutions in connection with this case, since commercial banking is the line of commerce involved herein and such information is wholly irrelevant. United States v. Phillipsburg National Bank, 399 U.S. 350 (1970). However, plaintiff does not believe that any other type of financial institution in Georgia provides all of the services described in paragraph 17. Plaintiff believes that generally, savings and loan associations, credit unions, finance companies, life insurance companies, and other financial institutions do provide some of these services, but for the reasons stated herein, plaintiff does not have sufficient information to identify all such institutions.

(c) Plaintiff lacks sufficient knowledge to name in descending order of importance the other financial institutions

and the services performed by them.

Answer to Interrogatory 71

In formulating the allegations set out in paragraph 18 of the Complaint, plaintiff relied on information obtained from the following documents:

1. Summary of Deposits 1970
   Bank and Branch offices by County and State.
   This document was prepared by the Federal
   Deposit Insurance Corporation;
2. Emory Application;
3. East Point Application; and
4. The March 1971, edition of Polk's Bank Directory.

Answer to Interrogatory 72

In formulating the allegations set out in paragraph 19 of the Complaint, plaintiff relied on information obtained from the documents identified in response to Interrogatory 71.

Answer to Interrogatory 73

In formulating the allegations set out in paragraph 20 of the Complaint, plaintiff relied on information obtained from the document identified in subparagraph (1) of Answer to Interrogatory 71.

Answer to Interrogatory 74

In formulating the allegations set out in paragraph 21 of the Complaint, plaintiff relied on information obtained from the documents identified in response to Interrogatory 71.

Answer to Interrogatory 75

In formulating the allegations set out in paragraph 22 of the Complaint, plaintiff relied on information obtained

from the documents identified in response to Interrogatory 71.

Answer to Interrogatory 76

In formulating the allegations set out in paragraph 23 of the Complaint, plaintiff relied on information obtained from the documents identified in response to Interrogatory 71.

Answer to Interrogatory 77

In formulating the allegations set out in paragraph 24 of the Complaint, plaintiff relied upon information obtained from the documents identified in response to Interrogatory 71.

Answer to Interrogatory 78

In formulating the allegations set out in paragraph 25 of the Complaint, plaintiff relied on information obtained from the documents identified in subparagraphs (1)-(3) of Answer to Interrogatory 71.

Answer to Interrogatory 79

In formulating the allegations set out in paragraph 26 of the Complaint, plaintiff relied on information obtained from the documents identified in response to Interrogatory 71.

Answer to Interrogatory 80

In formulating the allegations set out in paragraph 27 of the Complaint, plaintiff relied on information obtained from the documents identified in subparagraphs (2)-(4) of Answer to Interrogatory 71.

Answer to Interrogatory 81

In formulating the allegations set out in paragraph 28 of the Complaint, plaintiff relied on information obtained

from the documents identified in subparagraphs (2)-(4) of Answer to Interrogatory 71.

Answer to Interrogatory 82

In formulating the allegations set out in paragraph 29 of the Complaint, plaintiff relied on information obtained from the documents identified in subparagraphs (1)-(3) of Answer to Interrogatory 71 and FDIC News Release.

Answer to Interrogatory 83

In formulating the allegations set out in paragraph 30 of the Complaint, plaintiff relied on information obtained from the document identified in subparagraph (1) of Answer to Interrogatory 71.

Answer to Interrogatory 84

In formulating the allegations set out in paragraph 31 of the Complaint, plaintiff relied on information obtained from the document identified in subparagraph (1) of Answer to Interrogatory 71.

Answer to Interrogatory 85

Deposits.

Answer to Interrogatory 86

A. (a)-(e) The answer to this Interrogatory may be derived or ascertained from an examination, audit or compilation of figures included in the enclosed FDIC Summary of Deposits 1970 Bank and Branch Offices by County, State.

B. (a) See answer to A. above.

(b) Plaintiff does not know the amount of net loans and discounts of each bank office and organization.

(c) All figures are as of June 30, 1970, for

which date plaintiff believes they are accurate.

(d) FDIC Summary of Deposits 1970 Bank and Branch Offices by County, State.

Answer to Interrogatory 87

(a) The term "concentrated banking market" is a legal and factual conclusion relating to the structure of a market and the degree of concentration in a banking market is a function of the number, distribution and market shares of the banks and banking groups operating in that market. A banking market becomes more concentrated as the number of banks and banking groups decrease, and as the shares of the market held by the largest banks and banking groups increase.

(b) Plaintiff has no specific formula concerning what specific number of commercial banks must hold what specific percentage of commercial bank deposits in a given banking market before plaintiff would characterize such market as "concentrated."

(c) As the number, distribution and market shares of the banks in a banking market vary, its degree of concentration varies. Plaintiff has no formula pursuant to which a given set of criteria dictates any particular characterization.

(d) Plaintiff believes the criteria described in (a) above are the appropriate criteria.

(e) Not applicable.

Answer to Interrogatory 88

As of June 30, 1970, the four largest banking organizations in DeKalb County were (1) The C&S System; (2) First National Bank of Atlanta; (3) Trust Company of Georgia; and (4) Fulton National Bank. Their respective shares of total county deposits can be derived from the FDIC Summary of

Deposits furnished in Answer to Interrogatory 86.

Answer to Interrogatory 89

This information can be derived from the FDIC Summary of Deposits furnished in Answer to Interrogatory 86.

Answer to Interrogatory 90

The "five commercial banks" referred to in paragraph 29 of the Complaint are C&S North Fulton, C&S Sandy Springs, Fulton Exchange Bank, Roswell Bank and Trust Company Bank of Sandy Springs. Their deposits and respective shares of total North Fulton County deposits can be derived from the FDIC Summary of Deposits furnished in Answer to Interrogatory 86.

Answer to Interrogatory 91

As of June 30, 1970, the four largest banking organizations in Fulton County were the same as identified in Answer to Interrogatory 88 and the dollar amount and percentage of total Fulton County deposits held by each can be derived from the FDIC Summary of Deposits furnished in Answer to Interrogatory 86.

Answer to Interrogatory 92

As of June 30, 1970, the four largest banking organizations in the Atlanta Area were those identified in Answer to Interrogatory 88 and the dollar amount and percentage of total Atlanta Area deposits held by each can be derived from the FDIC Summary of Deposits furnished in Answer to Interrogatory 86.

Answer to Interrogatory 93

Plaintiff lacks sufficient information to enable it to respond to this Interrogatory.

Answer to Interrogatory 94

(a) The "major Atlanta banks" referred to in the first sentence of paragraph 33 are C&S National, First National Bank of Atlanta, Trust Company of Georgia, Fulton National Bank and National Bank of Georgia. The latter four banks all have their home offices and principal offices in Atlanta. The second reference to "major Atlanta banks" includes all these banks with the exception of National Bank of Georgia.

(b) The "various relationships with suburban banks" referred to in paragraph 33 were relationships (1) between First National Bank of Atlanta and First National Bank of Tucker, First National Bank of Glenwood, First Bank of South DeKalb and First National Bank of Doraville; (2) between Trust Company of Georgia and Trust Company of Georgia Bank of Sandy Springs and Peachtree Bank & Trust Company; and (3) between Fulton National Bank and Northeast Commercial Bank. (The relationships between C&S National and suburban banks referred to in paragraph 33 have, of course, been described in the Complaint.) The "suburban banks" just named are further identified, to the extent presently possible, as follows:

		Principal Place of Business
1.	First National Bank of Tucker	Tucker, Ga.
2.	First National Bank of Glenwood	Unincorporated portion of DeKalb County, Ga., south of Decatur
3.	First Bank of South DeKalb	Unincorporated portion of DeKalb County, Ga., south of Decatur
4.	First National Bank of Doraville	Doraville, Ga.
5.	Trust Company of Georgia Bank of Sandy Springs	Sandy Springs, Ga.

	Principal Place of Business
6. Peachtree Bank & Trust Company	Doraville, Ga.
7. Northeast Commercial Bank	Doraville, Ga.

On the basis of presently available information, plaintiff believes these relationships to be as follows:

1. In 1969, a former director of First National, Emory L. Cocke, purchased a controlling stock interest in First National Bank of Tucker with the proceeds of a loan from First National, represented by a note payable on demand and secured by the stock purchased. First National holds an option to purchase the pledged stock. In addition, First National has provided First National Bank of Tucker with management and operational assistance. So far as plaintiff is concerned, this relationship can be described as indirect ownership of First National Bank of Tucker by First National. See United States v. First National Bank of Atlanta, et al., (N.D. Ga., Civ. No. 14748).

2. In 1968 a director of First National, Alfred D. Kennedy, purchased over 96 percent of the stock of First National Bank of Glenwood with the proceeds of a loan from First National, represented by a note payable on demand and secured by the stock purchased. First National holds an option to purchase the pledged stock. In addition, First National has provided First National Bank of Glenwood with management and operational assistance. So far as plaintiff is concerned, this relationship can be described as indirect ownership of First National Bank of Glenwood by First National. See United States v. First National Bank of Atlanta, et al., (N.D. Ga., Civ. No. 14748).

3. In 1969 First National assisted in the organization of First Bank of South DeKalb. Plaintiff believes that most

of the stock in this bank was purchased with the proceeds of loans from First National, represented by notes payable on demand and secured by the stock purchased. First National held options to purchase all of this bank's stock. First National also provided First Bank of South DeKalb with management and operational assistance.

4. In 1970 First National assisted in the organization of First National Bank of Doraville. Plaintiff believes that most of the stock in this bank was purchased with the proceeds of loans from First National, represented by notes payable on demand and secured by the stock purchased. First National also provided First National Bank of Doraville with management and operational assistance.

5. In 1966 Trust Company of Georgia ("Trust Company") was instrumental in the organization of Trust Company of Georgia Bank of Sandy Springs ("Trust Company Sandy Springs"). Trust Company's holding company subsidiary purchased 5 percent of Trust Company Sandy Springs' stock and Trust Company assisted in placing additional stock.

6. In 1960 Trust Company of Georgia assisted in the organization of Peachtree Bank & Trust Company ("Peachtree Bank"). Trust Company's holding company subsidiary purchased 5 percent of Peachtree Bank's stock and Trust Company assisted in placing additional stock. Trust Company, moreover, has provided Peachtree Bank with management and operational assistance.

7. Fulton National Bank assisted in the organization of Northeast Commercial Bank and has since provided the latter with correspondent services. Further details concerning this relationship are not presently available.

E- 815

(c) The following are the sources of the information used in answering this interrogatory:

1. Emory Application;

2. East Point Application;

3. Applications of First National to the Comptroller of the Currency for approval to merge First National Bank of Glenwood, First National Bank of Tucker, First National Bank of Doraville and First Bank of South DeKalb;

4. Applications of Trust Company to the Federal Reserve Board for approval to merge Peachtree Bank & Trust Company and Trust Company Bank of Sandy Springs;

5. Herbert Megar, Senior Vice-President of Fulton National Bank; and

6. Anthony Council, Senior Vice-President of Fulton National Bank.

Answer to Interrogatory 95

(a) Plaintiff will contend that C&S Sandy Springs is a legally independent bank. However, plaintiff presently believes that actual competition between C&S Sandy Springs and the other defendant commercial banks was restrained or eliminated as a consequence of the combination described in the Answers to Interrogatories 9 through 16 and therefore C&S Sandy Springs has not been a truly independent competitive force from the date of its organization until the present time.

(b)-(d) Not applicable.

(e) See Answer to Interrogatory 9(g).

Answer to Interrogatory 96

(a) Plaintiff presently knows of no instances when C&S

Sandy Springs made any business decisions affecting its competitive posture outside the combination between itself and C&S National.

(b) Not applicable.

(c) Plaintiff contends that C&S Sandy Springs should have made independent competitive decisions.

(d) Plaintiff makes no contentions in this regard.

(e) Not applicable.

(f) Not applicable.

Answer to Interrogatory 97

(a) Plaintiff presently knows of no instances when C&S Chamblee made any business decisions affecting its competitive posture outside the combination between itself and C&S National.

(b) Not applicable.

(c) Plaintiff contends that C&S Chamblee should have made independent competitive decisions.

(d) Plaintiff makes no contentions in this regard.

(e) Not applicable.

(f) Not applicable.

Answer to Interrogatory 98

(a) Plaintiff believes that the bank now known as C&S Tucker made independent competitive decisions prior to February 1965. Plaintiff presently knows of no instances of decisions made independently of the C&S System since that date.

(b) Not applicable.

(c) Plaintiff contends that C&S Tucker should have made independent competitive decisions.

(d) Plaintiff makes no contentions in this regard.

(e) Not applicable.

(f) FDIC News Release.

Answer to Interrogatory 99

(a) Plaintiff presently knows of no instances when C&S North Fulton made any business decisions affecting its competitive posture outside the combination between itself and C&S National.

(b) Not applicable.

(c) Plaintiff contends that C&S North Fulton should have made independent competitive decisions.

(d) Plaintiff makes no contentions in this regard.

(e) Not applicable.

(f) Not applicable.

Answer to Interrogatory 100

(a) Plaintiff presently knows of no instances when C&S Park National made any business decisions affecting its competitive posture outside the combination between itself and C&S National.

(b) Not applicable.

(c) Plaintiff contends that C&S Park National should have made independent competitive decisions.

(d) Plaintiff makes no contentions in this regard.

(e) Not applicable.

(f) Not applicable.

Answer to Interrogatory 101

(a) Plaintiff presently knows of no instances when C&S South DeKalb made any business decisions affecting its competitive posture outside the combination between itself and C&S National.

(b) Not applicable.

(c) Plaintiff contends that C&S South DeKalb should have made independent competitive decisions.

(d) Plaintiff makes no contentions in this regard.

(e) Not applicable.

(f) Not applicable.

Answer to Interrogatory 102

(a) Plaintiff will contend that C&S Chamblee is a legally independent bank. However, plaintiff presently believes that actual competition between C&S Chamblee and the other defendant commercial banks was restrained or eliminated as a consequence of the combination described in the Answers to Interrogatories 17 through 24 and therefore C&S Chamblee has not been a truly independent competitive force from the date of its organization until the present time.

(b)-(d) Not applicable.

(e) See Answer to Interrogatory 17(g).

Answer to Interrogatory 103

(a) Plaintiff will contend that C&S Tucker is a legally independent bank. However, plaintiff presently believes that actual competition between C&S Tucker and the other defendant commercial banks has been restrained or eliminated as a consequence of the combination alleged in paragraph 40 of the Complaint and therefore C&S Tucker has not been a truly independent competitive force from the time of the conversion of Bank of Tucker into C&S Tucker until the present time.

(b)-(d) Not applicable.

(e) Emory Application; the Supplement; FDIC News Release.

Answer to Interrogatory 104

(a) Plaintiff will contend that C&S North Fulton is

a legally independent bank. However, plaintiff presently believes that actual competition between C&S North Fulton and the other defendant commercial banks was restrained or eliminated as a consequence of the combination described in the Answers to Interrogatories 44 through 51 and therefore C&S North Fulton has not been a truly independent competitive force from the date of its organization until the present time.

(b)-(d) Not applicable.

(e) See Answer to Interrogatory 44(g).

Answer to Interrogatory 105

(a) Plaintiff will contend that C&S Park National is a legally independent bank. However, plaintiff presently believes that actual competition between C&S Park National and the other defendant commercial banks was restrained or eliminated as a consequence of the combination described in the Answers to Interrogatories 26 through 33 and therefore C&S Park National has not been a truly independent competitive force from the date of its organization until the present time.

(b)-(d) Not applicable.

(e) See Answer to Interrogatory 26(g).

Answer to Interrogatory 106

(a) Plaintiff will contend that C&S South DeKalb is a legally independent bank. However, plaintiff presently believes that actual competition between C&S South DeKalb and the other defendant commercial banks was restrained or eliminated as a consequence of the combination described in the Answers to Interrogatories 35 through 42 and therefore C&S South DeKalb has not been a truly independent competitive

force from the date of its organization until the present time.

(b)-(d) Not applicable.

(e) See Answer to Interrogatory 35(g).

Answer to Interrogatory 107

(a) No.

(b) Not applicable.

(c) The factor which supports the determination that the government does not "contend in this complaint that the 1965 acquisition of C&S Tucker as alleged in paragraph 35 of the complaint is in violation of Section 7 of the Clayton Act" is that no such allegation is set forth therein.

(d) In its Complaint, plaintiff has not attacked as violative of Section 7 any fact situation involving C&S Tucker.

(e) Not applicable.

Answer to Interrogatory 108

(a) No.

(b) Not applicable.

(c) A reading of the Complaint. See Answer to Interrogatory 107(c).

(d) The proposed acquisition by C&S Emory of the assets of, and assumption of liability to pay deposits made in, C&S Chamblee, would result in the disappearance of a legally independent bank. The organization of C&S Chamblee resulted in the creation of a legally independent bank.

(e) Not applicable.

Answer to Interrogatory 109

(a) No.

(b) Not applicable.

(c) A reading of the Complaint. See Answer to Interrogatory 107(c).

(d) The proposed acquisition by C&S Emory of the assets of, and assumption of liability to pay deposits made in, C&S North Fulton, would result in the disappearance of a legally independent bank. The organization of C&S North Fulton resulted in the creation of a legally independent bank.

(e) Not applicable.

Answer to Interrogatory 110

(a) No.

(b) Not applicable.

(c) A reading of the Complaint. See Answer to Interrogatory 107(c).

(d) The proposed acquisition by C&S Emory of the assets of, and assumption of liability to pay deposits made in, C&S Park National, would result in the disappearance of a legally independent bank. The organization of C&S Park National resulted in the creation of a legally independent bank.

(e) Not applicable.

Answer to Interrogatory 111

(a) No.

(b) Not applicable.

(c) A reading of the Complaint. See Answer to Interrogatory 107(c).

(d) The proposed acquisition by C&S Emory of the assets of, and assumption of liability to pay deposits made in, C&S South DeKalb, would result in the disappearance of a legally independent bank. The organization of C&S South

DeKalb resulted in the creation of a legally independent bank.

(e) Not applicable.

Answer to Interrogatory 112

(a) No.

(b) Not applicable.

(c) A reading of the Complaint. See Answer to Interrogatory 107(c).

(d) The proposed acquisition by C&S Emory of the assets of, and assumption of liability to pay deposits made in, C&S Sandy Springs, would result in the disappearance of a legally independent bank. The organization of C&S Sandy Springs resulted in the creation of a legally independent bank.

(e) Not applicable.

Answer to Interrogatory 113

(a) Plaintiff does not intend to contend that the proposed acquisition by C&S Emory of C&S Chamblee, C&S South DeKalb and C&S Park National and the proposed acquisition by C&S East Point of C&S Sandy Springs and C&S North Fulton would, if effectuated, tend to create a monopoly.

(b) Not applicable.

Answer to Interrogatory 114

No. See Answer to Interrogatory 87.

Answer to Interrogatory 115

(a) Plaintiff does not so contend.

(b) Plaintiff does not so contend.

(c) See Answers to Interrogatories 8, 9, 17, 26, 35, and 44.

(d) The vigor of competition is, in part, a function

E- 823

of the degree of concentration existing in a given market. The combinations have, in effect, increased, and the proposed mergers would increase the level of concentration in the banking markets here involved, thereby reducing the vigor of competition generally.

(e) See Answers to Interrogatories 8 and 119.

Answer to Interrogatory 116

Yes.

Answer to Interrogatory 117

Plaintiff does not have sufficient knowledge, at this time, to make any contentions in this regard.

Answer to Interrogatory 118

(a) Yes.

(b) Plaintiff objects to this interrogatory on the ground that it is so broad and vague that it would require plaintiff to identify every conceivable kind of comment it or any of its attorneys may have received from any person or group no matter how remotely related to the proposed mergers and regardless of whether or not the comments were of any conceivable interest to either plaintiff or defendants. In answering defendants' other interrogatories (which inquire into virtually every allegation in the Complaint) plaintiff has already identified persons possessing information used by plaintiff in answering the interrogatories and persons whom plaintiff has interviewed in an effort to obtain information of possible use in anticipation of this litigation or for its trial. In this way plaintiff has fully complied with Rule 26(b) which permits only discovery of the "identity and location of persons having knowledge of any discoverable matter."

Plaintiff also objects to answering this interrogatory, because compilation of the information sought would be a burdensome and pointless task in that it would require a search of plaintiff's records and files and inquiry of plaintiff's personnel in order to identify communications that plaintiff does not intend to rely on or offer at the trial of this action. The vast majority of such communications have been simply statements of approval or criticism apparently provoked by defendants' extensive advertising and letters written to stockholders, customers and others, commenting on this litigation.

Plaintiff also objects on the ground that the interrogatory could require plaintiff to identify individuals who may have communicated with plaintiff in confidence but who do not possess information that plaintiff intends to use or offer at the trial of this action.

Answer to Interrogatory 119

A. Paragraph 37 of the Complaint refers to certain proposed mergers and plaintiff answers this interrogatory in terms of those proposed mergers. Plaintiff will not contend that consummation of any of the proposed mergers may tend to create a monopoly in any section of the country. Plaintiff presently intends to contend at trial that consummation of the proposed mergers may substantially lessen competition by eliminating the potential for realizing competition which would exist in the Atlanta Area, North Fulton County, Fulton County, and DeKalb County but for the combinations alleged. At this time, plaintiff cannot definitively state whether any other geographic areas (portions of the foregoing) would constitute relevant geographic markets. Such determination must await discovery.

B. The potential for competition between and among defendant commercial banks will be permanently eliminated.

C. (i) The anticompetitive effect of each of the proposed mergers will be felt in commercial banking (see Answer to Interrogatory 67).

(ii) Absent discovery, plaintiff cannot definitively state what its contentions will be as to the specific relevant geographic markets involved. As to the proposed mergers of C&S Chamblee, C&S Park National, and C&S South DeKalb into C&S Emory, plaintiff presently believes the relevant geographic market to be DeKalb County (or some portions thereof). As to the proposed mergers of C&S Sandy Springs and C&S North Fulton into C&S East Point, plaintiff presently believes the relevant geographic markets to be North Fulton County and Fulton County (or some portions thereof). Plaintiff also believes that the Atlanta area is the relevant geographic market for evaluating the combined effects of the proposed mergers by C&S Emory and C&S East Point.

(iii) Commercial banks.

D. Emory Application and East Point Application.

Answer to Interrogatory 120

See Answer to Interrogatory 119.

Answer to Interrogatory 121

See Answer to Interrogatory 119.

Answer to Interrogatory 122

See Answer to Interrogatory 119.

Answer to Interrogatory 123

See Answer to Interrogatory 119.

Answer to Interrogatory 124

See Answer to Interrogatory 119.

Answer to Interrogatory 125

Plaintiff does not claim a specific injury to any specific bank or bank customer. See Answer to Interrogatory 6.

Answer to Interrogatory 126

(a) Donald A. Kinkaid, Kenneth D. Stern, Joe Sims, Timothy J. Burke, and Curtis L. Frisbie, Jr.

(b) December 30, 1970 - November 2, 1971.

(c) 1. Charles Ginden, President of Peachtree Bank & Trust Company. A memorandum of this interview was written by Curtis L. Frisbie to the Files on November 2, 1971 and distributed to personnel within the Antitrust Division; it is in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and this document can be identified by Curtis L. Frisbie.

2. Roland Watkins, Cashier for the Peachtree Bank & Trust Company. A memorandum of this interview was written by Curtis L. Frisbie to the Files on November 2, 1971 and distributed to personnel within the Antitrust Division; it is in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and the document can be identified by Curtis L. Frisbie.

3. Davis Fitzgerald, Second Vice-President, Trust Company of Georgia and former President of Peachtree Bank & Trust Company. A memorandum of this interview was written by Kenneth D. Stern to the Files on November 2, 1971 and distributed to personnel within the Antitrust Division; it is in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and this document can be identified by Kenneth D. Stern.

4. Charles Maddox, President of the Independent Bankers Association of Georgia. A memorandum of this interview was written by Joe Sims to the Files on February 5, 1971 and distributed to personnel within the Antitrust Division; it is in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and this document can be identified by Joe Sims.

5. Herbert Megar, Senior Vice-President of Fulton National Bank. A memorandum of this interview was written by Joe Sims to the Files on February 5, 1971 and distributed to personnel within the Antitrust Division; it is in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and this document can be identified by Joe Sims.

6. King D. Cleveland, President of the National Bank of Georgia. A memorandum of this interview was written by Joe Sims to the Files on February 5, 1971 and distributed to personnel within the Antitrust Division; it is in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and this document can be identified by Joe Sims.

7. Young H. Longino, President of the Fairburn Banking Company. A memorandum of this interview was written by Joe Sims to the Files on February 8, 1971 and distributed to personnel within the Antitrust Division; it is in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and this document can be identified by Joe Sims.

8. Hugh Jordan, Director of the Citizens Bank of Stone Mountain. A memorandum of this interview was written by

Joe Sims to the Files on February 8, 1971 and distributed to personnel within the Antitrust Division; it is in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and this document can be identified by Joe Sims.

9. Kingsley Weatherly, Chairman of the Board of Directors of the Citizens Bank of Stone Mountain. Memoranda of these interviews were written by Donald A. Kinkaid to the Files on January 12, 1971 and February 5, 1971 and distributed to personnel within the Antitrust Division; they are in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and these documents can be identified by Donald A. Kinkaid.

10. Angus Parker, former President of Citizens Bank of Stone Mountain. A memorandum of this interview was written by Donald A. Kinkaid to the Files on February 5, 1971 and distributed to personnel within the Antitrust Division; it is in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and this document can be identified by Donald A. Kinkaid.

11. Thomas Watson, Executive Director of the Independent Bankers Association of Georgia. Memoranda of these interviews were written by Donald A. Kinkaid and Curtis L. Frisbie to the Files on March 17, 1971 and October 15, 1971 and distributed to personnel within the Antitrust Division; they are in the custody of the Justice Department Files; copies are located in the Atlanta Field Office; these documents can be identified by Donald A. Kinkaid and Curtis L. Frisbie.

12. Virlyn Slayton, Georgia State Legislative Counsel.

13. Bob Moler, Georgia State Banking Department.

14. Cubbedge Snow, Attorney, Macon, Georgia.

15. W. D. Trippe, President, Cedartown National Commercial Bank.

16. Lamar W. Sizemore, Attorney, Atlanta, Georgia. A memorandum of interviews with those persons identifed in numbers 12 through 16 above was written by C. L. Frisbie to the Files on September 9, 1971 and distributed to personnel within the Antitrust Division. This document is in the custody of the Justice Department Files; copies are located in the Atlanta Field Office, and this document can be identified by C. L. Frisbie.

Plaintiff will claim that all of the documents identified in this Answer are privileged and protected from discovery as the work-product of the attorneys involved in this litigation. Such documents were prepared through the attorneys' own efforts and contain mental impressions, conclusions, opinions and legal theories protected under Rule 26(b)(3). Defendants can, without undue hardship, obtain the substantial equivalent of these documents by other means.

(d) Plaintiff objects to answering this interrogatory on the ground that "all persons supplying information" is so vague, broad and uncertain as to make the interrogatory not susceptible of an answer. Answer to Interrogatory 126 (c) identified "each and every person interviewed or contacted by plaintiff's investigators." Plaintiff is unsure of the difference between "all persons supplying information" and "each and every person interviewed or contacted." Since plaintiff sees the questions as duplicative, plaintiff feels this interrogatory has been answered in the Answer to Interrogatory 126 (c).

Plaintiff further objects to defendants' request for the information supplied by the persons identified in the Answer to Interrogatory 126 (c) on the ground that the documents reflecting such information were prepared by attorneys for the plaintiff in anticipation of this litigation. To describe the "information so supplied" would, in effect, require disclosure of these documents when the materials contained therein are protected from discovery under Rule 26(b)(3) of Federal Rules of Civil Procedures. Since the persons interviewed are identified, defendant can, without undue hardship, obtain the substantial equivalent of the materials by other means.

(e) See Answer to Interrogatory 126 (c) above.

(f) See Objection to Interrogatory 126 (d) above.

(g) Not applicable.

Answer to Interrogatory 127

(a) and (b) Rule 26(b) requires only that the plaintiff identify individuals with knowledge of discoverable matter. Plaintiff has done so by identifying persons possessing information used by plaintiff in answering these interrogatories and by identifying persons interviewed in connection with its "field investigation." Plaintiff also notes that since the filing of the Complaint it interviewed Evans Bruner, Vice President, Trust Company of Georgia Associates. The rule does not require plaintiff to state whether or not any individual interviewed has knowledge of any facts believed to either support or contradict the allegations contained in the complaint. Plaintiff objects to characterizing the knowledge of these individuals in the manner requested. To do so would require

plaintiff to not only make a premature judgment as to whether any of the aforementioned individuals might be witnesses for plaintiff, but also to presume upon judgments that properly can be made only by defendants in their own trial preparation. Furthermore, the characterizations requested would clearly constitute the mental impressions of plaintiff's attorneys and as such are not discoverable under Rule 26(b)(3). Defendant can, of course, as already noted, obtain the substantial equivalent of the matter requested without undue hardship.

(c) Plaintiff is unable to answer this question except with respect to information and documents that may have been supplied by the Antitrust Division of the Department of Justice. Plaintiff has not supplied to any individual or group any information or documents other than information contained in, and copies of, plaintiff's Complaint, which is a matter of public record. Such individuals or groups, so far as plaintiff presently knows, do not have knowledge of any discoverable matter.

Answer to Interrogatory 128

Plaintiff at present has no question as to the authenticity or genuineness of any of the said documents submitted to the Federal Deposit Insurance Corporation.

Answer to Interrogatory 129

Plaintiff presently has no reason to question the accuracy of the mathematical computations which resulted in the data set forth in the Applications. Plaintiff is not, of course, able to assess the accuracy of the data upon which such computations were performed.

Answer to Interrogatory 130

Plaintiff objects to this interrogatory in its entirety as so vague, indefinite and broad as to make the interrogatory not susceptible of an answer. Defendants asks plaintiff to identify every piece of paper which may relate in any way to any of the issues involved in this lawsuit which plaintiff or any of its attorneys has looked at in connection with this case, regardless of whether it is of any conceivable interest to any party. Plaintiff has already identified, with respect to each individual interrogatory, documents containing information used by plaintiff in answering that interrogatory and has thus complied with Rule 26(b).

This interrogatory is also objectionable on the grounds that it could require plaintiff to identify privileged and confidential information which may be furnished in confidence to plaintiff by informers and which will not be offered by plaintiff at the trial of this action.

Plaintiff further objects on the grounds that the compilation of the information sought by this interrogatory would be burdensome and oppressive in that it would constitute a detailed and intimate journal of every "documentary" step taken by plaintiff in anticipation of this litigation or in preparing for trial even though plaintiff does not even intend to rely on or offer at the trial of this case all the documents so identified.

Answer to Interrogatory 131

At this time plaintiff has not decided who will be called as an expert witness at the trial of this matter.

Answer to Interrogatory 132

William E. Swope, Donald A. Kinkaid, Kenneth D. Stern, James M. Landis and Curtis L. Frisbie, Jr.

Dated: January 28, 1972

Donald A. Kinkaid

Kenneth D. Stern

James M. Landis

Curtis L. Frisbie, Jr.

DX-301

WASHINGTON FINANCIAL REPORT

A COMPLETE WEEKLY REPORT FOR ALL FINANCIAL INSTITUTIONS

Number 31 August 9, 1971

Published by THE BUREAU OF NATIONAL AFFAIRS, INC., WASHINGTON, D. C. 20037
Right of reproduction and redistribution reserved

* * *

JUSTICE SEEKS STATE CHANGES TO FOSTER BANK COMPETITION

The Justice Department wants the Council of State Governments to help get state legislatures to foster more competition among banking institutions, particularly by reexamining those laws that govern the opening of branch banks and the establishment of new banks and holding companies.

DEFENDANTS' EXHIBIT 301
FOR IDENTIFICATION
OFFERED
RECEIVED
EXCLUDED

Research Paper and Policy Statement of the United States Department of Justice Regarding State Legislation Affecting the Structure of Banking Markets

The Department of Justice believes that it would be desirable for individual states to reexamine the operation of existing state legislation which affects the structure of banking markets—particularly those laws which govern the opening of branch banks and the establishment of new banks and holding companies. The Department has become aware of the operation of state laws in this area as a result of its antitrust enforcement activities and it believes that, in certain instances, such laws are unnecessarily restrictive in terms of today's needs and are detrimental to the states' interest in promoting banking competition. This matter is of concern to the federal government, not only because the McFadden Act (12 U.S.C. §36) makes state branch banking regulations binding on nationally chartered banks as well as state chartered banks. See First National Bank of Logan v. Walker Bank & Trust Co., 385 U.S. 252 (1966). Similarly, the Bank Holding Company Act of 1956 (12 U.S.C. §1842(d)) specifically preserves any state law limitation on holding company expansion.

In many states, banking markets are insulated against the entry of new competitive forces by state legislation which prohibits or severely limits the opening of new offices ("de novo" branching) by proven successful competitors, or otherwise prevents them from entering new areas through merger or the formation of bank holding companies.

These retrictions take a variety of different forms. In 15 states branch banking is prohibited altogether. 1/ In 16 other states limited branch banking is permitted within the local markets, 2/ but within at least 5 states some additional limitations are imposed on de novo entry into markets where existing banks have home offices or branches. 3/ In addition, multiple bank holding companies are prohibited by statute in 12 states 4/ and restricted in four others. 5/ Thus, as a result of these various arrangements, there are only 13 states which have statewide de novo branching and freedom of holding company entry. 6/

These various legislative limitations on entry stem primarily from a widespread fear of overbanking, prevalent in the period following the Bank Holiday of 1933; like other bank regulatory legislation of the period (including the Federal Reserve Act of 1933 and the Glass-Steagall Act of 1932), these laws were designed to deal with the conditions that contributed to the failure of many banks at the time of general economic depression. Restrictions on market extension through branching were designed to protect expansive banks against the dangers of over-extension

---

1/ Arkansas, Colorado, Florida, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oklahoma, Texas, West Virginia, and Wyoming.

2/ Alabama, Georgia, Indiana, Kentucky, Louisiana, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Tennessee and Wisconsin.

3/ Michigan, New Hampshire, New Jersey, New York and Oregon.

4/ Georgia, Illinois, Indiana, Kansas, Louisiana, Michigan, Mississippi, Nebraska, Oklahoma, Pennsylvania, Vermont, and West Virginia.

5/ Kentucky, New Hampshire, New Jersey, and Washington.

6/ Alaska, Arizona, California, Delaware, Hawaii, Idaho, Maine, Maryland, Nevada, North Carolina, Rhode Island, South Carolina, and South Dakota. Four other states which permit free holding company entry allow only restricted statewide branching. (Connecticut, Oregon, Utah and Virginia)

and to protect the market positions of local banks against substantial competitive inroads. These restrictive laws also reflected the same kinds of general policies which Congress adopted to limit competition generally in the economy and thereby preserve failing businesses during the Depression.

Conditions have changed substantially since the 1930's. The risk of bank failures on a significant scale has in large part been dissipated by national economic policies and by state and federal regulatory activities, and the serious social impact of bank failure has been greatly reduced by nearly universal federal insurance of bank deposits. 7/ In these circumstances, it now seems appropriate for the states to critically re-examine the laws controlling the structure of their banking markets in the light of today's economic conditions and needs. Some states have recently taken steps to liberalize legislative schemes which have tended to unduly insulate local banking markets from new sources of competition and thereby inhibit the improvement of banking services. 8/

The basic goal in any such re-examination of the laws governing entry to banking markets should be to promote technical progress, efficiency, and innovation, while allowing banks to offer their services to customers at the lowest possible cost.

Competition has become a much more important consideration in banking policy in recent years. This may be seen in the Congressional deliberations on the Bank Holding Company Acts of 1956, 1966 and 1970 and the Bank Merger Acts of 1960 and 1966. It is strongly emphasized in the Supreme Court decisions involving bank mergers. Thus, in its 1963 Philadelphia National Bank decision, the Supreme Court stressed that the fact that banking was a fundamental industry, although highly regulated, made competition more important rather than less important. In its 1970 Phillipsburg National Bank decision the Court again stressed this point, and particularly emphasized the importance of maintaining competition among commercial banks in smaller communities, where the commercial choices available to the customer are necessarily more limited than in large metropolitan areas. Likewise, the President's Council of Economic Advisers has in 1970 emphasized the importance of competition in regulated industries—including commercial banking—as a means of promoting efficiency in operations and satisfying consumer demands. We think these national policies in favor of competition should be given careful consideration by individual states in any re-examination of their branch banking laws.

Competition in banking has traditionally focussed primarily upon providing customers greater convenience and offering new services. In recent years, however, price competition has become a more important factor, where it is not in effect prohibited by state or federal regulation. 9/ Since pricing behavior in banking markets appears to be directly related to market concentration, 10/ increased

---

7/ Smith & Greenspun, Structural Limitations on Bank Competition, 32 Law and Contemp. Probs. 40, at 43-44.

8/ See N.Y. Bank Law, Art. 3, Sec. 105 (Supp. McKenney's, 1969-70); N.J. Stat. Ann. §17:9A-19 (Supp. 1969-70); Va. Code Ann. §6.1-39 (1966).

9/ The phenomenon of free checking accounts has introduced real price competition in many areas. See Weiss, Commercial Bank Price Competition: The Case of "Free" Checking Accounts, New England Economic Review, Sept., Oct. 1969.

10/ See the report of Almarin Phillips, Bank Mergers, Branching and Holding Companies in the Commonwealth of Pennsylvania, in the Pennsylvania Banking Law Commission's Statement of Issues involved in Suggestions for Changes in Laws Governing Mergers, Branches and Holding Companies and Commission's Tentative Conclusions and Reports of Commission Economic Consultant, January 1967 at 16-17.

T.4 (No. 33)
TEXT SECTION
WFR 6/23/71

concentration in banking markets tends to have a dampening effect on the salutary development of competitive pricing behavior and other competitive developments.

Usually, the legislative insulation of banking markets from new competition is accomplished by flat prohibitions on branching or by geographical restrictions on the areas in which banks may operate branch offices. These latter limitations typically prevent outside banks from entering specific areas by branching de novo or merging. 11/ Georgraphic restrictions on entry into new markets are often supplemented by "home office protection" statutes, which prohibit the opening of de novo branches in communities where the main office of another bank is located. The tendency of restrictions of this type is to increase concentration as competitors within the insulated areas respond to normal growth pressures. Because entry by outside banks is restricted, increased internal concentration through mergers among competitors may seem desirable as a means of providing service benefits which appear to outweigh increases in concentration. We suggest, however, that actual de novo entry of new competitors may often more effectively provide the structural alterations in a banking market which are needed in order to eliminate a noncompetitive atmosphere, or to meet unsatisfied banking needs. Where the communities affected are large and growing, geographic restrictions may substantially limit desired consumer options with respect to both price and service.

Opponents of broader access to banking markets have generally advanced two types of arguments: (1) protection against overbanking and (2) the prevention of undue concentration in broader banking markets as a result of unchecked growth through merger and de novo branching by the larger banking institutions. As noted above, policy grounds for the traditional fears of overbanking are largely unrealistic. Moreover, a premise central to industry concern about over-banking has been questioned in a recent study undertaken for the New York State Banking Department, 12/ concluding that while previously insulated banks were forced to share deposit growth with new entrants after the passage of broader branching laws, their profitability was not adversely affected to a significant extent. Given the potential benefits of eliminating absolute proscriptions on new entry into banking markets, it would appear that any lingering concern in this area could be satisfied by reliance upon state or federal regulatory approval requirements that would exist under new state law.

While the traditional fears of overbanking seem largely unjustified, essentially unrestricted branching and merging have resulted in significant increases in banking concentration in some states with relatively broad branching laws. 13/ Such increases in concentration have generally been at the state level. At the local level, the more important market for most bank customers, such liberalized de novo branching has generally decreased concentration and increased competition. Furthermore, the presence of larger banks in local markets may have benefited customers by providing more sophisticated services, larger loans, and easier access to offices over a broad area. Nevertheless, dangers do remain when a few banking organizations occupy a substantial portion of the state market. Such organizations may have the power of preventing the creation or development of rival banking groups through early branching in potentially desirable locations or through other anticompetitive practices.

11/ See, generally, Smith & Greenspun, supra. A unique example is the Virginia scheme (Code of Virginia, Section 6-26) which limits de novo branching, yet allows operation of any office acquired by merger. Since an acquiring bank does not succeed to the de novo branching rights of an acquired bank and may thus be precluded from opening further offices in its new territory, many of the state's largest institutions have expanded via formation of bank holding companies, rather than by direct mergers.

12/ Kahn and Carlo, The Competitive Impact of New Branches, December 1969.

13/ See: Our Changing Banking Structure, Remarks of FRB Governor Mitchell before the Maine Bankers Association, June 14, 1968.

This danger when it does exist can best be dealt with by careful state legislation of de novo branching on a case by case basis. Such state regulation should be concerned with overly extensive de novo branching by a banking organization in local markets where it is already a dominant factor. It would be complimentary to present laws requiring federal regulatory approval, and antitrust scrutiny, for mergers and acquisitions involving banking institutions. 14/

If regulatory agencies can thus facilitate growth in procompetitive directions, the benefits which derive from new entry into banking markets may be achieved without adverse concentration effects throughout a region or state. Such an approach would better serve the public interest than the inflexible laws which currently limit new banking competition in a considerable number of the states.

In light of competitive issues such as those herein discussed, the Department suggests that the states, as appropriate:

1. Carefully re-examine the bases for existing restrictions upon entry into new banking markets by qualified banks;

2. Explore the enactment of new legislation which maximizes the ability of banks to more freely respond to market forces;

3. Consider specifically: (a) eliminating geographic limitations within the state upon the operation of branch offices opened de novo and perhaps upon branches acquired through merger, (b) eliminating home office protection statutes, particularly in developed areas, or where such statutes protect only large banks, and (c) authorizing bank holding companies which could bring new services and competition to local banking markets;

4. Provide regulatory agencies with sufficient legal flexibility to make basic decisions affecting the evolution of banking market structures; and to apply different standards on de novo branching to areas marked by disparate economic conditions and market structures; and

5. Provide statutory standards which recognize that the convenience and needs of banking markets are usually best served by maintaining competition at the highest possible level.

14/ See, e.g., the Bank Merger Act, particularly 12 U.S.C. §1828(c)(5) and the Bank Holding Company Act, 12 U.S.C. §1842(c).

• • •

WASH. 8/23/71

TEXT SECTION

(No. 33) T-5

DX-302

HISTORY OF SERVICE CHARGES ON CHECKING ACCOUNTS

1) C&S National - Atlanta
2) C&S Tucker
3) C&S Chamblee
4) C&S North Fulton
5) C&S Park National
6) C&S South DeKalb
7) C&S Sandy Springs

This Exhibit will be supplemented with a chart containing the same information in tabular form.

1) C&S NATIONAL - ATLANTA

History of Service Charges on Checking Accounts.

REGULAR CHECKING:
--offered prior to 1/1/59
--1/1/59-4/30/60...data not available; there is no indication of change during this period; in all likelihood charge was same as in following period
--price list dated May, 1960 showed: 75¢ plus 6¢/item effective through 3/31/64
--4/1/64-3/31/70...$1 plus 7¢/item; OR, free with $500 minimum or $1000 average balance
--4/1/70-8/31/72...75¢ plus 10¢/item; OR, free with $250 minimum or $1000 average balance

SPECIAL CHECKING:
--offered prior to 1/1/59
--1/1/59-4/30/60...data not available; there is no indication of change during this period; in all likelihood charge was same as in following period
--price list dated May, 1960 showed: 25¢ plus 10¢/item effective through 3/31/64
--4/1/64-8/31/72...50¢ plus 10¢/item

AFFECTS PREVIOUS SUBMISSION: Yes. Confirms 4/1/64 as exact date of "63/64" change; confirms that pre-May, 1960, data not available (even on microfilm).

Free checking for customers 65 years of age and older - effective June 1, 1971.

2) C&S TUCKER

History of Service Charges on Checking Accounts.

REGULAR CHECKING:

-- prior to 1/1/46...no service charge
-- 1/1/46-3/31/65....less than 3 checks = no service charge
more than 3 checks = 50¢ plus a graduated charge per activity (graduated charge not known or available)
OR, $600 minimum = no service charge, regardless of activity
-- 4/1/65-3/31/70....50¢ plus 8¢/item; OR, no charge with $500 minimum or $1000 average balance
-- 4/1/70-8/31/72....75¢ plus 10¢/item; OR no charge with $250 minimum or $1000 average balance

SPECIAL CHECKING:

-- first offered 1/1/46
-- 1/1/46-12/31/59...no service charges but had to purchase checks; cost $1 for 20 checks
-- 1/1/60-6/30/63....still no service charge but had to purchase checks; cost $1.25 for 20 checks
-- 7/1/63-3/31/65....still no service charge but had to purchase checks; cost $1.50 for 15 checks
-- 4/1/65-3/31/70....25¢ per month plus 10¢ per item; no extra check cost
-- 4/1/70-8/31/72....50¢ per month plus 10¢ per item

AFFECTS PREVIOUS SUBMISSION: Yes. Previous data incomplete and in places erroneous.

Free checking for customers 65 years of age and older — effective June 1, 1971.

3) C&S CHAMBLEE

History of Service Charges on Checking Accounts.

REGULAR CHECKING:

--offered coincident with bank openirg, 5/13/60
--5/13/60-3/31/70...50¢ plus .06/item; OR, free with $1000 minimum balance
--4/1/70-8/31/72....75¢ plus .10/item; OR, free with $250 minimum or $1000 average balance

SPECIAL CHECKING:

--offered coincident with bank opening, 5/13/60
--5/13/60-3/31/70...25¢ plus 10¢/item
--4/1/70-8/31/72....50¢ plus 10¢/item

AFFECTS PREVIOUS SUBMISSION: Yes. Previous data indicates that average balance currently required for free regular account is $500; that prior to 4/1/70 regular charge was 75¢ plus 7¢ per item; and that prior to 4/1/70 special charge was 50¢ plus 10¢ per item.

Free checking for customers 65 years of age and older effective June 1, 1971.

7

4) C&S NORTH FULTON

History of Service Charges on Checking Accounts.

REGULAR CHECKING:

-- offered coincident with bank opening, 6/10/67
-- 6/10/67-3/31/70....$1 plus 7¢/item; OR, free with $500 minimum or $1000 average balance
-- 4/1/70-8/30/72.....75¢ plus 10¢/item; OR, free with $250 minimum or $1000 average balance

SPECIAL CHECKING:

-- offered coincident with bank opening, 6/10/67
-- 6/10/67-8/30/72....50¢ per month plus 10¢/item

AFFECTS PREVIOUS SUBMISSION: Yes. Previous data indicated current average balance requirement for free regular account was $500 rather than $1000; previous data indicated that base rate of 75¢ existed before 4/1/70.

Free checking for customers 65 years of age and older effective June 1, 1971.

5) C&S PARK NATIONAL

History of Service Charges on Checking Accounts.

REGULAR CHECKING:

-- offered coincident with bank opening, 7/14/67
-- 7/14/67-3/31/70....$1 plus 7¢/item; OR, free with $500 minimum or $1000 average balance
-- 4/1/70-8/30/72.....75¢ plus 10¢/item; OR, free with $250 minimum or $1000 average balance

SPECIAL CHECKING:

-- offered coincident with bank opening, 7/14/67
-- 7/14/67-8/30/72....50¢ per month plus 10¢/item

AFFECTS PREVIOUS SUBMISSION: Yes. Previous data indicated current average balance requirement for free regular account was $500 rather than $1000; previous data indicated that base rate of 75¢ existed before 4/1/70.

Free checking for customers 65 years of age and older effective June 1, 1971.

6) C&S SOUTH DEKALB

History of Service Charges on Checking Accounts.

REGULAR CHECKING:

-- offered coincident with bank opening, 9/18/69
-- 9/18/69-3/31/70....$1 plus 7¢/item; OR, free with $500 minimum or $1000 average balance
-- 4/1/70-8/30/72.....75¢ plus 10¢/item; OR, free with $250 minimum or $1000 average balance

SPECIAL CHECKING:

-- offered coincident with bank opening, 9/18/69
-- 9/18/69-8/30/72....50¢ per month plus 10¢ per item

AFFECTS PREVIOUS SUBMISSION: Yes. Previous data indicated current average balance requirement for free regular account was $500 rather than $1000; previous data indicated that base rate of 75¢ existed before 4/1/70.

Free checking for customers 65 years of age and older effective June 1, 1971.

7) C&S SANDY SPRINGS

History of Service Charges on Checking Accounts.

REGULAR CHECKING:

--offered coincident with bank opening, 12/11/59
--12/11/59-8/31/65...service charges computed manually by tellers; basis was a triangular chart then also used by Roswell and Alpharetta; using chart called for eyeballing minimum balance over the number of days during which checks were paid; chart not available; filmed statement files are not consistent; suspect a great deal of human error variation; charges most closely approximate the following schedule--- 75¢ plus 6¢/item, less 15¢ per $100 minimum balance...OR, free with $1000 minimum balance
--9/1/65.....converted to computer
--9/1/65- 7/1/66..definite 75¢ plus 6¢/item, less 15¢/ $100 minimum; OR, free with $1000 minimum balance
-- 7/1/66-3/31/70....$1 plus 7¢/item; OR, free with $500 minimum or $1000 average balance
--4/1/70-8/31/72.....75¢ plus 10¢/item; OR, free with $250 minimum or $1000 average balance

SPECIAL CHECKING:

--offered coincident with bank opening, 12/11/59
--12/11/59-8/1/66...25¢ plus 10¢/item
-- 8/1/66-8/31/72...50¢ plus 10¢/item

AFFECTS PREVIOUS SUBMISSION: Yes. Previous data described only the services charges in effect since 4/1/70.

Free checking for customers 65 years of age and older - effective June 1, 1971.

2 380

Ba... in the Cities of Metro Chattanooga

	REGULAR CHECKING							SPECIAL CHECKING		
	Month. Maint.	Free Debits	Per Debit Charge	Earnings Allowance	S/C Cutoff Bal. Min.	S/C Cutoff Bal. Avg.	No Activity	Month. Maint.	Per Debit Charge	S/C Exempt
ational Banks:										
thens	$ .75		$ .06		$ 500	$ 1000		$ .25	$ .10	
tlanta	.75		.10		250	1000		.50	.10	
ugusta	1.00		.07		100			.50	.10	
columbus	.75		.06		500			.25	.10	
avannah	1.00		.05		300		$ .50	.50	.10	
aldosta	.75		.06		250			.25	.10	Over 65
ffiliate Banks:										
lbany	1.10	10	.06	$.10/$100		1000	NC	.25	.10	Over 65
eKalb	.75		.10		250	1000		.50	.10	
acon	.50		.05			300		.00	.10	Over 65
est Point	.75		.10		250	1000		.50	.10	
cory	.75		.10		250	1000		.50	.10	
aGrange	.75		.10		150	1000		.50	.10	Over 65 and College Student
owman	.50		.05	$.10/$100						Over 65
homaston	.60		.05	$.10/$100			NC	.00	.10	Over 65, Student and Ministers

E-848

	REGULAR CHECKING							SPECIAL CHECKING		
	Month. Maint.	Free Debits	Per Debit Charge	Earnings Allowance	S/C Cutoff Bal. Min.	S/C Cutoff Bal. Avg.	No Activity	Month. Maint.	Per Debit Charge	S/C Exempt
Correspondence Associates ($1 Banks):										
Ainbridge	$ .50		$ .05	$.10/$100			NC			
Norsville	.50		.07	$.20/$100				.25	.10	Over 65,Student
Hamblen	.75		.10		250	1000		.50	.10	
Hilton	.50		.05		300					Students,Retired and Military
Fayetteville	.75		.10		250					
Fort County	.50		.05		200					
Milledgeville	.75		.08		300		NC			
Monroe	.75		.05	$.10/100			NC			
Norie	.50		.05		200		NC	.25	.10	Over 65 and Students
North Fulton	.75		.10		250	1000		.50	.10	
York National	.75		.10		250	1000		.50	.10	
Sandy Springs	.75		.10		250	1000		.50	.10	
South DeKalb	.75		10		250	1000		.50	.10	
Springfield	1.00		.05		300					Over 65
Thomas County	.50		.06		300		NC	.25	.10	Over 65

E-846

	REGULAR CHECKING							SPECIAL CHECKING		
	Month. Maint.	Free Debits	Per Debit Charge	Earnings Allowance	S/C Cutoff Bal. Min.	S/C Cutoff Bal. Avg.	No Activity	Month. Maint.	Per Debit Charge	S/C Exempt
[illegible]ton	1.00	5	.06		300		NC			Over 65 and Students
[illegible]ker	.75		.10		250	1000		.50	.10	
arner Robins	.50		.06		300					Over 65
[illegible]gdeville	.50		.06		$0 - $199					
	.40		.06		$200-$399					
	.30		.06		$400-$499					
	-		-		$500					
ackson	-		.10		500					Over 65 and Students
enoia	.75		.10		250					

E: 850

	REGULAR CHECKING					SPECIAL CHECKING			
	Month. Maint.	Free Debits	Per Debit Charge	S/C Cutoff Bal. Min.	S/C Cutoff Bal. Avg.	Month. Maint.	Per Debit Charge	S/C Min.	S/C Avg.
Downtown Atlanta Banks:									
Trust Co. Bank	$ .75		$.10	$250		$ .50	$ .10		
C&S Nat'l Bank	.75		.10	250	$1,000	.50	.10		
Fulton Nat'l Bank	.75		.10	250	1,000	.50	.10		
First Nat'l Bank	.75		.10	250		.50	.10		
Nat'l Bank of Ga.	1.00		.10	250		.50	.10		
Metropolitan Area Banks:									
Cobb Exch. Bank	.75		.10	250	1,000	.50	.10		
Security Nat'l Bank	.75		.10	250	1,000	.50	.10		
C&S Bank of N.P.	.75		.10	250	1,000	.50	.10		
Bank of Smyrna	.75		.10	250		.50	.10		
C&S Bank of Chamblee	.75		.10	250	1,000	.50	.10		
Citizens Bank of Stone Mountain	.75		.10	250		.50	.10		
C&S Park National	.75		.10	250	1,000	.50	.10		

	REGULAR CHECKING					SPECIAL CHECKING			
	Month. Maint.	Free Debits	Per Debit Charge	S/C Cutoff Bal. Min.	S/C Cutoff Bal. Avg.	Month. Maint.	Per Debit Charge	S/C Min.	S/C Avg.
Clayton City Bank	$.75		$.10	$250		$ .50	$ .10		
Cobb City Bank	.75		.10	250		.50	.10		
C&S Emory Bank	.75		.10	250	1,000	.50	.10		
First Bank of Clayton	.75		.10	250		.50	.10		
C&S Tucker	.75		.10	250	1,000	.50	.10		
C&S DeKalb	.75		.10	250	1,000	.50	.10		
FNB DeKalb	.75		.10	250		.50	.10		
C&S Bank of East Pt.	.75		.10	250	1,000	.50	.10		
Northeast Comm. Bank	.75		.10	250		.50	.10		
C&S Sandy Springs	.75		.10	250	1,000	.50	.10		
C&S South DeKalb	.75		.10	250	1,000	.50	.10		
Buford Comm. Bank	.75		.10	250					
FNB Lawrenceville	.75		.10	250					
Roswell Bank	.75		.10 .08	250	1,000	.25	.10		
Bank of Duluth	.75		.10	250		.75	.06	1,000	
Citizens Bank of Clarkston	.75		.09	250		.50	.10		
Fulton Exch. Bank	.75		.08	250					

E-852

	REGULAR CHECKING					SPECIAL CHECKING			
	Month. Maint.	Free Debits	Per Debit Charge	S/C Cutoff Bal. Min.	S/C Cutoff Bal. Avg.	Month. Maint.	Per Debit Charge	S/C Min.	S/C Avg.
Fairburn Banking Co.	.75		.06	500					
Citizens Bank of Hapeville	1.00		.07	250		.50	.10		
Bank of Jonesboro	1.00		.08	250		.75	.10		
Bank of Acworth	1.00		.08	250		.50	.10		
Bank of Forest Park	1.00		.09	250		.50	.10		
Bank of South	1.00		.09	250		.50	.10		
FNB Marietta	1.00 .75 .50 -		.05 .05 .05 -	$0 - $199 $200-$399 $400-$499 500	1,000				
Commercial Bank of Cobb County	1.00 .75 .50 NC			$0 - $199 $200-$399 $400-$599 $600					
First Palmetto Bank	2.00		.05	200					
Bank of Fulton Cnty.	.50		.10	200					
First Georgia Bank	.50		.10	200					
Peachtree Bank and Trust Company	.50 .75		.10	250					
Brand Banking Co.	.50		.10	500 S/C of $.25 if min. maintained					

Bank of Gwinnett City Bank
Bank of Gwinnett Commercial
Bank of Gwinnett Bank & Trust
Fulton Nat'l Bank
DeKalb Exchange .75 .05 25 .10
DeKalb County .75 .10 25 .10
Citizens Trust 1.00 .07 499
Georgia 75 .05 200
Bank of Savannah
FNB Glenwood
FNB Decatur
Peoples Bank
C & S Cobb City
C & S Gwinnett

INTEREST PAID ON SAVINGS - C & S SYSTEM

National Banks	Regular Savings Rate	Regular Savings Terms	Time Deposits Rate	Time Deposits Terms
Athens	3-1/2%		5%	90-day certificates
Augusta	3-1/2%	Compounded daily	5%	Compounded daily, withdraw quarterly
Macon	3-1/2%	Compounded daily	5%	Compounded daily, withdraw quarterly
Savannah	3-1/2%		5%	Compounded daily
Valdosta	3-1/2%	Compounded semi-annually	5%	90-day certificates
Affiliate Banks				
Albany	3-1/2%	Compounded semi-annually	5%	Compounded quarterly, withdraw quarterly
DeKalb	3-1/2%	Compounded semi-annually	5%	Compounded quarterly, withdraw quarterly
Dublin	3-1/2%	Compounded semi-annually	5%	Compounded daily, withdraw quarterly
East Point	3-1/2%	Compounded semi-annually	5%	Compounded daily, withdraw quarterly
Emory	3-1/2%	Compounded semi-annually	5%	Compounded daily, withdraw quarterly
Orange	3-1/2%	Compounded semi-annually	5%	Compounded daily, withdraw quarterly
Trenton	3-1/2%	Compounded semi-annually	5%	Compounded daily, withdraw quarterly
Thomaston	3-1/2%	Compounded semi-annually	5%	Compounded daily, withdraw quarterly
Correspondent Associates (Banks)				
Cartersville	4%	Compounded semi annually	5%	Compounded daily, withdraw quarterly
Thomasville	4%	Compounded semi-annually	5%	90-day certificate

(National Bank)	(Regular Savings)		(Time Deposits)	
	Rate	Terms	Rate	Terms
Chamblee	3-1/2%	Compounded semi-annually	5%	90-day certificate
Dalton	4-1/2%	Compounded semi-annually	5%	withdraw quarterly
Fayetteville	3%	Compounded semi-annually	5%	withdraw quarterly
Hartwell	3%	Compounded semi-annually	5%	90-day certificate
Milledgeville	4%	Compounded semi-annually	5%	90-day certificate
Monroe	3-1/2%	Compounded semi-annually	5%	withdraw quarterly
Park National	3-1/2%	Compounded semi-annually	5%	withdraw quarterly
Sandy Springs	3-1/2%	Compounded semi-annually	5%	withdraw quarterly
Senoia	3-1/2%	Compounded semi-annually	5%	withdraw quarterly
South DeKalb	3-1/2%	Compounded semi-annually	5%	withdraw quarterly
Springfield	4%	Compounded semi-annually	5%	withdraw quarterly
Thomas County	3-1/2%	Compounded semi-annually	5%	Compounded daily, withdraw quarterly
Tifton	4-1/2%	Compounded semi-annually	5%	withdraw quarterly
Tucker	4%	Compounded semi-annually	5%	withdraw quarterly
Warner Robins	3-1/2%	Compounded semi-annually	5%	Compounded daily, withdraw quarterly
Hogansville	4-1/2%	Compounded semi-annually	5%	90-day certificate
Jackson	4%	Compounded semi-annually	5%	90-day certificate

E. 855

DEFENDANTS' EXHIBIT 302
for IDENTIFICATION

OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

HISTORY OF SERVICE CHARGE

	REGULAR CHECKING						SPECIAL CHECKING		
	Month. Maint.	Free Debits	Per Debit Charge	Earnings Allowance	S/C Cutoff Bal. Min.	S/C Cutoff Bal. Avg.	Month. Maint.	Per Debit Charge	Remarks
212									
National	.75	-	.06	-	-	-	.25	.10	
Tucker	.50	3	*	-	$ 600	-	-	-	Purchase checks 1.25 for 20
Chamblee	.50	-	.06	-	$1,000	-	.25	.10	
N. Fulton									
Park National									
S. DeKalb									
Sandy Springs	.75	-	.06	$.15/$100	$1,000	-	.25	.10	
211									
National	.75	-	.06	-	-	-	.25	.10	
Tucker	.50	3	*	-	$ 600	-	-	-	Purchase checks 1.25 for 20
Chamblee	.50	-	.06	-	$1,000	-	.25	.10	
N. Fulton									
Park National									
S. DeKalb									
Sandy Springs	.75	-	.06	$.15/$100	$1,000	-	.25	.10	
242									
National	.75	-	.06	-	-	-	.25	.10	
Tucker	.50	3	*	-	$ 600	-	-	-	Purchase checks 1.25 for 20
Chamblee	.50	-	.06	-	$1,000	-	.25	.10	
N. Fulton									
Park National									
S. DeKalb									
Sandy Springs	.75	-	.06	$.15/$100	$1,000	-	.25	.10	

E. 858

	REGULAR CHECKING						SPECIAL CHECKING		
	Month. Maint.	Free Debits	Per Debit Charge	Earnings Allowance	S/C Cutoff Bal. Min.	S/C Cutoff Bal. Avg.	Month. Maint.	Per Debit Charge	Remarks
[illegible]									
[illegible]ational	.75	-	.06	-	-	-	.25	.10(1)	
Tucker	.50	3	*	-	$ 600	-	-	-	Purchase checks 1.50 for 15
Charblee	.50	-	.06	-	$1,000	-	.25	.10	
[illegible] Fulton									
[illegible] National									
S. DeKalb									
Sandy Springs	.75	-	.06	$.15/$100	$1,000	-	.25	.10	
[illegible]									
[illegible]ational(2)	1.00	-	.07	-	$ 500	$1,000	.50	.10	
Tucker	.50	3	*	-	$ 600	-	-	-	Purchase checks 1.50 for 15
Charblee	.50	-	.06	-	$1,000	-	.25	.10	
[illegible] Fulton									
[illegible] National									
S. DeKalb									
Sandy Springs	.75	-	.06	$.15/$100	$1,000	-	.25	.10	
[illegible]									
[illegible]ational	1.00	-	.07	-	$ 500	$1,000	.50	.10	
Tucker(3)	.50	-	.08	-	$ 500	$1,000	.25	.10	
Charblee	.50	-	.06	-	$1,000	-	.25	.10	
[illegible] Fulton									
[illegible] National									
S. DeKalb									
Sandy Springs	.75	-	.06	$.15/$100	$1,000	-	.25	.10	
[illegible]									
[illegible]ational	1.00	-	.07	-	$ 500	$1,000	.50	.10	
Tucker	.50	-	.08	-	$ 500	$1,000	.25	.10	
Charblee	.50	-	.06	-	$1,000	-	.25	.10	
[illegible] Fulton									
[illegible] National									
S. DeKalb									
Sandy Springs(4)	1.00	-	.07	-	$ 500	$1,000	.50	.10	

E-857

	REGULAR CHECKING						SPECIAL CHECKING		
	Month. Maint.	Free Debits	Per Debit Charge	Earnings Allowance	S/C Cutoff Bal. Min.	S/C Cutoff Bal. Avg.	Month Maint.	Per Debit Charge	Remarks
[illegible]									
[illegible]tional	1.00	-	.07	-	$ 500	$1,000	.50	.10	
[illegible]ucker	.50	-	.08	-	$ 500	$1,000	.25	.10	
Charblee	.50	-	.06	-	$1,000	-	.25	.10	
[illegible]. Fulton(5)	1.00		.07	-	$ 500	$1,000	.50	.10	
[illegible]k National(6)	1.00	-	.07	-	$ 500	$1,000	.50	.10	
S. DeKalb Sandy Springs	1.00	-	.07	-	$ 500	$1,000	.50	.10	
[illegible]									
[illegible]tional	1.00	-	.07	-	$ 500	$1,000	.50	.10	
[illegible]ucker	.50	-	.08	-	$ 500	$1,000	.25	.10	
Charblee	.50	-	.06	-	$1,000	-	.25	.10	
[illegible]. Fulton	1.00	-	.07	-	$ 500	$1,000	.50	.10	
[illegible]k National	1.00	-	.07	-	$ 500	$1,000	.50	.10	
S. DeKalb Sandy Springs	1.00	-	.07	-	$ 500	$1,000	.50	.10	
[illegible]									
[illegible]tional	1.00	-	.07	-	$ 500	$1,000	.50	.10	
[illegible]ucker	.50	-	.08	-	$ 500	$1,000	.25	.10	
Charblee	.50	-	.06	-	$1,000	-	.25	.10	
[illegible]. Fulton	1.00	-	.07	-	$ 500	$1,000	.50	.10	
[illegible]k National	1.00	-	.07	-	$ 500	$1,000	.50	.10	
S. DeKalb(7)	1.00	-	.07	-	$ 500	$1,000	.50	.10	
Sandy Springs	1.00	-	.07	-	$ 500	$1,000	.50	.10	
[illegible] (8)									
[illegible]tional	.75	-	.10	-	$ 250	$1,000	.50	.10	
[illegible]ucker	.75	-	.10	-	$ 250	$1,000	.50	.10	
Charblee	.75	-	.10	-	$ 250	$1,000	.50	.10	
[illegible]. Fulton	.75	-	.10	-	$ 250	$1,000	.50	.10	
[illegible]k National	.75	-	.10	-	$ 250	$1,000	.50	.10	
S. DeKalb	.75	-	.10	-	$ 250	$1,000	.50	.10	
Sandy Springs	.75	-	.10	-	$ 250	$1,000	.50	.10	

E-858

* Graduated per activity

1. Went into effect 7/1/63
2. " " " 4/1/64
3. " " " 4/1/65
4. " " " 8/1/66
5. Offered coincident with bank opening 6/10/67
6. " " " " " 7/14/67
7. " " " " " 9/18/69
8. All charges went into effect 4/1/70 and charges remain unchanged to date.

E-859

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

CITIZENS AND SOUTHERN NATIONAL BANK, et al.

On Appeal from the United States District Court for the Northern District of Georgia

JOINT APPENDIX

INDEX

VOLUME I

	Page
Relevant Docket Entries	1
Complaint by the United States Filed November 2, 1971	9

Answer to Complaint Filed by the Defendants May 5, 1972 24

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia Commencing September 25, 1972:

Appearances [2] 45

Testimony of W. D. Padgett—
Direct examination [7] 49
Cross-examination [74] 89

Testimony of William Farr, III—
Direct examination [85] 96
Cross-examination [123] 118

Testimony of Herbert Leonard Megar—
Direct examination [151] 135
Cross-examination [161] 142
Redirect examination [171] 148

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 26, 1972:

Testimony of James A. Parker—
Direct examination [180] 151
Cross-examination [227] 178
Redirect examination [245] 188

Testimony of Charles B. Ginden—
Direct examination [256] 195
Cross-examination [296] 219
Redirect examination [309] 226

Testimony of Warren Jackson—
Direct examination [312] 228
Cross-examination [352] 251

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 27, 1972:

Testimony of Warren Woolsey—
Direct examination [361] 257
Cross-examination [408] 284
Redirect examination [424] 292

Testimony of Samuel L. Skogstad—
Direct examination [425] 293
Cross-examination [426] 294
Redirect examination [476] 322
Recross-examination [494] 333

VOLUME II

Testimony of Mills B. Lane—
Direct examination [508] 343
Cross-examination [539] 361
Redirect examination [562] 374

Transcript of Proceedings Held Before the Hon. Charles A Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 28, 1972:

Testimony of Howard S. Starks—
Direct examination [582] 386
Cross-examination [604] 400
Redirect examination [633] 417

Testimony of Joseph Hall—
Direct examination [637] 420
Cross-examination [683] 445
Redirect examination [744] 481

Testimony of Robert Daniel Handley, Jr.—
Direct examination [747] 483
Cross-examination [765] 494
Redirect examination [774] 499
Recross-examination [774] 500

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 29, 1972:

Testimony of Warren L. Berry—
Direct examination [777] 501
Cross-examination [784] 505
Redirect examination [802] 516

Testimony of Roy B. Holland—
Direct examination [802] 517
Cross-examination [805] 519

Testimony of Hubert Harris—
Direct examination [808] 521
Cross-examination [812] 523

Testimony of Lewis C. Beasley—
Direct examination [815] 524
Cross-examination [821] 528

Testimony of Joseph M. Ream—
Direct examination [824] 530

Testimony of Henry T. Collingsworth, Jr.—
Direct examination [830] 534
Cross-examination [837] 538

Testimony of Gordon B. Trulock, Jr.—
Direct examination [842] 542
Cross-examination [853] 548

Testimony of Ben C. Cook—
Direct examination [854] 548
Cross-examination [859] 552

Testimony of Merrill Autry, Jr.—
Direct examination [862] 554
Cross-examination [865] 555

Testimony of L. R. Gellerstedt, Jr.—
Direct examination [873] 559
Cross-examination [881] 564

Testimony of King Cleveland—
Direct examination [888] 569
Cross-examination [892] 571

Testimony of W. M. Jackson—
Direct examination [895] 573
Cross-examination [905] 579

Testimony of Evans Bruner—
Direct examination [932] 594
Cross-examination [940] 599

VOLUME III

Testimony of J. Mack Robinson—
Direct examination [942] 601
Cross-examination [946] 603

Testimony of Walter Eaves—
Direct examination [953] 607
Cross-examination [956] 609

Testimony of E. D. Dunn—
Direct examination [960] 611

Testimony of Nevins Dennis Baxter—
Direct examination [974] 619
Cross-examination [1004] 636

Depositions:

Warren Lanham Berry—
(GX-198) 671

Dr. William M. Carson—
(GX-199) 4.1-6.13 739

Gus Lockett Connelly—
(GX-200) 4-29.3; 53.13-54.22 741

Thomas E. Cook—
(GX-201) 4-26.4 760

Edward E. Elson—
(GX-202) 10.23-12.7 774

Louis J. Fortuna—
(GX-204) 19.6-22.3 775

Hubert L. Harris—
(GX-206) 4-28.7 778

T. Robert Hazelrig—
(GX-207) 4-28.13 793

Dr. W. Andrew Irvin—
(GX-208) 12.4-12.21; 18.10-18.24 811

Hugh F. Lane—
(GX-209) 812

Alva G. Maxwell—
(GX-211) 4-6.13 848

Dalton F. Scott—
(GX-215) 34.24-36.3 851

Economic Report (Excerpts):

Volume 1—[5-14]
[83-84]
[114 "E"-130 "B"]
[139-147] 852

Volume 2—Exhibits 20, 28, 29, 53, 54, 55, 69 877

Government Exhibits:

GX-33 B E-1
GX-33 C E-5
GX-33 D E-7
GX-33 E E-10
GX-35 ..... E-13
GX-36 ..... E-24
GX-37 ..... E-28
GX-38 ..... E-38
GX-104 ..... E-57
GX-105 ..... E-89
GX-106 A E-113
GX-107 ..... E-121
GX-108 ..... E-122
GX-109 ..... E-123
GX-110 ..... E-124
GX-111 ..... E-125
GX-112 ..... E-126
GX-113 ..... E-127
GX-114 ..... E-128
GX-115 ..... E-132
GX-116 ..... E-133
GX-117 ..... E-134
GX-118 ..... E-135
GX-119 ..... E-137
GX-120 ..... E-139

GX-121 ..... E-140
GX-122 ..... E-141
GX-123 ..... E-142
GX-124 ..... E-143
GX-125 ..... E-145
GX-126 ..... E-146
GX-127 ..... E-147
GX-128 ..... E-148
GX-134 ..... E-153
GX-136 ..... E-155
GX-138 ..... E-156
GX-139 ..... E-158
GX-140 ..... E-160
GX-142 ..... E-161
GX-148 ..... E-162
GX-151 ..... E-164
GX-153 ..... E-165
GX-162 ..... E-166
GX-163 ..... E-172
GX-164 ..... E-198
GX-166 ..... E-204
GX-169 ..... E-206
GX-170 ..... E-215
GX-177 [1-15.6] E-217
GX-177 B E-232
GX-177 D E-235

DX-311 ..... E-1024
DX-313 ..... E-1717
DX-316 ..... E-1804
DX-317 ..... E-1816
DX-318 ..... E-1822
DX-320 ..... E-1826

Notice of Appeal filed March 25, 1973 ..... E-1841
Order Noting Probable Jurisdiction dated October 29, 1974 ..... E-1842

DX-310

THE CITIZENS & SOUTHERN NATIONAL BANK

COMMERCIAL DEPARTMENT

AUDIT MANUAL

E- 860

PREFACE

This manual is intended to outline the scope of internal auditing within this Bank and the division of audit responsibilities between the Local Auditors and the Traveling Auditors. It follows the outline of the Audit Questionnaire of this Bank which is itself patterned after the Bank's Statement of Condition and its Operating Statement.

It is not intended to be an ironclad set of rules and regulations from which no variance is permitted, but rather intended to be a guide to improve audit techniques. It is believed that most of these procedures can be adhered to; however, where circumstances warrant other action, the individual involved should do what he thinks will produce the best results. When such deviations occur, they should be brought to the attention of the General Auditor as soon as possible.

The Local Auditor should maintain adequate records on all work performed by him. His files should be set up in the same order as the Audit Questionnaire, and will be subject to review by the General Auditor.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDIT EXCEPTION FORM TO THE HEAD OF THE LOCAL INSTALLMENT LOAN DEPARTMENT. COPIES OF THIS REPORT, SHOWING THE CORRECTIVE ACTION TAKEN BY THE DEPARTMENT HEAD, SHOULD BE SENT TO THE GENERAL AUDITOR AND CENTRAL INSTALLMENT LOAN DEPARTMENT.

The General Auditor's annual audit report should cover the work performed by the Local Auditor and any deficiencies therein. It should list exceptions found since the date of the last annual audit, and, where appropriate, it should outline recommended corrective action, or comment on the adequacy of corrective measures already taken.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS **CASH**

IN OUR VAULTS

1. HAS CASH BEEN VERIFIED QUARTERLY TO THE GENERAL LEDGER?

TELLER CASH VERIFICATION

It is the duty of the Local Auditor to see that the cash charged to each individual teller is verified once each quarter. The cash counts must be on a surprise basis either early in the morning or in the afternoon after the tellers have placed their cash in the vault. At least once each year all tellers should be counted at one time where it is possible. In verifying tellers' cash, the Local Auditor must verify one hundred percent of the currency under straps in denominations of $5.00 and over. Ten percent to twenty percent of the strapped currency in the one dollar denomination should be selected at random and verified. All bagged silver must be opened and verified and a small percentage of wrapped coin unwrapped and verified.

In counting cash, Form No. 7-205 should be used in its entirety. Any checks held by the teller should be traced the following day to be sure they actually clear the bank. A record should be made of any items other than cash which are held as cash, and these items must be investigated. All checks or debit tickets held by the teller should be approved by an officer of the bank for holding until the next business day. AT NO TIME SHOULD A TELLER HOLD HIS OR HER OWN CHECK. If such a situation is found to exist, a copy of the item should be made and brought to the immediate attention of the Operations Officer of the bank and the General Auditor. The Local Auditor may choose to verify cash by supervising an exchange of cash between tellers whereby the tellers audit each other. When this method is used, it is very important for the teller being audited to remain in the presence of the teller performing the audit, observing the verification. Form 7-205 should be used for this purpose and signed by both tellers.

VAULT CASH VERIFICATION

When the Head Teller's vault cash is verified, the Local Auditor must verify one hundred percent of currency under straps in denominations of $5.00 and over, and ten percent to twenty percent of the strapped currency in the one dollar denomination selected at random. Thirty percent of the bagged coin must be opened and verified. In offices employing the use of scales, the Local Auditor may weigh the coin, occasionally opening a bag for inspection. The Local Auditor should also determine that bagged coin on shelves is being properly rotated by inspecting dates on bag tags. All bags should be bagged as outlined in MG 22.307.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

IN OUR VAULTS - Continued

BALANCING TO GENERAL LEDGER

When balancing the total bank cash held by each teller to the General Ledger, the Head Teller Consolidated Balance Sheet must be prepared, listing each teller's cash as shown on the Cash Count Sheet, Form No. 7-205, along with any late work totals as taken from the individual teller reports, Form No. 18-0823. All missing cash tickets must be described by teller number, transaction number, date of item and dollar amount, any outstanding credits must be described in a similar manner. Outstanding credits will in most cases represent tellers' cashed checks and these items must be brought to the attention of the Operation Officer of the bank as soon as possible after the cash count. All outstanding debit and credit items must be followed until they are cleared. As items are cleared the Local Auditor must see the actual item and attach a copy of the back and front to his cash audit work papers. (NOTE: See Audit Question 15, this section, for the proper handling of cash tickets not currently posted to the General Ledger as of the date of your cash audit.) In those larger offices where only part of the tellers are counted, obtain a copy of Head Tellers Consolidated Balance Sheet, recap the figures appearing thereon and bring to the attention of the Operations Officer of the bank any unusually old or large outstanding items.

OVERAGE AND SHORTAGE DIFFERENCES

The Local Auditor should check to be sure that tellers do not have a kitty, and, further, that any overage or shortage of five dollars or more is approved by an officer of the bank on the day the teller is out of balance. The O&S ticket must be processed no later than the following day's cut-off.

2. IS MUTILATED CURRENCY SHIPPED WITH PROPER FREQUENCY?

The Local Auditor should observe the amount of mutilated coin and currency carried and the frequency with which it is shipped to insure that this unusable money is kept to a minimum.

3. DO TELLERS VERIFY CASH BOUGHT FROM OTHER TELLERS?

The Local Auditor should determine through observation and questioning of the tellers that cash bought from other tellers is being verified. Further, it should be determined that the policies as outlined in the GOG are being adhered to.

POOR COPY

AS EACH EXCEPTION IS NOTED, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

IN OUR VAULTS - Continued

4. ARE CASH SHIPMENTS BEING REGISTERED AND INSURED OR SHIPPED BY AUTHORIZED ARMORED CAR CARRIER?

While counting the vault cash, the Local Auditor should, through observation and questioning, determine if cash shipments are being registered and insured or consigned to an armored carrier. If an authorized car carrier is used for coin and currency shipments, the Head Teller should have readily available the list of individuals, authorized by the armored car carrier, to sign for and receive such shipments. Also, the receipt book, supplied by the armored car carrier and held by the Head Teller, should be reviewed to insure that shipments are properly described. Outgoing shipments must be stored as required by C&S System Security Department. Incoming shipments should be delivered directly to the Head Teller's vault, and "big" money housed as outlined by System Security before the Head Teller leaves the vault.

5. ARE ALL PRESCRIBED PROTECTIVE MEASURES BEING CARRIED OUT COVERING SEALER (OR CRIMPER) IN REGARD TO MONEY SHIPMENTS?

While counting the vault cash the Local Auditor should, through observation and questioning, determine if the sealer (or crimper) is being properly controlled and that it is never available to unauthorized persons. (The most logical place to store this item when not in use is in the cash vault.)

6. ARE ALL PRESCRIBED PROTECTIVE MEASURES BEING CARRIED OUT COVERING THE PREPARATION FOR AND SHIPMENT OF MONEY?

The Local Auditor should assure himself that all shipments of money are properly packaged with currency being enclosed in a paper bag sealed with manila gummed tape and the package stamped with the teller's stamp. This package of currency should then be placed in a cloth money bag that does not have any holes in it and the bag sealed with the sealer or crimper provided for that purpose. The lead seal must indicate the identification of the bank. The Local Auditor should check for compliance with the appropriate GOG's.

7. IS CASH BEING HELD TO A MINIMUM?

BANK CASH

This question can be answered only by determining the cash requirements of the bank. The most practical method for determining a bank's cash requirement is to analyze the checks cashed by the bank over a 30-day

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

IN OUR VAULTS - Continued

period by referring to the General Ledger and scheduling the credits to "Cash", which represent checks cashed and cash sold to the Head Teller. Cash sold to the Head Teller should be deducted in determini cash requirements. Of course, the cash requirements of a bank will exceed the amount of checks, since there must be a certain margin of safety to cover unusual withdrawals. This margin of safety, which should be estimated conservatively, will vary depending on the locati of the bank and how easy it is for the bank itself to obtain cash from the Federal Reserve or other source.

TELLER CASH

During the quarterly verification of teller cash, the Auditor must determine if cash held by the individual teller is kept within the prescribed limits. The Local Auditor should also refer to the monthly Operations Report, where applicable, and review the average cash held by the tellers. Any abnormal fluctuation should be discussed with the Operations Officer of the bank.

8. ARE TELLER OVER AND SHORTS AND CASH ITEM LOSSES NORMAL?

The Local Auditor should maintain a record of over and short entries, cash item losses, and other losses, broken down according to the individuals responsible for the overages, shortages and losses. If this procedure is followed, the Local Auditor will have a running record of which individuals in the bank are causing these overages and losses, and can determine whether or not any one individual's record is satisfactory or unsatisfactory. A monthly report must be submitted to the General Auditor by the Local Auditor by individual and/or department. Unsatisfactory records should be brought to the attention of the Operations Officer of the bank and the General Audito In reviewing such records, the absence of overages, shortages, and losses should be investigated as much as the presence of an excess number. Absence may be occasioned by the maintenance of a kitty or other unauthorized methods.

9. ARE TELLER CASH, VAULT CASH, AND C&S MONEY ORDERS BEING PROPERLY PROTECTED?

The Local Auditor, through personal observation, will be able to determine whether or not the tellers' cages, money buggies, money vaults and money orders are being properly safeguarded at all times. He should make a point to check all cages, money buggies, payroll buggies with combination locks, and vaults during the banking hours

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

IN OUR VAULTS - Continued

and after banking hours to ascertain that all good banking practices are being carried out. No teller, for example, should leave his or her cage or money buggy without locking up his or her money and/or money orders and taking the key with him. This means ten seconds, coffee break, lunch time, etc. Also, the Local Auditor should assure himself that the vault cash and vault supply of money orders are properly protected by periodically inspecting the vault. He should determine whether or not definite responsibility could be placed on one person if there were a shortage in the vault cash or money orders. It is the Local Auditor's responsibility to insure that the GOG covering the inspection of teller stations and the closing and locking of the vault is complied with.

Only the Head Teller should know the combination to his cash vault, but a record of the combination should be held in another vault or safe deposit box under dual control, by the Operations Officer or Cashier, in a sealed envelope and only opened in case of death, sickness, or vacation. If it is necessary to open this combination, and as a result another person has knowledge of the combination, then the combination should be changed when the person (Head Teller) returns to work. A record of all combinations should be sent to the Comptroller in a sealed envelope as outlined in the GOG.

10. ARE ALL PRESCRIBED PROTECTIVE MEASURES BEING CARRIED OUT COVERING CASH?

The Local Auditor, in counting the tellers, should be sure that each teller has "hot money" with a record of the series numbers of the bills being held by a responsible individual, such as the Branch Manager, Assistant Manager, etc., in a safe place. The straps on these bills should have a current date and the bills should not be dog-eared. Money of the $100.00 denomination should be used. There should also be a supply of "hot money" maintained with vault cash.

11. ARE ALL TELLERS' CASHED CHECKS MICROFILMED?

Tellers' cashed checks should be microfilmed prior to being processed by the Proof Department. The Local Auditor should determine from time to time that this is being done.

12. WHEN A TELLER IS LEAVING ON VACATION, IS THE CASH COUNTED AND RETURNED TO RESERVE?

The Local Auditor should determine that this is standard practice and make periodic checks to ascertain that this is being done when tellers leave for a vacation.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

IN OUR VAULTS - Continued

13. ARE CHECKS PAYABLE TO C&S PROPERLY HANDLED?

In handling checks payable to C&S, we should be aware that when a check signed by John Doe, payable to the bank, is presented to the bank by John Smith, it is our risk if we use the proceeds of this check for anything other than something for which John Doe will clearly receive credit, unless John Doe personally directs us to do so. If any check is delivered to us and payable to us but sent to us by someone other than the drawer of the check, we must inquire of the drawer as to the use of the funds. All tellers, particularly Exchange Tellers and Loan & Discount Tellers, should be aware of this exposure, and, when the occasion arises, these tellers should refer the customer to an officer who should determine that there is no fraud involved. If such a check is presented by an employee or officer, or with our officer's initials, for any reason other than for credit to an account or loan of the maker, a copy of both the front and back of the check and the offsetting credit must be sent to the Local Auditor. The Local Auditor should review this with the tellers at frequent intervals, especially when there has been a change in personnel.

14. ARE TELLER MACHINES MADE INOPERABLE WHEN UNATTENDED?

Teller machines must be made inoperable when unattended. This is accomplished by removing the key from the machine. The purpose of locking the machine when it is unattended is to prevent anyone other than the teller responsible from validating a deposit or putting through a transaction on the machine. This means that the keys must be removed when the teller is on break, at lunch, or at any other time the teller is out of sight of the machine. At the end of the day, keys should be removed and placed in an inconspicuous place. No two or more machines in one office should be keyed the same. The following business day, it is important for the teller to clear the machine to determine that no transactions remain within. Through observation, the Local Auditor should determine compliance with this rule each time he is in the vicinity of the teller line.

15. ARE PROPER EFFORTS BEING MADE TO CLEAR CASH TICKETS NOT CURRENTLY POSTED TO THE GENERAL LEDGER?

During his periodic reconciliation of total cash, the Local Auditor should ascertain whether or not there are any old cash tickets outstanding. Normally, the cash tickets should be posted to the General Ledger on the day of the transaction and returned to the Head Teller on the morning of the following day for use by the Head Teller in balancing tellers' cash to the General Ledger. Cash tickets not

AS EACH EXCEPTION IS NOTED, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

IN OUR VAULTS - Continued

clearing on the day of the transaction must be traced immediately with the Operations Department. Promptness is essential. Any cash tickets not clearing within two weeks must be cleared at the end of two weeks by debiting General Ledger Cash and crediting Unclaimed Demand Deposits for the amount of each cash ticket. A copy of the credit to Unclaimed Deposits must be forwarded to the Local Auditing Department. The credit must show the date of the transaction, transaction number, teller name and number, and the amount of the cash ticket.

16. ARE TELLERS BALANCING CASH DAILY?

All tellers should balance cash daily. If a teller has transactions after his normal balancing has been completed, the teller should rebalance before leaving for the day. It is mandatory that the Local Auditor be able to determine from a teller's report that the teller was or was not in balance after the final transaction on the date of the report.

17. HAS NO CASH BEEN SENT TO THE PROOF DEPARTMENT WITH A DEPOSIT?

The Proof Department should notify the Local Auditor any time cash is included along with a deposit. An Auditor's Exception Report should be written so that a record will be maintained on the number of occurrences a teller might have within the audit year.

18. ARE TELLERS' COPIES OF SIGNATURE CARDS PROPERLY CONTROLLED?

Tellers' copies of signature cards should be locked up overnight, and not left exposed and unattended, if possible, with the filing equipment in use. If the signature card files are not equipped with locks, and locks cannot be installed, management should be consulted for a decision on cost of new files versus exposure.

19. ARE DATES ON THE PHOTOCHECK CASHING CAMERAS CHANGED DAILY?

In branches having the equipment to photograph customers cashing checks, the equipment must be set to imprint the current calendar date on checks cashed. The time imprinted should be the same as the time shown on the equipment clock. Tellers should check the machines each morning to insure that the machine date and time are correct. The Local Auditor, during his reviews, should determine this procedure is followed.

BANK PROTECTION--BANK ROBBERY

1. ARE MONTHLY TRAINING SESSIONS, REVIEWING THE PROTECTION MANUALS OUTLINED IN THE COMPTROLLER'S DEPARTMENT BULLETINS PERTAINING TO BANK HOLDUPS, CONDUCTED WITH ALL PERSONNEL WHO MIGHT BE INVOLVED IN A BANK ROBBERY?

   Local Auditors should assure themselves that regular training session are held with all personnel who might be involved in a bank robbery, by reviewing the monthly reports of security meetings. These training sessions should review all items covered in the Comptroller's Department bulletins regarding protection measures in case of a bank holdup and, particularly, each person should practice operating the alarm device at their regular work post.

2. DOES BRANCH MANAGER OR PERSON RESPONSIBLE FOR OPERATIONS OF MAIN BANKING ROOM FLOOR AND OTHER KEY PEOPLE HAVE IMMEDIATELY AVAILABLE PHYSICAL IDENTIFICATION FORMS AND A HOLDUP CHECKLIST?

   The person in charge of the main banking room floor in the larger offices and the branch manager and other key people should be completely familiar with the recommendations on the holdup checklist and have a supply of the physical identification forms on hand.

3. DOES THE OFFICE HAVE, IN YOUR OPINION, A WELL ARRANGED PLAN OF ACTION IN THE EVENT OF A ROBBERY?

   Local Auditors should review with the Branch Manager and other personnel the plan of action in the event of a robbery to determine if in their opinion each office has made the necessary preparations.

4. IS ONE PERSON ASSIGNED THE DEFINITE RESPONSIBILITY OF TRAINING NEW EMPLOYEES IN THE OPERATION OF THE ALARM SYSTEM AND HAVE THE NEW EMPLOYEES ACTUALLY OPERATED THE ALARM DEVICES?

   One person in each office should have the definite responsibility of training all new people in the lobby, particularly tellers, in the details of the holdup procedure and the operation of the holdup

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

NK PROTECTION - BANK ROBBERY (Continued)

devices. This person should see that the new employee operates the alarm devices until he is completely familiar with the operation and can set off the alarm without any hesitancy.

5. IS THE FILM MONITOR CHECKED EACH MORNING TO BE SURE THAT HOLDUP CAMERAS CONTAIN ADEQUATE SUPPLY OF FILM? L-T

Both Local and Traveling Auditors should satisfy themselves that the film monitor is checked each morning before the bank vault is opened to determine that the cameras have not been accidently set off during the night and the supply of film expended. A log book should be used which the individual initials daily and records the date, time, and number of frames exposed to evidence the fact that the film monitor was checked.

6. IS FILM IN HOLDUP CAMERAS CHANGED AT PROPER INTERVALS? L-T

Both Local and Traveling Auditors should satisfy themselves that the film in the cameras is changed as recommended by the Comptroller's Department Bulletin on Alarms and Cameras. Specifically, the film in the cameras should be changed each six months or after 650 frames have been exposed, whichever occurs first. The film should be sent to the Purchasing Department 8th Floor, Main Office, Atlanta, Ga., each six (6) months to have test prints developed. If trouble occurs with the cameras, test prints should be developed each time the camera is worked on or adjusted.

7. ARE CAMERAS ADEQUATELY PROTECTED FROM DAMAGE OR REMOVAL BY ROBBERS? L-T

All cameras should be protected to the extent that it would be very difficult for a robber to damage or remove them for the purpose of destroying this evidence of his crime. Protection would be adequate where the camera is encased in a container which is mounted out of reach amply secured to the wall or other stationary object. During the course of their observing bank robbery protective measures, the Local and Traveling Auditors should determin that all cameras are adequately protected in this respect.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

BANK PROTECTION - BANK ROBBERY (Continued)

8. ARE, IN YOUR OPINION, SUFFICIENT CAMERAS AND ALARM DEVICES INSTALLED AND PROPERLY LOCATED? L-T

Both Local and Traveling Auditors should acquaint themselves with the location of cameras and alarm devices and decide in their opinion whether or not sufficient cameras and alarm devices are in the office, and whether they are in proper locations.

9. ARE PROPER PRECAUTIONS TAKEN BY OFFICE BEFORE AND AFTER BANKING HOURS? L-T

Both Local and Traveling Auditors should satisfy themselves by observation and questioning that proper procedures are taken early in the morning and in the afternoon after banking hours. This includes a "Code" call each morning to be handled in accordance with prescribed procedure outlined in the Holdup Protection Manual. Keys to bank entrances should be given only to employees (preferably male and officers), and, where necessary, cleaning contractors. A control list should be maintained showing all individuals having keys and signatures should be obtained upon release of a bank entrance key. Those officers equipped with the "gold key" anti-ambush alarm device should control the key to the device so that it would not be readily available to a bandit or burglar.

10. IS A RECORD OF ALARM AND CAMERA EQUIPMENT SERVICING MAINTAINED IN EACH OFFICE?

The Local Auditor should determine that alarm and camera equipment has been serviced during the past year, by reviewing the Maintenance of Equipment log in each office. We are required by the Bank Protection Act to keep a record of servicing, as outlined on Page 11-A of the Security Manual ("Red Book").

COPY BOUND CLOSE IN CENTER

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

CHECKS IN PROCESS OF COLLECTION - Continued

6. ARE REPORTS ON CASH ITEMS MADE TO THE LOCAL AUDITOR AND SYSTEM AUDITING WHERE REQUIRED? L

When reviewing cash items, the Local Auditor should determine that he has a report from the Branch Manager or Assistant Branch manager concerning each cash item returned because of "no account", "unknown", "signature illegible", or "unable to locate account". These reports should describe the item and the reasons, given by the teller, what item was cashed. Each item of this nature should be assigned to an individual other than the teller who originally cashed the item for the necessary collection efforts.

7. ARE PROPER EFFORTS BEING MADE TO EFFECT THE COLLECTION OF ALL ITEMS HELD AS CASH ITEMS? L

The Local Auditor should analyze the collection of non-current cash items to assure himself that the bank is making every reasonable effort to collect these items.

8. ARE CLEARINGS BALANCED QUARTERLY TO THE GENERAL LEDGER AND VERIFIED? L

Once a quarter, the Local Auditor should balance the clearing figures of the Proof Department for all clearing banks against the general ledger after balancing the clearings the figures so obtained should be verified by correspondence between the Local Auditor and the drawee banks.

9. ARE CLEARINGS RETURNS ON VERIFICATION DATE TRACED? L

In requesting verifications of the clearings balances from the drawee banks, the Local Auditor should request each drawee bank to advise him of any unusual return items in these clearings. Also, the Local Auditor should review all return items from such verified clearings to see that they are proper. Where practical, it is recommended that on the date of such verification the drawee bank be requested to return all the return items to the Local Auditor for his inspection before returning them to the bank proper.

10. IS THE FEDERAL RESERVE BANK COLLECTION ACCOUNT RECONCILED AND TRACED MONTHLY?

The bank's records detailing the Federal Reserve Bank Collection account should be balanced monthly to the general ledger by the Local Auditor. These figures should be checked against the statement of the Federal Reserve Bank after the entries have been made by them.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS CASH

CHECKS IN PROCESS OF COLLECTION - Continued

11. ARE TRANSIT CASH LETTERS TRACED AND RECONCILED QUARTERLY? L

Quarterly, the Local Auditor should obtain a listing of the outstanding transit cash letters, balance this listing against the General Ledger and then verify each item by intercepting the remittance or advice of credit from the correspondent bank, tracing direct all items not cleared in a reasonable length of time.

12. ARE TRANSITS (CASH AND COLLECTION) SENT OUT ON DAY OF RECEIPT? L

The prompt dispatch of transits can be determined only through observation and questioning. All such collections should be sent out on the same day that they are received and none should be held over until the next business day. The Local Auditor should acquaint himself with this operation to be sure that it is being handled properly.

13. ARE TRANSIT COLLECTIONS TRACED PROMPTLY? L

This question can be answered by observation and review of the operations of the Collection Department. All outstanding items should be reviewed and those which have been outstanding for more than a reasonable length of time should be further reviewed to determine whether or not tracers have been sent. The Local Auditor should review outstanding items quarterly.

14. ARE TRANSIT DRAFTS PROPERLY AUTHORIZED? L

The Local Auditor should determine through observation and questioning that transit drafts in excess of $500.00, for which we give our customer immediate credit, are being approved by the account officer. If a customer frequently deposits such items for immediate credit, there should be a memo in file in the Collection Department, signed by the account officer, outlining the dollar amount of outstanding drafts permissible for the customer. During the Local Auditor's review, he should also determine that the depositing customer is not drafting on himself to obtain immediate credit and then using the uncollected funds.

ON DEPOSIT IN FEDERAL RESERVE AND OTHER BANKS

1. IS THE FEDERAL RESERVE BANK RESERVE ACCOUNT BEING RECONCILED BY THE LOCAL AUDITOR? L

This account should be reconciled monthly by the Local Auditor. A file should be maintained by the Local Auditor of such reconcilements showing outstanding items, all of which should be verified by him. Exceptions in the above reconcilement should be investigated by the Local Auditor and traced to the point where he is satisfied that such exceptions are in order.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ON DEPOSIT IN FEDERAL RESERVE AND OTHER BANKS (Continued)

2. ARE LEGAL RESERVE REQUIREMENTS COMPLIED WITH? L

The Local Auditor should review the legal reserve requirements of the bank on a quarterly basis and determine whether or not these requirements have been and are being met.

3. ARE "DUE FROM CORRESPONDENT BANK" ACCOUNTS BEING RECONCILED MONTHLY BY THE LOCAL AUDITOR? L

All "Due From Correspondent Bank" accounts (excluding "Due From C&S" accounts) should be reconciled each month by the Local Auditor. Such reconcilements should be retained in his file and examined by the Traveling Auditors.

4. ARE "DUE FROM C&S BANK" ACCOUNT RECONCILEMENTS REVIEWED BY THE LOCAL AUDITOR? L

The "Due From C&S Bank" account statement should be reconciled within a few days after its receipt. Statements for affiliates and associate correspondent bank accounts are rendered either weekly, semi-monthly or monthly. The reconcilements of these accounts should be reviewed and the latest statement reconciled or re-reconciled by the Local Auditor at the times of his periodic reviews, but at least quarterly. All exceptions and reconcilements on "Due From C&S Bank" accounts should be traced by the Local Auditor to the point where he is satisfied such exceptions are in order. The Local Auditor should trace all official exchanges, drawn on other banks, outstanding more than twelve months.

5. IS THE LOCAL OPERATIONS OFFICER FAMILIAR WITH EXCEPTIONS IN THE "DUE FROM C&S BANK" AND OTHER DUE FROM BANK ACCOUNTS OUTSTANDING FOR EXCESSIVE PERIODS OF TIME, AND ARE PROPER EFFORTS BEING MADE TO CLEAR SUCH EXCEPTIONS? L

It is the Operations Officer's responsibility to keep abreast of the condition of these reconcilements and to initiate corrective action where warranted. Each time the Local Auditor reconciles the accounts, he should determine whether or not the Operations Officer has carried out his responsibility.

6. IS THE C&S INTER-OFFICE ACCOUNT REVIEWED? L

Monthly, the Local Auditor should review outstanding items on the C&S Inter-Office account, discuss old items with management to determine if they were being followed properly, and prepare exception reports on thirty-day old items.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS **SECURITIES**

U. S. GOVERNMENT BONDS
STATE, COUNTY, AND MUNICIPAL
OTHER SECURITIES

1. ARE ALL SECURITIES UNDER PROPER DUAL CONTROL? L

The Local Auditor should review periodically the manner in which the bank's securities are held to determine whether or not proper dual control is exercised over their custody. The Traveling Auditors should also review this operation. A suggested method of control is the maintenance of an In and Out Book in which all additions to and withdrawals from the bank's portfolio are recorded, the entries being initialled by both parties attendant to such additions or withdrawals.

2. ARE ALL SECURITIES VERIFIED SEMI-ANNUALLY? L

The bank's entire portfolio should be verified physically at least twice a year. The verification by a Supervising Agency's Examiners may be accepted as one verification. This includes verifying securities held for us by others through correspondence. While examining the securities, the Auditor should be alert for counterfeit certificates. Anything obviously unusual about a certificate should be investigated.

3. IS ANY DEPRECIATION IN MARKET VALUE COVERED BY "RESERVE FOR LOSSES ON SECURITIES"? T

Depreciation in market value of securities should be determined by the Traveling Auditors in connection with their audit. It involves appraising the bank's portfolio on a current market basis, determining the extent of depreciation against net book value and comparing any such depreciation against the "Reserve for Losses on Securities".

4. ARE EXCHANGES HANDLED PROPERLY? L

On all exchanges, the Local Auditors should determine whether or not the new issues received in exchange for old are being set up on the bank's books at the proper figure. From a tax standpoint, we are required to set up a new issue at the current market value. This should be done periodically throughout the year.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS **SECURITIES**

U. S. GOVERNMENT BONDS
STATE, COUNTY, AND MUNICIPAL
OTHER SECURITIES
Continued

5. ARE PURCHASES AND SALES AUTHORIZED? L

Purchases and sales of bank securities should be recorded in the minutes of the Board of Directors Meeting. The Local Auditors should inspect these minutes to determine whether or not all purchases and sales of the bank's securities have been authorized and approved by the Board of Directors. This should be done along with the work outlined above.

6. ARE ALL ENTRIES VERIFIED? L-T

In the National Bank this verification is a responsibility of the Local Auditor. The Traveling Auditors should investigate the procedure used by him. The Local Auditor should check and initial each day all entries made by the Bond Department, delivering them to the Proof Department. In reviewing these entries the Local Auditor should check all contra entries to satisfy himself that everything is in order. In the affiliate banks, the Local Auditor should verify all entries by detailed review of each transaction on a quarterly basis, paying particular attention to contra entries.

7. ARE SECURITIES RECORDS ADEQUATE? L

The Local Auditor during his audits should inspect and appraise the securities records of the bank. In particular, he should look for adequacy of descriptions, dates of purchases, and dates of sales.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LOANS PAYABLE ON DEMAND
TIME LOANS TO INDIVIDUALS AND BUSINESS
HOME LOANS AND OTHER REAL ESTATE LOANS
INSTALLMENT LOANS (See Installment Audit)

1. ARE NOTE RECORDS IN BALANCE WITH THE GENERAL LEDGER?

The Local Auditor should review the listing of the notes by the Loan & Discount Department to determine that the Department is listing and balancing the notes each month. It is suggested that the Local Auditor have the Loan Department forward to him their balancing tapes each month. Any differences or exceptions should be followed by the Local Auditor. Once each year a trial balance of the notes and the Liability Ledger should be made by the Local Auditor, and in this connection, the Auditor should handle the actual listing, but it would be in order for loan personnel to check back the listirg so long as the Auditor investigates all changes.

2. ARE NOTES BEING VERIFIED ON A BI-ANNUAL BASIS?

Commercial loans should be verified with the customer by the Local Auditor so that the entire loan portfolio will be covered in a two year period. This verification should be made on a continuous basis by verifying approximately one-twentyfourth (1/24) of the loans each month. Rather than selecting a particular alphabet to verify, the method of selection should be on a RANDOM SELECTION basis. This means that it is possible for some of the loans to be verified more than once during a year - depending on the outcome of the random selection. Loan accounts to be verified should be selected from the Department's listing tape of the Liability Ledger, starting at a point on the tape indicated by the random selection method - then every twenty-fourth loan account from that point will be verified direct with the borrower. It will be necessary for the Auditor to account for the notes on all loan accounts verified, preparing verifications from the notes, and he must include all related escrow accounts. The Local Auditor should retain under his control file copies of all verifications.

LOANS PAYABLE ON DEMAND
TIME LOANS TO INDIVIDUALS AND BUSINESS
HOME LOANS AND OTHER REAL ESTATE LOANS
INSTALLMENT LOANS (See Installment Audit)
Continued

3. ARE STANDARD C&S NOTE FORMS USED?

In handling the notes for various other purposes, the Local Auditor should determine that C&S note forms are being used. Any exceptions found should be directed to the attention of the officer in charge of the department or office.

4. ARE PAST DUE NOTES BEING FOLLOWED, AND ARE DELINQUENT CHARGES BEING COLLECTED?

The Local Auditor should ascertain that past due notes are being submitted to the Executive Officer and the Board of Directors for their review at least monthly. Semi-annually the Local Auditor should review the past due notes, and those past due sixty days and over should be discussed with the Executive Vice President or President. All past dues should be reviewed at the time of the annual audit. With respect to delinquent charges, in the National Bank, the Accrual Department will write a memorandum to the Local Auditor regarding any charges that are not collected, but in the Affiliate Banks the Local Auditor should spot check for these collections at the time interest received from loans is checked.

5. ARE NOTE NOTICES MAILED SEVEN DAYS IN ADVANCE OF MATURITY?

When the Local Auditor is performing other work in the Loan Department, he should make it a practice to look in the tickler file to see if there are any notices which should already have been mailed. At least semi-annually he should specifically review the department's procedure in this connection.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LOANS PAYABLE ON DEMAND
TIME LOANS TO INDIVIDUALS AND BUSINESS
HOME LOANS AND OTHER REAL ESTATE LOANS
INSTALLMENT LOANS (See Installment Audit)
Continued

6. ARE PROPER LIABILITY RECORDS MAINTAINED ON INDIRECT PAPER? L

In all cases where loans are rediscounted with the bank, the endorser's total indirect liability must be reflected on a liability ledger record in order that the volume of each endorser's liability will be readily available for review and can be controlled.

It is the Local Auditor's responsibility to determine that indirect paper is posted on the liability ledger under the name of the endorser. He should make an exception of any deviation from the procedure during his continuous audits of Commercial Department loans, and follow to see that corrective action is initiated.

7. IS INDIRECT PAPER VERIFIED DIRECT WITH BOTH THE MAKER AND ENDORSER? L

When indirect paper is included in the Local Auditor's random selection of notes to be verified, he must verify the indirect loans with both the maker and the endorser. This is necessary to assure that the paper is bona-fide and that any payments made direct to the endorser are promptly forwarded to the bank.

8. ARE LOAN CLASS CODES CORRECT? L

When reviewing notes, the Local Auditor should determine that each loan reviewed is classified correctly on the computer print-out.

COLLATERAL

Notes and collateral should be audited on a continuous basis by the Local Auditor in the following manner:

The checking of notes and collateral should be tied in with the verification program. Each month, when the loans are verified, notes and collateral for these particular loans should be checked and the questions listed below applied.

One hundred percent of negotiable collateral pledged as security on loans selected for verification should be physically checked and confirmed with the customer.

THE LOCAL AUDITOR SHOULD SEND AN AUDITOR'S EXCEPTION REPORT TO THE HEAD OF THE OFFICE WITH COPIES TO THE DEPARTMENT HEAD AND THE GENERAL AUDITOR ON EACH EXCEPTION LOCATED, MAINTAINING A COPY IN HIS FILES.

1. IS COLLATERAL LISTED ON THE NOTES ON HAND?

The Local Auditor should make an exception for any collateral listed on the notes which is not in the bank's loan files.

2. IS COLLATERAL PROPERLY DESCRIBED ON NOTES?

In the course of checking collateral, the Local Auditor should determine that collateral pledged is described in a manner that positive identification can always be made. Notes secured by assigned life insurance should recite the name of the insurance company and policy number. Notes secured by bonds should recite the issuing agency, par value, interest rate and maturity. Notes secured by security agreements should recite the dates of security agreements and a brief description of type of collateral pledged. Notes secured by real estate should recite date of the security deed to real estate and a brief description as to location or property. Notes secured by savings bonds should show the issuing institution and bond numbers. Where loans are secured by stocks, the number of shares and the issuing corporation should be shown on the notes, but, in addition to this information, the certificate numbers should be shown on the collateral cards.

E 880-A

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

COLLATERAL (Continued)

3. IS NEGOTIABLE COLLATERAL UNDER DUAL CONTROL AND HOUSED IN THE VAULT OVERNIGHT? L

The Local Auditor should determine through frequent observation that all negotiable collateral is maintained under strict dual control and locked in the vault overnight. Once dual control is established, the Local Auditor should guard against breakdowns in the control, especially where a change in personnel or assignments is concerned.

4. IS PROPER RECORD KEPT OF ENTRIES INTO THE NEGOTIABLE COLLATERAL? L

This record should be in the form of a journal ledger to which there shall be recorded all the additions to or withdrawals from negotiable collateral. Entries should be dated, and each entry should describe the account involved and the securities which were withdrawn or added. It is not necessary to have a detailed description of the securities by certificate number as a listing of the number of shares and kind of securities involved is ordinarily sufficient. The Local Auditor should inspect this record and question personnel no less than quarterly to be sure that it is being handled properly.

5. ARE RECEIPTS OBTAINED FOR ALL RELEASES OF NEGOTIABLE COLLATERAL? L

In the course of his collateral checking operation, the Local Auditor should spot check negotiable collateral cards to be sure that withdrawals are being receipted for. In cases where the collateral was mailed by registered mail to the borrower, there should be a receipted copy of the letter in file.

6. IS FREE COLLATERAL HELD UNDER DUAL CONTROL OR IN SAFEKEEPING IN THE NAME OF THE CUSTOMER? L

Once every year, the Local Auditor should review the collateral cards for collateral which has not been checked during his periodic reviews during the year, and determine whether or not it is "free collateral". If so, a schedule of the collateral should be made and copies sent to management and the General Auditor. This collateral should be held under dual control.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

COLLATERAL - Continued

7. ARE ALL NOTES OFFICIALLY APPROVED, AND ARE ANY DEMAND NOTES OVER 20 YEARS OLD?

In reviewing the notes, the Local Auditor should check to see that each note and memorandum attached pertaining to unsecured or open amounts is approved by an officer. At the same time, he should observe whether there are any demand notes over twenty (20) years old. If any are located, this fact should be reported as an exception, and a new note with a current date should be obtained.

8. IS THERE PROPER INSURANCE COVERAGE ON ALL COLLATERAL HELD AS SECURITY?

During his review of collateral notes, the Local Auditor should be sure that the collateral is protected with insurance and that the original insurance policy or an acceptable binder or statement of coverage failure insurance is in the bank's possession. The insurance policy should be checked for expiration date, adequacy of amount, type of coverage, description of property insured and loss payable clause in favor of the bank.

9. IS THE FOLLOW-UP SYSTEM ON INSURANCE AND SUSPENSE ITEMS ADEQUATE?

To determine whether or not the follow-up system on casualty insurance is being operated properly, the Local Auditor should test check insurance expiring prior to the maturity of the loans to see if there is a follow-up card in file. Also, when he finds an expired insurance policy in file, he should check to see if a follow-up tickler had been prepared. If not, this would indicate that the system is not being operated properly. In a like manner, there should be a follow-up system, operated properly, on the Loan Department's suspense items. Each time the Auditor finds an exception pertaining to pertinent papers not on hand, he should determine if the failure is due to inadequate follow-up.

COLLATERAL (Continued)

10. HAS THE BANK'S SECURITY INTEREST IN COLLATERAL BEEN PERFECTED?

Except for real estate loans, automobile loans, loans secured by consumer goods where a purchase money security interest is acquired, or where collateral is physically held, the bank's security interest in collateral is perfected by filing a "Financing Statement" with the applicable county. During the course of his checking collateral, the Local Auditor should ascertain whether statements are properly completed. (Do not fill in maturity date.) and filed with the clerk of the appropriate county. Generally speaking, a statement should be filed in all instances except as indicated above. There will, however, be instances where filing is waived, but such waivers should be held to a minimum. All waivers should be initialed by the loan officer. The Local Auditor should make a list of the loans on which the filing of a statement was waived, sending a copy to the head of the office for his information.

11. ARE ALL REAL ESTATE LOANS RECORDED?

The Uniform Commercial Code does not affect real estate loans. These should be recorded as in the past. In checking the real estate loans, the Local Auditor should determine that the deeds are properly recorded.

12. IS THE BANK'S INTEREST IN COLLATERAL SUBJECT TO THE GEORGIA MOTOR VEHICLE CERTIFICATE OF TITLE ACT BEING PERFECTED?

All automobiles, trucks (including tractor-trailer), trailers for tractors, tractors (unless farm equipment), camping trailers, and mobile homes, even if on a foundation, are covered by the Georgia Motor Vehicle Certificate of Title Act. On all 1963, 1964 and subsequent year models, a security interest is perfected by completing Form T1 (Application for Certificate of Title). The bank's name as secured party must appear on this form. A Title Certificate must be obtained on each, and a copy of the Certificate should be in the borrower's collateral file. On all 1962 and older models, a security interest is perfected by filing Form T3 (Notice of Security Interest). As a general rule, a T3 will not be filed except for collection accounts, or where the probability of future trouble is above average.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

COLLATERAL - Continued

On those requiring the filing of Form T-3, a validated copy of the T-3 central filing form must be in the collateral file, or a follow-up card in the follow-up file covering recent transactions.

In checking collateral subject to the Title Act, the Local Auditor should determine whether or not all of the above conditions are met.

13. WHEN CUSTOMERS HAVE TWO OR MORE LOANS SECURED BY THE SAME COLLATERAL, IS EACH NOTE MARKED TO INDICATE THIS FACT? L

The Local Auditor should determine when customers have two or more loans secured by the same collateral that each note is marked "PATL", "PLEDGED AGAINST TOTAL LIABILITY", or in some other manner to indicate that the collateral secures more than one loan. Failure to make some notation on each note might result in premature release of collateral and should be reported as an audit exception.

14. ARE SEPARATE STOCK POWERS OBTAINED FOR EACH CERTIFICATE OF STOCK OR REGISTERED BOND PLEDGED AS COLLATERAL, AND ARE THESE POWERS PROPERLY EXECUTED? L

During his checking of negotiable collateral, the Local Auditor should determine that each certificate or registered bond pledged as collateral is supported by a separate stock power and that the power is signed in the same manner that the stock or bond is issued, and properly completed. The Assignee line and the statement of appointment on the lower half of the form should be left blank.

15. ARE LOANS SECURED BY LISTED OR UNLISTED SECURITIES SUPPORTED BY REGULATION "U" CERTIFICATES? L

There should be a certificate in file to support all loans secured by listed or unlisted securities. This certificate should be signed by the borrower, fully completed in every respect, particularly as to the purpose of the loan, and signed by the accepting officer. The Local Auditor should determine that a properly executed certificate is in file at the time he checks the negotiable collateral. There must be a separate note and executed certificate in file for each loan made for the purpose of purchasing or carrying securities convertible into registered stocks. These certificates must be retained by the bank for at least three (3) years after the loan is paid out, which can be accomplished by attaching the Regulation "U" Certificates to the collateral record cards, which will be held for ten (10) years as the receipt for collateral released.

The Local Auditor should have in his possession a copy of "Loan Operating Procedures Relating to Uniform Commercial Code" for use as a guide in auditing collateral.

AS EACH EXCEPTION IS FOUND A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

COLLATERAL - Continued

20. ON LOANS SECURED BY SAVINGS ACCOUNTS OR SAVINGS CERTIFICATES, HAVE PROPER NOTATIONS BEEN MADE ON THE SAVINGS RECORDS TO INDICATE THE ACCOUNTS ARE PLEDGED?

All savings accounts and savings certificates that have been pledged as collateral should have sufficient information on the savings records or computer records to indicate the pledge so that the funds will be held. The Local Auditor should determine that savings accounts or savings certificates records have been flagged, and that there are acknowledged change of status cards in file for those accounts or certificates that are on the computer. On exceptions noted, the Auditor should determine whether each failure is due to the Loan Department, Savings Department, or Bond Control.

For savings accounts or certificates not on the computer or with other banks, there should be properly completed assignments and acknowledgements in file.

21. HAS A PROPERLY COMPLETED "FINANCING STATEMENT" BEEN FILED COVERING ALL LOANS SECURED BY PLEDGED ACCOUNTS RECEIVABLE?

It is very important that the bank's security interest be perfected by a filed Financing Statement on all accounts receivable loans. This is filed in the office of the Clerk of Superior Court in the county where the principal place of business is located, if the customer is a partnership or corporation. If the customer is an individual, the filing should be done in the county where he resides. During the course of his auditing collateral, the Local Auditor must be sure that this is done in every instance. In addition, a "Security Agreement" should be obtained in each case, and filed in the customer's collateral file along with a validated copy of the Financing Statement. It also is necessary for the Local Auditor to ascertain that prior to making the first advance, the bank has physically checked the index of Financing Statements (at Superior Court) to determine that ours is on file and that no other financing statement covering accounts receivable or inventory (with proceeds block checked) has been filed prior to ours.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

COLLATERAL - Continued

22. IS THE FOLLOW-UP SYSTEM FOR FILING CONTINUATION STATEMENTS ON PLEDGED ACCOUNTS RECEIVABLE OPERATED PROPERLY? L

A tickler system should be set up in order to obtain and file a new Financing Statement within six months prior to maturity of the first financing statement which is good for five years provided the space for recording maturity date of the loan was left blank. As standard practice, this space should always be left blank. The Local Auditor should check the file to see whether there is a follow-up tickler for each accounts receivable loan as he checks them, and that new financing statements actually are being filed as required.

23. ARE ALL PAYMENTS ON ALL ACCOUNTS RECEIVABLE LOANS MADE BY A REMITTANCE FROM THE FIRM INVOICED, RATHER THAN A REMITTANCE OR A RENEWAL NOTE FROM OUR BORROWING CUSTOMER? L-I

Payments on all Accounts Receivable loans must be made by remittances from the firms invoiced, rather than remittances or a renewal note from our borrowing customer. It is very important that the Local Auditor determine that these loans are being handled in this manner in every instance. Also, remittances for one hundred percent of pledged receivables should be received by the bank. This is necessary to detect fictitious assigned invoices to meet margin requirements. The Local Auditor should question loan personnel thoroughly regarding their procedure, and he should review all payments received during his audit to see that the only remittances being used are those from the invoiced firms. Further, the System Credit Auditor must be appraised of all exceptions. As exceptions are determined, the Local Auditor should write to the Credit Auditor advising him of the matter, sending a copy of the report to the General Auditor. Annually, the System Auditors should include in their audit report a list of all such loans that are not handled on the proper basis.

E- 887

COLLATERAL - Continued

24. ARE PLEDGED ACCOUNTS RECEIVABLE CHECKED BY THE LOCAL OFFICE AS TO VALIDITY, PROMPTNESS OF PAYMENT, AND PROPER MARKING OF BORROWERS' RECORDS?

The Local Auditor, in reviewing accounts receivable loans, should determine whether or not the Local Office is checking these points in the routine handling of accounts. At the same time, he should ascertain that pledged Accounts Receivable loans are reviewed as a whole for each borrower rather than on an individual note basis.

25. IS SUBSTITUTION OF INVOICES ON ACCOUNTS RECEIVABLE LOANS PROHIBITED?

The Local Auditor should include in his investigation of the handling of Accounts Receivable loans the matter of whether or not substitution of invoices is permitted. Adequate explanations should be given when substitution is made because it allows fictitious invoices to be added. Above all, this should not be a regular practice. All instances noted should be reviewed with management and listed in the Auditor's Exception Report.

26. ARE CONSTRUCTION LOAN ADVANCES SUPPORTED BY CONSTRUCTION PROGRESS REPORTS?

Prior to advancing funds on a construction loan, a Construction Progress Report should be completed and signed by the lending officer. In some instances, the builder may submit statements of completion, and these statements, if verified and signed by the lending officer, will be acceptable.

27. IS THE AUTHENTICITY OF STOCK CERTIFICATES VERIFIED?

During his quarterly review, the Local Auditor will confirm the authenticity of stocks securing loans with balances of $5,000.00 or more by verifying (using Form 07-0655-0) with the transfer agents, the number of shares held by the customer in each corporation. All of the stocks securing the customer's loan you are reviewing should be verified. Stock securing twenty-five percent of the remaining loans in the quarterly work with balances less than $5,000.00 should also be confirmed. When you prepare your verifications, the collateral cards should be marked in some way to indicate they have been verified. You should also make a list of stocks that transfer agents refuse to confirm, so you will not continue to attempt verification of certificates issued by the same corporations owned by other customers which would be included in future audits.

OTHER

1. IS LIABILITY LEDGER IN BALANCE?

From an operational standpoint, the Local Auditor should determine that the Commercial Loan Department is listing and balancing the Liability Ledger monthly. About once each quarter he should review their tapes to see that the totals are in agreement with the General Ledger. Annually, the Local Auditor should run a trial balance on the Liability Ledger himself. Preferably, this should be done at the time he lists the notes.

OTHER - Continued

2. IS ADEQUATE DESCRIPTION USED IN THE LIABILITY LEDGER?

3. ARE POSTING ERRORS IN LIABILITY LEDGER CORRECTED BY MACHINE POSTINGS?

4. ARE PARTICIPATIONS ENTERED ON THE LIABILITY LEDGER AS AN OFF-SET ACCOUNT

5. IS LIABILITY LEDGER CODED FOR THE PURPOSE OF THE CALL REPORT?

The answers to these questions should be determined whenever the Local Auditor has occasion to review the Liability records. Frequent reviews of this ledger are occasioned by the Auditors obtaining information for confirmations. The Local Auditor should keep these questions in mind or maintain a check list each time he refers to the ledger.

6. IS LIABILITY LEDGER POSTED BY SOMEONE OTHER THAN LOAN & DISCOUNT TELLER?

This is a very important question pertaining to the proper segregation of duties. The Local Auditor should be constantly aware of whether or not the proper separation is being maintained.

7. ARE LOANS COVERED BY CREDIT LIFE INSURANCE REPORTED TO THE INSURANCE COMPANY MONTHLY?

The Local Auditor should acquaint himself with the procedures in this connection, and determine from time to time that the reports are in order and are being made monthly.

8. ARE THERE NO INSTANCES OF VIOLATION OF THE FEDERAL BANK HOLDING COMPANY ACT?

The Federal Bank Holding Company Act prohibits:

(1) Loans made by a Citizens and Southern Affiliate Bank secured by stock of The Citizens and Southern National Bank or any other Citizens and Southern Affiliate Bank, unless the loan is 120 percent secured by such stock.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER - Continued

(2) The sale of The Citizens and Southern National Bank to a Citizens and Southern State Bank of a loan or a participation in a loan.

(3) Any other loan or extension of credit made by a Citizens and Southern State Bank to the National Bank or by any Citizens and Southern State Bank to another Citizens and Southern State Bank.

In the course of checking the notes, the Local Auditor should determine that none of the foregoing provisions have been violated.

9. HAVE ALL NEW LOANS MADE TO OFFICERS BY THE BANK FOR WHICH THEY WORK RECEIVED PRIOR APPROVAL FROM THE BOARD OF DIRECTORS? T

The Traveling Auditors will ascertain this at the time of their annual audit when they obtain a statement of officers indebtedness to banks.

10. ARE ALL CLEARANCE LOANS PAID OUT BY REMITTANCES RECEIVED FROM THE INSURANCE COMPANY DOING THE PERMANENT FINANCING, RATHER THAN FROM OUR BORROWING CUSTOMER? L

All clearance loans should be paid by the company granting the commitment for permanent financing. Under no circumstances should any of these loans be taken up by the borrower himself. Such a practice would indicate either fictitious loans or double financing. The main protection that we have from fraud on the part of a customer in connection with these loans lies in our being sure that the checks in settlement of these loans come from the company handling the permanent financing which, of course, indicates that a valid loan has been placed on their books. The Local Auditor should investigate this in the course of his loan audits.

11. ARE SIGNATURES ON NOTES OF PARTNERSHIPS AND CORPORATIONS IN AGREEMENT WITH THE RESOLUTION FILE? L

In checking the notes, the Local Auditor should compare signatures on these particular loans with the resolution file on a spot check basis to determine that these extensions of credit are proper.

E- 890

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS LOANS

OTHER (Continued)

12. ARE ALL CHARGES TO RESERVE FOR LOSSES APPROVED? L

This should be ascertained by the Local Auditor on a periodic basis. Any charges to this account should be approved by the Local Finance Committee or local Board. During each audit, the Local Auditor should review the minutes of the Finance Committee or Board of Directors to determine that all charges are approved.

13. ARE OUTSTANDING CHARGE-OFFS VERIFIED? L

The Local Auditor should tie this verification in with his verification of charged-off installment loans. This should be done at the time the Local Auditor balances the profit and loss accounts with the general ledger. In verifying on a spot check basis semi-annually, he should select from five to ten percent of the loans and verify the balances direct with the customer. He should continue to follow for replies until all are received.

14. ARE NOTES OR RECEIPTS IN FILE FOR ALL CHARGE-OFF LOANS? L-T

The Local Auditor should account for all notes or receipts covering loans charged off since his last audit. This should be tied in with his review of the minutes of the local Board.

15. ARE PROCEEDS OF LOANS DISBURSED ONLY BY OFFICIAL CHECK, CREDIT TO A CUSTOMER'S ACCOUNT, OR INTERIOR TRANSFER? L

During his periodic reviews, the Local Auditor should determine through observation, questioning, and test checking, that proceeds of loans are being disbursed only by check, deposit, or interior transfer. In doing so, if the Auditor finds disbursements to someone other than the borrower, the Auditor should determine that there is a properly completed and signed borrower's authorization form in file.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER - Continued

15. ARE CLAIMS ON CREDIT LIFE INSURANCE COVERING TIME LOANS IN ORDER? L

Copies of claimant's Proof-of-Death forms will be forwarded to the Local Auditor by each individual office as claims are made. The Auditor should place these forms in a suspense file. Subsequently, copies of claim drafts which are issued by the insurance company will be forwarded to the respective Local Auditors by System Consumer Credit Department. At this point, the Auditor should match draft copies against claimant's Proof-of-Death forms to account for all claims. A draft not supported by a claimant's Proof-of-Death could indicate a claim purposely withheld from the Auditor. The Auditor must check all credit life claims to verify that the loan was insured the deceased was the person so insured, and that the draft was used to pay off the loan involved. He should review the note (office note tickler where note already delivered), the loan file, and correspondence in an effort to determine that the loan was not fictitious. A loan paid out by credit life insurance a short time after being placed on the books could indicate a fictitious loan made in the name of a person known to have a fatal illness. It also is important for the Local Auditor to thoroughly familiarize himself with instructions outlined in the General Operating Guide pertaining to credit life insurance so he can verify eligibility of borrowers covered and that various other provisions are met.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS LOANS

OTHER - Continued

17. ARE ALL PROVISIONS OF REGULATION "Z" BEING COMPLIED WITH? L

Extensions of credit subject to the regulation are those of $25,000 or less, or if secured by real estate regardless of amount, which are primarily for personal, family, household, or agricultural purposes made to a person. Not subject to the regulation are extensions of credit to corporations, partnerships, trusts, governments, or loans for business or commercial purposes, other than agricultural purposes.

It is the responsibility of the Local Auditor to determine whether or not all disclosure requirements under the Consumer Credit Protection Act (Regulation "Z") are being met. The Local Auditor must be thoroughly familiar with all provisions of the Regulation, the prescribed procedures outlined in Operating Bulletins, and must determine compliance during the course of his periodic audits of loans. The following questions must be answered in determining whether or not there are any exceptions.

HAS THE "ANNUAL PERCENTAGE RATE" BEEN DISCLOSED IN EVERY INSTANCE?

In reviewing the notes, the Auditor should see that the annual percentage rate is disclosed in the space provided. He should question loan personnel as to whether the customer has received a copy of the note without exception. Through observation, the Auditor should ascertain that no customers' copies of notes are filed within the bank.

ARE ANNUAL PERCENTAGE RATE CALCULATIONS VERIFIED ON A TEST CHECK BASIS?

Using the charts developed for this purpose, the Auditor should verify computations on a representative number of loans being audited to determine accuracy. Accuracy must be to the nearest one-fourth of one percent. The amount of the finance charge and the annual percentage rate must be computed on a basis of one-half year maturity for demand loans. The annual percentage rate need not be disclosed where the charge does not exceed $5.00 on $75.00 or less, or $7.50 on an amount financed exceeding $75.00; however, in such instances, the "finance charge" must be disclosed.

ARE THE FINANCE CHARGE AND THE TOTAL OF PAYMENTS DISCLOSED IN ALL INSTANCES?

In addition to the annual percentage rate, the Regulation requires that the finance charge and the total of payments be disclosed on all types of credits covered except real estate loans made to purchase a dwelling. All items of information which must be disclosed have been incorporated in our note and contract forms; therefore, the Auditor should determine that these spaces have been properly filled in.

OTHER - Continued

ARE CHARGES THAT ARE NOT PART OF THE FINANCE CHARGE SPECIFICALLY ITEMIZED AND DISCLOSED?

There are certain charges which are outlined in our Operating Bulletins that may be excluded from the finance charge if they are specifically itemized and disclosed. In addition to charges for credit life insurance, disability insurance, and (SALES FINANCE) property insurance, charges included in the amount financed labeled "Other Charges" must be specified in order to qualify for exclusion as a part of the finance charge. The Auditor should make an exception of any omissions in this regard.

DO LOANS FOR ADVANCES MADE UNDER LOAN COMMITMENTS CONFORM TO THE REQUIREMENTS?

Where advances are made under commitments, if the bank has disclosed the necessary information, and if the customer has approved the information disclosed, disclosure need be made only once, at the time the agreement is extended. If the bank is electing to consider such transactions to be single transactions, it must estimate amount of disbursement and payment dates and disclose this information. These estimations should be reasonably accurate.

ARE THE TERMS "FINANCE CHARGE" AND "ANNUAL PERCENTAGE RATE" IN PRINT MORE CONSPICUOUS THAN OTHER REQUIRED DISCLOSURES?

The forms developed for use by our banks conform to this requirement; however, the Auditor should make sure that the standard forms are being used, or where forms are revised, he should make sure that they comply in this regard.

HAS THE BORROWER SIGNED IN THE SPACE PROVIDED TO SUPPORT HIS REQUEST FOR OR TO DECLINE CREDIT LIFE AND DISABILITY INSURANCE WHEN HE IS ELIGIBLE FOR THE COVERAGE?

When the borrower is not eligible for credit life or disability insurance, the block indicating this fact must be checked and the borrower need not sign. If the borrower requests credit life insurance (and disability insurance where applicable), the applicable block must be checked and the customer must sign in the space provided indicating his desire. The cost of insurance coverage must be disclosed on the face of the note on insured loans. While Regulation "Z" does not require the customer to sign when he declines this insurance, it is bank policy to have the customer sign to the effect that he has declined the insurance coverage. In order to exclude charges for credit life and disability insurance from the finance charge, these charges cannot be conditions of the loan and this fact must be clearly and conspicuously disclosed in writing to the customer. This information is disclosed in the printed forms

OTHER - Continued

which must be used. We must also disclose to the customer his right to obtain property insurance from a person of his choice acceptable to the lender. The Auditor's responsibility is to determine that the applicable blocks are checked, the customer signs separately in the space provided for this purpose, and the insurance cost is shown when the customer requrests coverage.

ARE "STATEMENTS OF COST OF LOAN" COVERING REAL ESTATE LOANS PROPERLY COMPLETED IN ALL RESPECTS?

There are two statement of cost of loan forms, purchase and non-purchase. These forms incorporate all the necessary information to be disclosed in order to conform with the regulation. It is imperative that all applicable spaces be completed including the borrower's signature acknowledging receipt of a completed copy of the statement. In auditing the real estate loans, the Auditor must make sure that all of the required information is properly disclosed.

ARE TRANSFERS OF EQUITY OR LOAN ASSUMPTIONS HANDLED PROPERLY?

All required disclosures must be made to the new customer before he becomes obligated. The transfer of equity form has been revised for this purpose, and the Auditor should determine that a properly completed form signed by both the original borrower and the transferee is in file.

:S EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION :ORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS LOANS

HAS A NOTICE OF RIGHT TO RESCIND CERTAIN REAL PROPERTY TRANSACTIONS BEEN GIVEN TO THE BORROWER?

A customer may exercise his right to rescind any transaction in which a security or lien interest may attach to his residence or real property that is expected to be used as his residence. The customer may cancel the transaction without obligation within three business days after delivery of all disclosures. The customer must receive two copies of the notice of right to rescind, and the bank must retain in file the original notice signed by the customer acknowledging receipt of his two copies of the notice. A printed form using the exact wording required by Federal law has been designed for the bank's use, and no other form of notification may be used. The Auditor must make sure that a properly completed form is in file on applicable transactions.

HAS NO MONEY BEEN DISBURSED EXCEPT IN ESCROW DURING THE THREE-DAY RESCISSION PERIOD?

Under covered transactions, it is imperative that no money be disbursed until the rescission period has expired.

BEFORE DISBURSING ANY FUNDS, HAS THE BANK REASONABLY SATISFIED ITSELF THAT THE CUSTOMER HAS NOT RESCINDED?

The bank must maintain evidence of the bank's satisfaction that the customer has not exercised his right of rescission. The satisfaction must be obtained after the right of rescission period has expired. It is the bank's policy to require a written statement signed by the customer on all applicable SALES FINANCE paper. (A form is provided for this purpose.) On applicable over-the-counter loans, verification may be made by telephone supported by a dated memorandum signed by an authorized person this effect, or by a statement signed by the customer, either delivered to the bank in person or received through the mail. A customer signed statement is preferable. The Auditor should look for evidence of compliance on a test check basis.

HAVE THE REQUIREMENTS FOR WAIVER OF THE RIGHT OF RESCISSION BEEN MET?

In cases of emergency, the customer may elect to waive his right of rescission. However, the waiver must be based on an emergency (for example, repair of roof resulting from a storm), and the waiver must be in the form of a separately dated and signed personal statement describing the situation requiring immediate remedy. Printed forms may not be used for this purpose.

OTHER (Continued)

IS EVIDENCE OF COMPLIANCE WITH THE REGULATION BEING MAINTAINED?

Evidence of compliance must be retained for two years after all disclosures are made. The disclosure copy of notes should be filed in chronological order, and all other disclosure copies, other than notes, should be filed in the credit folder. During the course of his auditing the loans, the Auditor should review the procedure and check for disclosure copies of notes covering specific transactions on a test check basis. Other disclosure copies should be accounted for when the collateral and credit folders are audited.

18. ARE WRITTEN RECORDS OF INQUIRIES IN FILE AS REQUIRED BY THE FAIR CREDIT REPORTING ACT?

Whenever information other than our own ledger experience is given on one of our customers in answer to a telephone inquiry, a written record of the inquiry should be placed in file. When making his periodic reviews, the Local Auditor should determine that this procedure is being followed.

19. ARE COPIES OF DECLINED APPLICATIONS RETAINED?

Copies of all applications for credit which are declined should be retained in files for at least two years.

20. ARE REQUIRED COPIES OF CUSTOMER NOTIFICATIONS OR DISCLOSURES IN FILE?

Whenever the bank requests an investigative consumer report on any consumer, the bank must notify the consumer of that fact not later than three days after the date on which the report was first requested. If the customer requests in writing the nature and scope of the investigation being conducted, the disclosure should be made in writing not later than five days from the date on which the consumer request was received or such report was first requested, whichever is the later. When an application for credit is declined, a letter must be mailed to the applicant telling of the declination when the denial of credit was wholly or partly based on information from a reporting agency or information secured from some other source. A copy of this letter should be retained in file. If we approve credit, but deny credit life and/or disability insurance as a result of our investigation, we must comply with notification provisions of the Act.

21. ARE INSURANCE CERTIFICATES MAILED PROMPTLY?

If an L&D loan is covered by credit life insurance, the insurance certificate must be mailed in time to reach the customer within ten (10) days from the date of the loan, as required by law. The Local Auditor should determine that each office is complying with this legal requirement.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS LOANS

WAREHOUSE RECEIPT FINANCING

1. ARE GOODS COVERED BY WAREHOUSE RECEIPTS ADEQUATELY INSURED?

   In checking loans, we should ascertain that the amount of fire and theft insurance is adequate and to whom payable.

2. ARE PARTIAL RELEASES POSTED ON WAREHOUSE RECEIPTS OR CONTROLS?

   In checking loans covered by warehouse receipts, we should be sure that all partial releases are properly posted on the warehouse receipts or controls, so the amount of inventory pledged can be determined.

3. ARE WE RECEIVING A MONTHLY REPORT FROM THE WAREHOUSE AS TO THE INVENTORY ON HAND?

   The bank should have in file from the warehouse a report covering inventory on hand, and this should be checked against warehouse receipts held by the bank by the loan officer.

4. IS A REPRESENTATIVE OF THE BANK MAKING PERIODICAL CHECKS ON THE WAREHOUSE?

   A representative of the bank should, from time to time, make spot checks to ascertain that the goods stored in the warehouse are there, are segregated from goods belonging to others, and are in good shape. Also, the building should be in good condition and adequate to cover goods stored.

5. ARE STORAGE CHARGES BEING COLLECTED?

   The representative of the bank, in making a spot check of the warehouse, should also ascertain that the warehouse is collecting its storage fees regularly (at least quarterly).

6. DO WAREHOUSE RECEIPTS BEAR NAMES OF AUTHORIZED SIGNERS?

   The Local Auditor should review the files and determine who is authorize to sign warehouse receipts. When checking loans secured by warehouse receipts, signatures on the receipts should be checked against authorize signatures, and any obvious discrepancies should be immediately reported to management and the General Auditor.

7. ARE ALL WAREHOUSE RECEIPTS LESS THAN ONE YEAR OLD?

   When revieving warehouse receipts, the Local Auditor should check the dates, and any that are one year or more old should be discussed with management and an exception report written. Except under very unusual circumstances, goods covered by warehouse receipts should be moved within a year.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITO..

ASSETS

FIXED ASSETS

BANK BUILDING

1. IS ORIGINAL COST AND ALL CAPITAL ADDITIONS REFLECTED ON THE GENERAL LEDGER?

At some time during each calendar year, the Local Auditor should make a determination as to whether or not the original cost of the bank building and the land is shown separately on the general ledger. Semi-annually, he should review all charges since last review to determine that all additions represent capital additions. Also, during his audits of the bank's expense bills, he should recognize any items charged to "Repairs and Maintenance" which should have been capitalized.

2. ARE ENTRIES APPROVED BY THE EXECUTIVE OFFICER? L

At the time he reviews the entries to the Banking House account, the Local Auditor should see that all entries to this account have been approved by the Executive Officer of the bank.

3. IS AN ALLOWANCE FOR DEPRECIATION ACCOUNT ESTABLISHED? L

Once each year the Local Auditor should check the bank's general ledger to be sure that annual depreciation charges are being credited to an Allowance account rather than against the asset account.

4. ARE ALL ENTRIES PROPER CHARGES TO THIS ACCOUNT? L

Each time the Local Auditor reviews the entries to this account he should be sure that all entries belong to the account. In particular, the Auditor should look for items charged to this account which should have been charged to "Furniture and Fixtures" or to some expense account.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

BANK BUILDING - Continued

5. IS INSURANCE COVERAGE ADEQUATE? T

When the Traveling Auditors make their Annual Audit which includes a schedule of insurance protection, the Auditor in charge should review all coverages with the person responsible for handling the bank's insurance. This will include coverage for banking equipment and all other types of insurance. If, in the Auditor's opinion, the coverage is not adequate, he should report his opinion to the Comptroller or to the General Auditor.

6. ARE DEEDS AND TITLE POLICIES OR ATTORNEYS OPINIONS ON HAND FOR ALL BANK OWNED PREMISES? T

At the time of the Annual Audit the Traveling Auditors should ascertain by inspection that deeds and title policies or attorney's opinions are in file covering all bank owned premises.

BANKING EQUIPMENT

1. IS THE ORIGINAL COST AND ALL CAPITAL ADDITIONS REFLECTED ON THE GENERAL LEDGER? L

The Local Auditor will review bank expenditures either on a daily or a monthly basis depending upon the office involved. He should at that time assure himself that the proper amounts are being shown on the General Ledger for the items purchased. Also, he should determine whether or not all capital additions to "Furniture and Fixtures" are being entered to the account. To do this, he should keep in mind while auditing the bank's expense bills that no capital expenditures should be posted to the expense accounts. He also should determine that no items which should be expensed are posted to the Furniture and Fixtures Account.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

BANKING EQUIPMENT (Continued)

2. IS AN ALLOWANCE FOR DEPRECIATION ACCOUNT ESTABLISHED? L

Once each year the Local Auditor should check the bank's general ledger to be sure that annual depreciation charges are being credited to an Allowance account rather than against the asset account.

3. IS EQUIPMENT BEING VERIFIED CURRENTLY? L

Annually, using an inventory record maintained by Data Processing Department, the Local Auditor should send a list of equipment charged to each department to the Department Head with a request that the Department Head certify that all equipment included in the list has been physically inspected and is on hand. It is very important that this verification be based on an actual physical inspection by the Department Head or one of his reliable employees acting in his behalf. The Local Auditor should maintain these confirmations in his file, and when he is performing other duties in the departments, he should select items from the inventory lists at random as a test check and account for their existence.

4. IS EQUIPMENT BEING MAINTAINED PROPERLY? L

When the Local Auditor is in the various departments, he and his men should observe the equipment to determine whether or not proper care and maintenance is being undertaken. Bank owned vehicles should also be inspected, and any apparent misuses should be brought to the attention of the head of the office, with a copy of the exception sent to the Comptroller. Misuses include personal use and insufficient mileage as well as the normal abuses.

5. IS PRIOR APPROVAL OBTAINED FROM SYSTEM PURCHASING BEFORE EQUIPMENT IS PURCHASED? L

The Local Auditor should determine during his review of equipment invoices that approval from the System Purchasing Officer had been obtained prior to purchasing items with a unit cost of $50.00 or more.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS FIXED ASSETS

OTHER REAL ESTATE

1. IS THE ORIGINAL COST AND ALL CAPITAL ADDITIONS REFLECTED ON THE GENERAL LEDGER? L

2. ARE ALL ENTRIES TO THIS ACCOUNT PROPER, AND HAVE THEY BEEN APPROVED BY THE EXECUTIVE OFFICER? L

3. IS INSURANCE COVERAGE ADEQUATE? L

4. HAS REAL ESTATE ACQUIRED FOR OTHER THAN BANKING PURPOSES BEEN RECORDED AT FAIR MARKET VALUE? L

5. HAS ALL REAL ESTATE ACQUIRED D.P.C. BEEN HELD LESS THAN FIVE YEARS? L

6. ARE RECORDED DEEDS IN FILE? L

During the times the Local Auditor checks the Bank Building and Furniture and Fixture accounts, he should review the "Other Real Estate" record and answer each of the foregoing questions. Recommended procedures for checking out the majority of these questions are covered under Banking House and Banking Equipment. However, with respect to real estate to be acquired for other than banking purposes, the Local Auditor should ascertain that the Comptroller's Office is advised of any potential foreclosure before any action is taken or entries made.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS OTHER ASSETS

HOLDING COMPANIES

CASH ON HAND AND ON DEPOSIT IN BANKS

1. HAS CASH BEEN VERIFIED QUARTERLY TO GENERAL LEDGER? L

   Any cash on hand should be verified and balanced from general ledger to the Petty Cash accounts quarterly by the Local Auditor. Proper petty cash vouchers should be completed and approved by the custodian when disbursement is made and receipts or memoranda attached to the voucher. When petty cash is reimbursed, an officer of the company should review these expenditures and approve for charging to the various expense accounts.

2. HAS THE CHECKING ACCOUNT OF THE REAL ESTATE HOLDING COMPANY BEEN RECONCILED MONTHLY? L

   Once each month, the Local Auditor should reconcile this account. In doing this, he should observe the payees and endorsements on checks to determine that they are proper.

3. ARE ALL CHECKS SIGNED AND COUNTERSIGNED BY AUTHORIZED INDIVIDUALS? L

   Each check written should be signed and countersigned by authorized persons. The Local Auditor should see that this is being done when he reconciles the account.

4. ARE PRE-NUMBERED CHECKS USED, AND ARE ALL NUMBERS ACCOUNTED FOR? L

   Pre-numbered checks should be used and always issued in numerical sequence. In reconciling the checking account, the Local Auditor should account for all numbers, including voided checks. The Auditor should also verify that the next unissued check number follows in sequence.

5. HAVE ALL CHECKS WRITTEN BEEN PROPERLY RECORDED IN THE BOOKS OF ACCOUNT? L

   At the time the Local Auditor reconciles the account each month, he should determine that all checks written have been recorded in the proper account on the Holding Company books. These should always be recorded without delay and there should be no exceptions.

6. ARE ALL DISBURSEMENTS SUPPORTED BY INVOICES OR OTHER MEMORANDUM INFORMATION PROPERLY APPROVED FOR PAYMENT? L

   The Local Auditor should satisfy himself that each disbursement is in order. Disbursements should be supported by invoices or other adequate information properly approved for payment. Regular routine disbursements such as lease payments should be in accordance with the lease agreements.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

HOLDING COMPANIES

CASH ON HAND AND ON DEPOSIT IN BANKS (Continued)

7. ARE PURCHASES AND SALES OF REAL ESTATE AUTHORIZED, AND ARE DISBURSEMENTS FOR PURCHASE OF REAL ESTATE VERIFIED WITH THE CLOSING STATEMENTS? L

Purchases and sales of real estate and investments should be authorized by the Board of Directors. The minutes should be checked on an annual basis to determine that all such transactions are authorized. Closing statements on property purchased since the last audit should be checked to determine that the amount listed on the closing statement is the amount entered on the books as the cost of the property.

INVESTMENTS

1. ARE ALL SECURITIES VERIFIED ANNUALLY? L

The Holding Company's entire portfolio should be verified at least once each year. This includes verifying those held for the Holding Company by others and those pledged as security on loans.

2. ARE PURCHASES AND SALES AUTHORIZED? L

Purchases and sales of securities should be recorded in the minutes of the Board of Directors of the Holding Company. On an annual frequency, the Local Auditor should inspect these minutes to determine whether or not all purchases and sales have been authorized by the Board.

3. IS INCOME FROM INVESTMENTS ACCOUNTED FOR? L

Once each year, income from investments should be traced into the appropriate income account.

4. ARE LEASE AGREEMENTS ON HAND AND CURRENT? L

Income should be checked to the lease agreements to determine that payments are in accordance with the leases. Any differences should be reported as exceptions, and the leases should be amended where necessary. Receipts should be deposited promptly.

5. ARE RECORDED DEEDS, ATTORNEYS' OPINIONS OR TITLE CERTIFICATES ON HAND FOR REAL ESTATE OWNED BY THE HOLDING COMPANY, AND IS INSURANCE ADEQUATE? L

On real estate acquired since the previous audit, the files of the Holding Company should be checked to determine that recorded deeds and attorneys' opinions or title certificates are on hand. Insurance on each piece of improved property should be checked annually to determine that insurance is in force and that the amounts are adequate.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS — OTHER ASSETS

HOLDING COMPANIES

LOANS

1. ARE NOTE RECORDS IN BALANCE WITH THE GENERAL LEDGER? L
2. ARE NOTES VERIFIED ON AN ANNUAL BASIS? L
3. ARE ALL NOTES OFFICIALLY APPROVED? L
4. IS INCOME ACCOUNTED FOR? L

Annually, notes should be listed, balanced to the general ledger and verified with the maker. Any collateral should be accounted for, and any pertinent papers such as stock powers, security agreements, etc., should be checked in the same manner as outlined in the Commercial Audit Manual. Income from loans and any participations purchased should be checked to the appropriate income account.

OTHER ASSETS

1. ARE OTHER ASSETS VERIFIED? L

Annually, appropriate action should be taken to verify any other assets owned by the Holding Company.

NON-OPERATING CHARGES

1. HAVE THE FOLLOWING TAX RETURNS BEEN PREPARED AND FILED WITH THE APPROPRIATE AUTHORITY? L

   (a) Federal Income Tax Return
   (b) Federal Estimate of Income Tax Return if needed
   (c) Georgia Income Tax Return
   (d) Georgia Estimate of Income Tax Return if needed
   (e) Georgia Domestic Corporation Tax Return
   (f) Georgia Intangibles Tax Return
   (g) Annual Registration with the Secretary of State

The Local Auditor should determine that all returns where required (listed above) have been prepared and filed and that the proper amount of estimated taxes is remitted when due.

OTHER LIABILITIES

1. ARE OTHER LIABILITIES VERIFIED? L

Annually, all other liabilities such as notes payable should be verified by the Local Auditor.

CAPITAL

1. ARE STOCK RECORDS IN BALANCE WITH THE GENERAL LEDGER, AND ARE CANCELLED CERTIFICATES HANDLED PROPERLY? L

The Local Auditor should balance the records of the Holding Company annually against the general ledger to be sure that these records are in agreement as to the number of shares outstanding. He should also check the charter at this time to determine if these shares are issued within the limits of the Holding Company's charter. Any surrendered shares should be checked to determine that they are properly cancelled and endorsed.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS — OTHER ASSETS

HOLDING COMPANIES

SURPLUS

1. ARE ALL ENTRIES APPROVED BY THE BOARD OF DIRECTORS? T

The Traveling Auditors should prepare a schedule of the Surplus account and review the minutes of the Board of Directors to see that all entries to this account are proper and have been approved by the Board.

UNDIVIDED PROFITS

1. IS REMAINDER OF NET PROFITS TRANSFERRED ANNUALLY TO UNDIVIDED PROFITS? T

All entries to this account should be inspected and analyzed thoroughly by the Traveling Auditors. In preparing the schedule of this account in connection with the annual audit, they should be sure that all entries have been approved by the Board of Directors and that only one annual credit is being made rather than a monthly or quarterly credit.

MISCELLANEOUS

1. ARE STATEMENTS SUBMITTED TO THE COMPTROLLER'S DEPARTMENT CORRECT? L-T

Monthly, the Holding Company submits to the Comptroller's Department a Statement of Condition and Operating Statement. The accuracy of these statements should be verified once each year by checking the reports in the Comptroller's files against the books of the Holding Company. The Traveling Auditors should verify that last quarterly statements submitted are correct.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS OTHER ASSETS

LETTERS OF CREDIT

1. DOES DETAIL AGREE WITH THE GENERAL LEDGER? L

2. ARE LETTERS VERIFIED CURRENTLY? L

3. ARE FEES VERIFIED CURRENTLY? L

4. ARE ASSETS DEFINED PROPERLY AS TO ACCEPTANCES, ETC.? L

5. ARE ONLY NON-CASH LETTERS HANDLED? L

Quarterly, the Local Auditor should make an audit of the Letters of Credit. He should balance the detail record of letters of credit outstanding against the figures indicated by the General Ledger. Outstanding letters of credit should be verified annually, but rather than verifying all the letters at one particular time, it is suggested that one-fourth of the outstanding letters be verified each quarter. At the time letters of credit are verified directly with the customers, the amount of fees paid by the customers should also be verified and these fees traced into the General Ledger Income Account. During the course of this audit, the Local Auditor should ascertain that the Letters of Credit are being described properly and that no acceptances are shown as Letters of Credit or vice-versa. Also, the Local Auditor should verify that none of the letters handled are cash letters of credit. Generally speaking, we do not handle any cash letters of credit; however, any that are handled must be included as a deposit liability for purposes of F.D.I.C. Insurance.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS OTHER ASSETS

1. ARE ALL OPEN INTERIOR TRANSFERS REVIEWED AND TRACED DAILY? L

Interior transfers should be used only when both the debit and credit will clear the same day. Through observation and questioning, the Local Auditor should ascertain that Operations is balancing interior transfers daily and determining why items that do not clear the same day are outstanding. Monthly, the Local Auditor should balance outstanding interiors, review outstanding items, particularly the reasons why outstanding credits did not clear and report any instances where only the debit interior transfers cleared as audit exceptions. Debit interiors outstanding more than one day should be considered exceptions.

2. ARE SHORTAGES ANALYZED ACCORDING TO EMPLOYEES INCURRING THE SHORTAGES? L

3. ARE SHORTAGES IN EXCESS OF $5.00 APPROVED ON THE DATE THEY OCCUR BY AN OFFICER? L

4. ARE PROPER EFFORTS MADE TO LOCATE SHORTAGES? L

5. HAS A REPORT, SHOWING EFFORTS MADE TO LOCATE THE SHORTAGE, BEEN MADE TO THE COMPTROLLER AND THE GENERAL AUDITOR ON ALL SHORTAGES OF $100.00 OR MORE? L

The Local Auditor should keep a running record of all overages and shortages broken down by employees incurring the differences so that a ready reference may be available to determine which employees are incurring shortages and overages. The Local Auditor should analyze this record frequently. Through observation and review of the records and tickets, the Local Auditor should be sure that all overages and shortages exceeding $5.00 are approved on the day they occur by an officer of the bank. Further, the tickets should be fully completed, and must not cover items which should have been charged to "Other Losses." No exceptions to this rule should be permitted. The Local Auditor should be especially alert to discover any "slush" funds which may be used by tellers to balance their cash daily. When overages and shortages occur, the Local Auditor should make certain that adequate efforts are being made to locate the differences. Where the difference is for $100.00 or more, or for a lesser amount when deemed advisable by the Auditor, a report listing efforts to locate the difference should be made to the Comptroller and the General Auditor.

E-9.09

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

ASSETS — OTHER ASSETS

6. ARE ITEMS INCLUDED IN MISCELLANEOUS ASSETS CORRECTLY CLASSIFIED, AND ARE THEY BEING VERIFIED CURRENTLY? L

The Local Auditor must review all accounts classified as Miscellaneous Assets on the General Ledger and the entries thereto at least semi-annually. He should also keep these accounts in mind when he is inspecting General Ledger tickets during the interim to be sure that none of them should be included elsewhere on the Statement of Condition. The Local Auditor must be aware of any new accounts that are opened. On a frequency of not less than semi-annually, or more often in the judgment of the Auditor, all items included in Miscellaneous Assets should be verified to determine that they actually exist. Further, the Local Auditor should render a report to the General Auditor with a copy to the Comptroller semi-annually listing each account classified as miscellaneous, explaining its purpose. The Traveling Auditors, when preparing a schedule of these accounts, should also study the accounts and their purpose, ascertaining that account titles aptly describe the nature of the accounts, in addition to determining whether the Local Auditor has audited the accounts properly.

7. IS ACCRUAL LEDGER CONTROL ACCOUNT IN BALANCE WITH ACCRUAL DEPARTMENT RECORDS? L-T

This should be verified twice each year. All Local Auditors should use the monthly report from the Accrual Department to obtain the figures relating to their office. These figures should then be checked once each year against the Accrual Ledger Control Account to determine that they are in agreement. The second annual verification should be made by the Traveling Auditors at the time they make their annual audit.

8. IS A RECORD OF MISCELLANEOUS RECEIVABLES MAINTAINED AND IS IT USED PROPERLY? L

The Local Auditor should be aware of any existing receivables such as coin books, bazaar and other items sold to customers which are floating rather than being recorded in a sundry receivables account on the General Ledger. The Local Auditor can accomplish this more effectively by being alert to the existence of such items during the time that he is making audits of the various departments.

9. ARE TRAVEL ADVANCES REVIEWED? L-T

At least quarterly, the Local Auditor should balance and review travel advance records to see that advances are being cleared promptly, generally within three (3) days of the traveler's return. The traveling auditors should also review the travel advance records when they prepare annual reports.

POOR COPY

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

CHECKING ACCOUNTS

Auditing procedures, in some instances, will vary depending on the bookkeeping system used. The Local Auditor will be expected to exercise his judgment with respect to the application of audit techniques.

1. IS THE TOTAL OF INDIVIDUAL ACCOUNTS BALANCED TO THE GENERAL LEDGER CONTROL ACCOUNT WITH THE PROPER FREQUENCY? L

COMPUTER PROCESSED ACCOUNTS

The Local Auditor should, by observation, determine that computer produced trial balance totals are recapped and balanced to the general ledger control at the proper intervals by personnel not directly involved in the processing of the account records. He should also recap these totals and balance to the general ledger when his direct verification print-out is received.

NON-COMPUTER SYSTEMS

Quarterly, the Local Auditor should recap the department's trial balance tapes and balance the total to the general ledger control account. By observation, he should determine that the Bookkeeping Department is performing a trial balance of the account records and balancing to the general ledger at least monthly. All ledgers should be listed once each year by auditing personnel. This listing may be by book or section at various times during the year at which time the book listed will be balanced to its respective control and the controls balanced to general ledger. Also, the listing may be incorporated with the direct verification program.

2. ARE PROCEDURES IN EFFECT THAT WILL DETECT THE UNAUTHORIZED REMOVAL OF AN ACCOUNT?

COMPUTER PROCESSED ACCOUNTS

After each cycle of statements has been run by the computer, the Local Auditor should run his Interim Balance Program in order to compare the balance sent to the customer with an updated balance from the Audit Master Tape. Any differences in the two balances, changes of address, and account title changes are listed on a print-out as exceptions and should be investigated to determine the causes.

NON-COMPUTER SYSTEMS

From time to time, the Local Auditor should check back trial balance tapes to the ledgers. This should be done two or three weeks after the date of the trial balance. Strict control must be maintained over the sections selected, or the audit will be of no value. If there were any defalcations concealed in the books, and if the bookkeeper had failed to remove the account under the assumption that the section would not be subject to audit until the following year, the re-checking of the list could uncover it.

E-911

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

CHECKING ACCOUNTS (Continued)

3. ARE POSTING ERRORS CORRECTED BY MACHINE POSTINGS, AND ARE THE STATEMENTS CLEAN AND NEAT? L

The Local Auditor should observe, during the times that statements are handled for other audit purposes, whether or not statements are clean and neat. He should also determine that all posting errors are corrected by machine postings.

4. ARE SUSPENSE ITEMS INTERCEPTED AND TRACED BI-MONTHLY? L

Approximately once every other month, the Local Auditor should intercept all suspense and return items handled by the Bookkeeping Department to satisfy himself that all are in order by determining the source of the items and the disposition of all questionable items. A questionable item would be, for example, a check returned to a department within the bank for reason "No Account". These items should be traced to final disposition. All items should be marked with an identifying mark, preferably an Auditor's stamp which could not easily be erased. All items returned again must be referred to the Local Auditor. The Local Auditor should re-inspect the suspense items for the next week or ten days to see that none are being run-around internally, and that all items have cleared. At the beginning of the audit, it is very important for the Auditor to balance the suspense items against the Suspense account in order to account for all items in this category.

5. ARE DAILY DEBITS AND CREDITS BALANCED AT PROPER INTERVALS? L

This work should be tied in with the audit of suspense items. On the day that the Local Auditor intercepts and traces suspense items, he should also recap the debits and credits from the posting records and reconcile this figure to the total debit and credit figure charged to the department by the general ledger.

6. ARE ALL DEPOSITS POSTED DAILY? L

All deposits should be posted daily under date received. Deposits that cannot be identified should be credited the same day to an Unclaimed Deposit Suspense account ("Unclaimed Deposits-Under 60 Days") in Bookkeeping. The Local Auditor should review this account at least monthly to determine the disposition of all deposits, and that proper efforts are made to identify the depositors. After a reasonable time, but no longer than 60 days, deposits that remain unclaimed should be transferred to an Unclaimed Deposit account on the general ledger. The deposit tickets and a copy of the credit to Unclaimed Deposits should be forwarded to and controlled by the Customer Service Manager in Atlanta and the Bookkeeping Manager or Cashier in other offices. No debits against this account should be permitted without the prior initialed approval of the controlling officer and the employee handling the transaction. When a deposit is removed from the general ledger Unclaimed Deposit account, the Local Auditor must determine what disposition was made of it and send a positive verification to the depositor whose account was credited. The customer's name, address and account number will be shown on the Unclaimed Deposit debit. The Local Auditor should be particularly alert to discover unclaimed deposits being transferred to a fictitious account against which subsequent withdrawals could be made. Any deposits not claimed within six months from the date of the deposit should be transferred from Unclaimed Deposits on the general ledger to Other Recoveries, an account on which the Local Auditor will review and approve all debits prior to their being posted, or if the Local Auditor is not available, a disinterested officer and the Bookkeeping Manager will approve the debits.

CHECKING ACCOUNTS (Continued)

11. ARE REGULAR OVERDRAFTS APPROVED BY AN OFFICER OR AUTHORIZED PERSON?

An account may be automatically overdrawn up to a specified limit provided an officer gives his authorization to do so in each instance. The Local Auditor should determine that the regular lists of overdrafts submitted to the officers are being approved by the officers. In addition, whenever the Local Auditor is running a list of the ledgers or preparing statements, he should make a notation of all the accounts which are overdrawn to see that these accounts appear on the list of overdrafts reviewed by officers.

12. ARE UNCOLLECTIBLE OVERDRAFTS CHARGED OFF WITHIN A REASONABLE TIME?

The Local Auditor should know in particular the length of time each overdraft has existed. He can determine this when reviewing the overdraft list or handling the accounts for other audit purposes. Overdrafts should be charged off as soon as practicable where there is no apparent chance of collection. Uncollected overdrafts caused by service charges should be charged back to the appropriate service charge account.

13. ARE PROPER EFFORTS MADE TO COLLECT OVERDRAFTS?

In reviewing the overdrafts, the Local Auditor should ascertain that proper efforts are being made to collect them before they are classified as uncollectible. On those that have been classified as uncollectible and charged off, the Local Auditor should satisfy himself that collection follow-up is maintained.

14. ARE DISINTERESTED PERSONS PREPARING STATEMENTS?

The Local Auditor should determine this by observation. Personnel of the Bookkeeping Department must not prepare checking account statements for mailing on accounts which they post and they must not have unrestricted access to these statements while they are being prepared by detached persons. They may, however, prepare statements on other accounts on an unannounced rotation basis.

15. IS CONTROL MAINTAINED OVER STATEMENTS UNTIL MAILED?

After the statements have been prepared for mailing, they must remain under strict control of detached persons until the statements and cancelled checks are mailed out or delivered to the customer. Each month the Local Auditor should observe whether or not maximum control is maintained over prepared statements to eliminate the possibility of alterations or changes being made on statements prior to mailing. Braille Account cancelled checks and copies of statements should be properly controlled and safeguarded by the Atlanta Marietta Street Office until mailed to the customers.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

CHECKING ACCOUNTS (Continued)

16. IS THE MAJORITY OF STATEMENTS MAILED TO CUSTOMERS? L

Generally, the majority of active customers' statements is mailed wherever possible to reduce lobby congestion and afford a more effective audit control. The Local Auditor should determine the volume of non-mail statements through observation. He should also observe the number of accumulated statements not being called for by the customers. These should be called to the attention of the Operations Officer who should have someone contact the customers in an effort to place them on the mailing list. This would reduce the Auditor's work in verifying non-mail statements.

If the bank is not mailing inactive personal checking account statements with balances under $500.00 because of no maintenance charge and our dormant control program, that fact should be reported to the Board of Directors and recorded in the minutes. These "no activity" statements should be mailed once each six months by the Local Auditor, with a negative verification enclosed. If a statement is returned by the post office as undeliverable, the account should be transferred to dormant.

17. ARE ACCOUNTS VERIFIED ANNUALLY? L

These accounts should be verified directly with the depositor on a negative basis. The verification data will be printed on the Audit Verification form using a computer program which will select at random those accounts to be verified. A random selection of about 3% per month, or 9% per quarter, of the accounts should be verified; and during a period of one year, at least 33% should be verified. If a verification is printed without a mailing address, the Local Auditor should make every effort to verify the balance with the customer on a positive basis.

18. ARE NON-MAIL STATEMENTS VERIFIED ANNUALLY? L

All non-mail statements which are included in the group being audited by the Local Auditor should be verified with the customers on a positive basis. These verifications should be maintained in the Local Auditor's files. Also, on computer processed accounts, a listing of those accounts for which a statement was not prepared by the Computer Center during the previous monthly audit period is a by-product of the Interim Balance Program runs. The Local Auditor should verify these balances on a positive basis once a year.

E- 915

CHECKING ACCOUNTS (Continued)

19. ARE BANK ORIGINATED DEBIT ENTRIES APPROVED BY AN OFFICER? L

The Local Auditor should determine whether or not debits originated by the bank against checking accounts are approved by officers or properly authorized individuals. The only exceptions permitted are as follows:

CHECKING ACCOUNTS

1. Metered Service Charges
2. Return Item Charges
3. Deposit adjustments of less than $5.00
4. Charges for overprinted checks
5. Regularly established automatic charges to a checking account--loan payments, transfer to savings, to purchase bonds, etc.

All tickets must bear adequate descriptions of transactions. No official approval is required for credit entries, except credits to Overage and Shortage accounts. Names of individuals preparing tickets, and signatures and titles of officers approving the entries, must appear on the tickets.

BRANCH OFFICES AND LARGE OPERATING DEPARTMENTS STAFFED WITH ONLY ONE OFFICER

For branch offices or large operating departments where there is only one officer assigned, a designated managerial person of the same area may approve debit tickets provided there is on file a letter indicating that the individual has authority to approve debit tickets.

20. ARE CHECKS BEING CANCELLED PROPERLY? L

At the time of review of debit entries for approval, the Local Auditor should determine that checks and other debit items have been properly cancelled.

21. ARE PAID AND CANCELLED CHECKS PROPERLY SAFEGUARDED AND NEVER AVAILABLE TO ALL MEMBERS OF THE STAFF WITHOUT RESTRICTION? L

It is necessary to be able to place responsibility for paid checks at all times. The person designated this responsibility should always approve the removal of any items, and this person should account for

their return. This can be accomplished only when access to the files is limited to those authorized and when the files are locked overnight with the key(s) properly controlled. The Local Auditor should observe this frequently to assure himself of full compliance by the Bookkeeping Department.

22. ARE ACCOUNTS BEING ANALYZED AND NON-PROFITABLE ACCOUNTS BILLED FOR LOSSES?

About once every sixty to ninety days, the Local Auditor should investigate the procedure for analyzing checking accounts to determine whether or not charges are being made against each customer where such action is warranted In particular, he should question personnel regarding the practice of basing charges on past experience or an estimation, neither of which should be permitted.

23. ARE UNPOSTED CHECKS AND DEPOSITS LOCKED UP UNDER PROPER CONTROL WHEN UNATTENDED? L

All checks and deposits to be posted must be safeguarded overnight or when unattended so that unauthorized persons positively do not have access to them. This means that the keys to the file housing the items or the key to the computer room must not be left in an unlocked desk drawer. The Local Auditor should make periodic inspections, not less than one each quarter, to determine compliance.

24. ARE ALL CHECKING ACCOUNT STATEMENTS RETURNED TO THE BANK FOR CORRECT ADDRESSES REFERRED TO THE LOCAL AUDITOR? L

All statements returned by the post office should be referred to the Local Auditor who, without delay, should forward them to the Operations Department for correct addresses using the "Returned Statement Check List" three-part Form #7-288 for the transmittal. The Operations Department should determine the correct address, make the proper changes, and return the statements to the Auditor for mailing.

Using his follow-up record, the Local Auditor should see that no changes have been made on these statements other than the address, then re-mail the statements to the customers enclosing a negative verification.

From the time of receipt until they are re-mailed, returned statements must be properly controlled, and never left exposed and unattended overnight. If a correct address cannot be determined, the account should be transferred to dormant.

25. ARE CHANGES OF ADDRESS ON CHECKING ACCOUNTS VERIFIED WITH THE CUSTOMER?

The Local Auditor should determine the authenticity of at least five percent of significant address changes on checking accounts by mailing a Change of Address verification form to the customer's old address. It is not necessary that a verification be mailed where the address change was not significant, e.g. a typographical or spelling error. All changes from street addresses to post office boxes must be verified. In those banks where the accounts are processed by computer and the Interim Balance Control Program is in effect, address changes may be determined by referring to the Daily Exception list or the monthly comparison of Demand Deposit Master File tapes.

26. IS THE SIGNATURE CARD FILE IN ORDER AND AVAILABLE TO BOOKKEEPERS?

The Local Auditor should, by observation, determine that the signature card file is being kept current and that it is readily available to bookkeepers. Where checks are paid during the filing operation, a signature card for each account should be in the check file guides. When reviewing the signature card file, the Local Auditor should determine that the Social Security number of at least one of the people authorized to sign is shown on any account opened after June 30, 1972. This tax identification number may be shown on a business account. The signature card files should be locked when unattended.

27. ARE CURRENT FILES REVIEWED FOR INACTIVE ACCOUNTS?

Dormant demand deposit accounts should be removed from the active files by the Local Auditor and placed under the control of Operations personnel. To accomplish this objective, the Local Auditor must do the following:

1. Identify accounts inactive for a period of twelve months or more and send a positive verification to each depositor.

2. If the depositor does not reply to the verification, the account should be reviewed with a Bookeeping Department Manager or Supervisor to establish by mutual agreement the status of the account.

3. Remove dormant status accounts from the active accounts and transfer the balances to a General Ledger account for dormant or inactive checking account balances. The final statement on each account will be used by Operations as a ledger to support the balance in the General Ledger account.

The method employed by the Auditor to identify dormant checking accounts will depend on the method by which demand deposit accounts are processed.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

CHECKING ACCOUNTS (Continued)

Computer Processed Accounts--Atlanta

A computer program is used on a bi-monthly basis to audit inactive demand deposits for those banks on the Atlanta DDA computer system. This program has the following functions:

1. Bi-Monthly--Prepare a listing and punch master file change cards for those accounts inactive six months or more (suspect dormant accounts). The cards may be used in a maintenance processing run to place a "D" in the status code field of the account record.

2. Bi-Monthly--Prepare a listing, print verifications, and punch master file change cards for those accounts having activity after the account records were coded to indicate the accounts were "suspect dormant." The verifications should be mailed to the customers, and for those sucessfully verified the Master File Change Card should be used to remove the "D" status code.

3. Annually--Prepare a listing, print verifications, and punch transaction cards and "C" status cards for those accounts inactive twelve months or more. For each account in dormant status, the transaction card and "C" card may be used to close the account and to remove the account record from the file.

Computer Processed Accounts--1400 System

Every two months the Local Auditor will use a computer program to update his audit master file of demand deposit accounts by comparing date on this file with current account data. The printed output from this run lists accounts closed since the previous run and accounts having activity after an inactive period of six months. The updated audit master is a file of account records, each of which includes a date of last activity.

After six months of inactivity, the account will be coded "suspect" dormant" and a positive verification should be mailed on any of these accounts having subsequent activity. If an account which must have a statement rendered each month is inactive for twelve months, the Local Auditor will have the account coded "dormant" and add it to the list of dormant accounts in the active files.

Non-Computer Systems

The Local Auditor should identify accounts inactive twleve months by comparing statement stubs or history cards every six months. These accounts should be handled as outlined above. The result for each will be a transfer to dormant files unless the account must have a statement rendered every month.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

CHECKING ACCOUNTS (Continued)

28. ARE DORMANT CHECKING ACCOUNT RECORDS MAINTAINED AND CONTROLLED? L

The Operations area is responsible for maintenance of the dormant checking account records, including signature cards, balancing the ledger to the General Ledger control account quarterly, and reactivating those accounts having activity. Annually, the Auditor will list the dormant ledger and balance the total to the General Ledger. By observation it should be determined that the dormant ledger is housed in a locked, fire-resistant cabinet, and that the signature cards are maintained in a locked cabinet with the key under control of a disinterest person.

29. ARE ENTRIES TO DORMANT CHECKING REVIEWED BY THE LOCAL AUDITOR? L

The Local Auditor will receive copies of any entries to dormant checking accounts; and, in addition to reviewing the entries for authenticity and joint approval by an Operations Officer and the employee handling the transaction, he should send a positive verification to the customer on any account reactivated.

30. ARE STOP PAYMENT FILES CURRENT, AND ARE COPIES OF STOP PAYMENT ORDERS DISTRIBUTED PROPERLY? L

Procedures for handling stop payments will vary because of the differences in bookkeeping systems. At least quarterly, the Local Auditor should ascertain that the system used is adequate, old stop payments are not cluttering up the file making it difficult to locate current stop payments, and that stop payment orders are being distributed to all parties concerned.

31. ARE SIGNATURES ON CHECKS AND SIGNATURE CARDS IN AGREEMENT WITH THE CORRESPONDING CORPORATE RESOLUTIONS? L

On a random selection basis, the Local Auditor should see that there is a resolution covering corporate depositors, that the signature card is in agreement with the resolution, and that signatures on checks agree with the signature cards.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

CHECKING ACCOUNTS (Continued)

32. IS THE HOUSING OF STATEMENTS FIREPROOF? L

(This question is applicable only where accounts are not processed by computer.) By observation, the Local Auditor should determine the security of statements from the standpoint of their being protected from fire and their being locked, when not in use, inaccessible to unauthorized personnel.

33. IS BOOKKEEPING PERSONNEL PROPERLY TRAINED TO RECOGNIZE THE PRACTICE OF KITING OR DRAWING CHECKS AGAINST UNCOLLECTED FUNDS? L

This should be determined by the Local Auditor. The easiest way to make this determination is by interviewing various personnel of the Bookkeeping Department on a regular routine with special emphasis placed on new personnel. The Local Auditor will want to use tact in questioning these people, and he should also instruct his clerks to be alert for kiting situations when they are handling the accounts.

34. ARE COMPUTER PRODUCED KITING SUSPECT REPORTS REVIEWED AND USED PROPERLY? L

Ability to detect kiting situations is essential. To this end, the bank's computers are programmed to produce kiting suspect reports at regular intervals. Unless these reports are reviewed, and used properly, they are meaningless. On a quarterly frequency, the Local Auditor must make a definite determination that:

(1) Reports are being received by managers and supervisors of the bookkeeping function;

(2) Reports are being reviewed and all suspect accounts followed to a satisfactory conclusion. (There should be notations written on the reports regarding conclusions.) The Auditor should occasionally discuss with the individuals responsible for reviewing reports their follow-through procedures to make sure there is complete understanding of all information contained in the reports.

35. ARE NEW CHECKING ACCOUNT CUSTOMERS PROPERLY IDENTIFIED AND INVESTIGATED? L

Frequently, a dishonest person will open an account for the purpose of defrauding the bank. It is imperative that new account customers be positively identified and proper investigation conducted. It is the Local Auditor's responsibility to determine whether or not this is being done. He should review the new account slip file on a quarterly frequency to see that slips are fully completed and that proper investigation is made. Frequent waivers of investigation should be brought to the attention of management with an Audit Exception Report.

CHECKING ACCOUNTS (Continued)

36. DOES THE LOCAL AUDITOR VERIFY CLOSED CHECKING ACCOUNTS?

The Local Auditor should mail negative verifications to persons closing checking accounts during the month. This is to confirm that the account was properly closed by the customer. A minimum of twenty percent of closed accounts, not including those closed by service charges, should be selected at random for verification. For those accounts processed by computer, a computer program may be used for the random selection of accounts and preparation of the verification. In some locations, it may be preferable to have the final closing statement diverted to the Local Auditor for mailing. A computer print-out of accounts closed would be mandatory if statements are diverted, so the Local Auditor could select the closed account to be verified from the list, insert his verification, and mail the statement.

37. ARE PRINT-OUTS OF CHECKING ACCOUNTS PROPERLY CONTROLLED?

Computer print-outs showing information as to account numbers, balances, dates of last activity, etc., must be controlled and locked up overnight, so the information will not be available to unauthorized individuals. Outdated print-outs must be shredded or destroyed in some other manner, and not just tossed in the trash.

38. ARE CREDITS, OFFSETTING LARGE DEBITS TO CHECKING ACCOUNTS, TRACED TO DETERMINE DISPOSITION OF FUNDS?

The Local Auditor will trace all credits offsetting bank originated debits to customers' checking accounts of $50,000.00 or more each to determine that the funds were applied as instructed by the customers. In some instances, a positive verification of the transaction with the customer might be required. The Local Auditor will be provided with a computer listing of all such charges showing customer name, account number, and amount of each charge for $25,000.00 or more. At least twenty percent of the credits offsetting debits between $25,000.00 and $50,000.00 and all credits $50,000.00 or more will be traced.

39. ARE INTERIM BALANCE CONTROL EXCEPTIONS REVIEWED?

It is the Local Auditor's responsibility to review and determine the authenticity of items printed as exceptions, in his home office. If he is responsible for auditing other banks, and it is not practical to review items before statements are mailed, the checking will be performed in those banks by individuals named by the presidents. In these instances, the Local Auditor should determine that authenticity of items is being verified.

E- 922

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

OTHER DEMAND DEPOSITS

1. ARE DEMAND CERTIFICATES OF DEPOSIT VERIFIED DIRECTLY? L

Any demand certificates of deposit on the books should be verified directly with the customer by the Local Auditor on an annual basis. If there is no response to the annual verification for seven consecutive years, the balance is to be transferred to Other Income.

2. ARE ALL OFFICIAL CHECKS RECONCILED MONTHLY BY THE LOCAL AUDITOR? L

The Local Auditor should reconcile all official check accounts on the general ledger and determine that the checks are being signed with authorized manual or facsimile signatures. Reconciliation frequency will vary from office to office, but should be no less than monthly.

3. ARE OFFICIAL CHECKS OUTSTANDING TWELVE MONTHS TRACED? L

The Local Auditor should trace official checks outstanding more than twelve months. He should exercise caution in doing this, however, and make sure that he is contacting the proper persons. If there is no response from the customer, the deposit should be transferred to Other Income at the end of seven years.

4. ARE UNISSUED OFFICIAL CHECKS AND THE CHECK SIGNING MACHINE PROPERLY CONTROLLED? L

During his periodic reviews, the Local Auditor should inspect the next numbered check following the number of the last check issued by the Exchange Teller, to be sure that there are no pre-signed checks on hand. He should also determine that there are no unnumbered checks in possession of the clerk having custody of official check blanks, that only an operating supply of checks is being carried by the clerk, and that the vault supply of official checks is under proper control. The Local Auditor should determine that the check signing machine is not left unlocked and unattended, and on the day of his review of official checks he should reconcile log impressions to the machine register. These are very important considerations and should not be overlooked by the Auditor.

5. ARE CASH COLLATERAL ACCOUNTS PROVED TO THE GENERAL LEDGER SEMI-ANNUALLY? L

The cash collateral accounts, including "Direct Leasing", should be proved to the general ledger figures by the Local Auditor at least semi-annually.

6. ARE CASH COLLATERAL ACCOUNTS VERIFIED SEMI-ANNUALLY? L

The Local Auditor should verify directly with the customer each of the cash collateral accounts which are carried on the Statement of Condition under the heading "Cash Collateral Accounts". This verification should be carried out semi-annually on a positive basis.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

COMPUTER PROCESSED SAVINGS

1. ARE RECORDS BALANCED DAILY TO THE GENERAL LEDGER? L

Banks on the computer system should balance the totals to the general ledger daily. The Local Auditor should determine that this is a continuing practice; and on a quarterly basis, he should reconcile the computer totals with the general ledger control himself.

2. ARE SAVINGS ACCOUNT TRIAL BALANCES RUN PERIODICALLY BY AUDITING PERSONNEL? L

The Local Auditor should use his own computer program in running trial balances of the savings accounts in connection with his routine verification program.

3. ARE DAILY SAVINGS CREDITS VERIFIED AGAINST THE POSTING JOURNAL EACH DAY? L

Through questioning and observation, the Local Auditor should determine that the individual responsible for checking the daily savings work and balancing to the general ledger is also checking savings credits against the posting journal. These credits must be verified and filed daily.

4. ARE SIGNATURES ON WITHDRAWALS OF $500.00 OR MORE PROPERLY VERIFIED? L

Savings withdrawal tickets of $500.00 or more should bear the initials of two tellers -- one of whom actually handled the transaction for the customer, pulled the signature card, compared the signatures, placed a hold on the account, etc., and the other initials should belong to a teller next to the person handling the transaction, and should be placed on the withdrawal slip before the money is paid to the customer. Drive-in customers requesting withdrawals of $500.00 or more should be referred to inside tellers. This procedure will help assure us that the funds were paid to an individual at the window. Withdrawals from five percenter savings will be "file-paid" by the five percenter bookkeeper. The dates on five percenter withdrawal slips should be checked against the dates processed to be sure that none are post-dated. If one is, it could have been a slip taken in connection with an unsecured five percenter loan, which was to have been paid from a five percenter savings account at maturity, and the slip was misused. Such an entry should be traced to determine final disposition of the funds and an Audit Exception Report issued. The Local Auditor should observe and test check withdrawal slips to determine that these procedures are carried out properly.

5. ARE SAVINGS ACCOUNTS VERIFIED? L

The Local Auditor should verify savings accounts direct with the customers covering 33% or 34% of the accounts annually. Be sure to verify closed accounts as well as active. Accounts to be verified should be selected at random at unannounced intervals, using the Local Auditor's trial balance and negative verification programs.

E- 924

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

COMPUTER PROCESSED SAVINGS ACCOUNTS - Continued

6. ARE CURRENT FILES REVIEWED FOR INACTIVE ACCOUNTS? L

Dormant regular savings accounts should be removed from the active files by the Local Auditor and placed under the control of Operations personnel. To accomplish this objective, the Local Auditor must do the following:

1. Identify accounts inactive for a period of three years or more and send a positive verification to each depositor.

2. If the depositor does not reply to the verification, the account should be reviewed with the officer responsible for savings accounts to establish by mutual agreement the status of the account.

3. Remove dormant status accounts from the active accounts and transfer the balances to a General Ledger account for dormant or inactive savings account balances. The final statement on each account will be used by Operations as a ledger to support the balance in the General Ledger account.

The method employed by the Auditor to identify dormant savings accounts will depend on the method by which regular savings accounts are processed.

Computer Processed Accounts--Atlanta

A computer program is used on a semi-annual basis to audit inactive savings deposits for those banks on the Atlanta Regular Savings computer system. This program has the following functions:

1. Semi-Annually--Prepare a listing and punch master file change cards for those accounts inactive eighteen months or more (suspect dormant accounts). The cards may be used in a maintenance processing run to code the account record inactive.

2. Semi-Annually--Prepare a listing, print verifications, and punch master file change cards for those accounts having activity after the account records were coded to indicate the accounts were "suspect dormant." The verifications should be mailed to the customers, and for those successfully verified, the MFC card should be used to remove the inactive status code.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

COMPUTER PROCESSED SAVINGS ACCOUNTS--Continued

3. Annually--Prepare a listing, print verifications, and punch transaction cards and status cards for those accounts inactive three years or more. For each account in dormant status, the punched cards may be used to close the account and to remove the account record from the file.

Computer Processed Accounts--1400 System

Every six months the Local Auditor will use a computer program to update his audit master file of savings accounts by comparing data on this file with current account data. The printed output from this run lists accounts closed since the previous run and accounts having activity after an inactive period of eighteen months. The updated audit master is a file of account records, each of which includes a date of last activity.

After eighteen months of inactivity, the account will be coded "suspect dormant" and a positive verification should be mailed on any of these accounts having subsequent activity. If an account is successfully verified with the customer after three years of inactivity, the Local Auditor will have the account coded "dormant" and add it to the list of dormant accounts in the active files.

Non-Computer Systems

The Local Auditor should identify accounts inactive three years by reviewing the savings ledgers annually. These accounts should be handled as outlined above. The result for each will be a transfer to dormant files if the customer does not reply to a positive verification.

7. ARE DORMANT SAVINGS ACCOUNT RECORDS MAINTAINED AND CONTROLLED? L

The Operations area is responsible for maintenance of the dormant savings account records (including signature cards), balancing the ledger to the General Ledger control account quarterly, and reactivating those accounts having activity. Annually, the Auditor will list the dormant ledger and balance the total to the General Ledger. By observation it should be determined that the dormant ledger is housed in a locked, fire-resistant cabinet, and that the signature cards are maintained in a locked cabinet with the key under control of a disinterested person.

COMPUTER PROCESSED SAVINGS ACCOUNTS - Continued

12. ARE PRINT-OUTS OF SAVINGS ACCOUNTS CONTROLLED?

Computer print-outs showing information as to account numbers, balances, dates of last activity, etc., must be controlled and locked up overnight, so the information will not be available to unauthorized individuals. Outdated print-outs must be shredded or destroyed in some other manner, and not just tossed in the trash.

13. ARE BANK ORIGINATED DEBITS TO SAVINGS ACCOUNTS APPROVED BY AN OFFICER?

The Local Auditor should determine whether or not bank originated debits to savings accounts are approved by officers. The only exceptions permitted are:

1. Charges for excessive withdrawals.

2. Deposit adjustments less than $5.00.

All debits must bear adequate descriptions of transactions. No official approval is required for credit entries, except credits for overages. Names of individuals preparing tickets, and signatures and titles of officers approving the entries, must appear on the tickets.

BRANCH OFFICES AND LARGE OPERATING DEPARTMENTS STAFFED WITH ONLY ONE OFFICER.

For branch offices or large operating departments where there is only one officer assigned, a designated managerial person of the same area may approve debit tickets provided there is on file a letter indicating that the individual has authority to approve debit tickets.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES — DEPOSITS

TIME CERTIFICATES, SAVINGS BONDS AND CERTIFICATES OF DEPOSIT

1. ARE TIME CERTIFICATES OF DEPOSIT AND SAVINGS BONDS PROVED MONTHLY BY THE DEPARTMENT? L

NON-COMPUTER SYSTEMS

Time Certificates of Deposit and Savings Bonds should be listed and balanced against the general ledger control by the department at least monthly. It is the Local Auditor's responsibility to ascertain by an inspection of the tapes that this is being done by the department as a regular routine. Quarterly, the Local Auditor should recap the last balancing tapes to be sure that they are in agreement with the general ledger.

COMPUTER PROCESSED ACCOUNTS

If the records of Time Certificates of Deposit and Savings Bonds are processed by computer, a trial balance will be produced in connection with the running of the monthly Bond ledger. The Savings Bond personnel of each National bank city, affiliate, or associate correspondent should recap the totals of bonds outstanding for all branches as shown on the monthly ledger summary sheets and balance these totals to the general ledger controls. They should also balance each day's debits and credits to the totals of bonds redeemed and bonds issued on each daily journal and proofread the entries thereon in order that the records will be accurate when the monthly bond ledger is run. It is the Auditor's responsibility to determine by observation that the prescribed daily procedures are being followed by Savings Bond Department personnel and that a trial balance is being run at least monthly and the totals balanced to the general ledger.

2. ARE TIME CERTIFICATES OF DEPOSIT AND SAVINGS BONDS PROVED AND RECONCILED SEMI-ANNUALLY BY THE AUDITOR? L

NON-COMPUTER SYSTEMS

The Local Auditor should list and balance to the general ledger controls all Time Certificates of Deposit and Savings Bonds twice each year.

COMPUTER PROCESSED ACCOUNTS

If savings bond records are computer processed, the Local Auditor should, at least twice annually, recap the computer produced totals of bonds outstanding for all branches and balance his recap to the general ledger control accounts.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

TIME CERTIFICATES, SAVINGS BONDS AND CERTIFICATES OF DEPOSIT - Continued

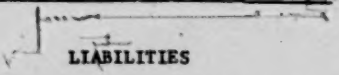
EITHER SYSTEM

In connection with the balancing and reconciliation of these accounts, all certificate and bond numbers must be accounted for. In conjunction with this procedure, the Local Auditor should verify the purchase prices paid on growth type savings bond holdings of five percent of the customers per year. The verification of total growth bond holdings will be by branch, so the fact that the customer may have other bond holdings should be pointed out. It will not be necessary to verify the purchase price paid for bonds if we remit interest checks to the customer, since insufficient amounts of interest payments would draw customer complaints. Bonds on which maturity notices are returned by the post office, and correct addresses cannot be located, should be considered dormant deposits. Bonds on which verifications are returned by the post office, and correct addresses cannot be determined, should be considered dormant deposits.

3. ARE NO SAVINGS BONDS REDEEMED PRIOR TO MATURITY? L

Regulation "Q" prohibits the redemption of savings bonds prior to the quarterly anniversary or the maturity date except in an emergency where it is necessary to prevent great hardship to the depositor. Premature redemption under the "Hardship Rule" of outstanding bonds, whether or not they contain the redemption restriction which we printed in some of our bonds, will be permitted only when the depositor has signed an application describing fully the circumstances constituting the emergency which is deemed to justify payment of the deposit before maturity. This application must be signed by the officer of the bank who accepts the statement in good faith. Such statements cannot be accepted by individuals who are not officers of the bank. In addition, the customer must be penalized three full months' interest, except on ninety-day multiple maturities where interest from lost quarterly anniversary date is forfeited. During the course of the audit of the bank's savings bonds, the Local Auditor should determine compliance with the Regulation.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.



LIABILITIES DEPOSITS

TIME CERTIFICATES, SAVINGS BONDS AND CERTIFICATES OF DEPOSIT - Continued

4. IS THE SIGNATURE CARD FILE CURRENT?

During the times the Local Auditor visits the branch offices or savings departments, he should review the procedure in connection with the filing of signature cards to make sure that the file is kept current. Signature cards on closed accounts should be removed from the file currently and new cards should be filed daily. Also, in checking withdrawals, he should make an exception of any account which is not supported by a signature card.

5. ARE MATURED TIME DEPOSITS HANDLED PROPERLY?

Regulation "Q" states that, after the maturity of any time deposit, the deposit is a demand deposit, and no interest may be paid for any period subsequent to the maturity date. The Local Auditor should determine that the procedures outlined in the GOG pertaining to the handling of matured time deposits are being followed.

6. ARE SAVINGS BONDS VERIFIED?

Quarterly, the Auditor--EDP will run the Savings Bond Verification program, printing verifications (generally negative, although the positive type can be printed if needed) of all savings bonds held by a percentage of the customers of each office. A list of the bonds verified will be sent to the Local Auditors, in case questions arise. The verifications will be mailed from Atlanta, but will show the return address of the appropriate Local Auditor.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES **DEPOSITS**

CHRISTMAS CLUBS

1. ARE CHRISTMAS CLUB ACCOUNTS PROVED AT PROPER INTERVALS BY THE DEPARTMENT? L

MANUAL

Christmas Club accounts should be balanced at regular intervals by the department. Usually, this is on a weekly basis. The Local Auditor should observe that the balancing operation is carried out properly, and quarterly, he should recap their last balancing tapes to be sure that they are in agreement with the general ledger. Semi-annually, the Local Auditor should make a listing of these accounts himself.

AUTOMATED

The computer control totals should be reconciled to the general ledger on a daily basis. Quarterly, the Local Auditor should determine that the department has been balancing back daily and at this time he should reconcile the computer totals to general ledger. Any exceptions on the reconcilement should be traced to determine if they are proper.

2. ARE ONLY CHRISTMAS CLUB ACCOUNTS INCLUDED UNDER "SPECIAL TIME DEPOSITS"? L

BOTH SYSTEMS

This account was set particularly for Christmas Club accounts and should be used as such. The Local Auditor, in running trial balances or reviewing the general ledger, should ascertain that such an account has been established and is being used only for this purpose.

3. ARE PAID CHRISTMAS CLUB COUPONS PROPERLY HOUSED? L

MANUAL SYSTEM ONLY

Each time the Local Auditor is in a branch office, he should ascertain that paid Christmas Club coupons are turned over daily, after balancing, to a person who is not connected with the Savings Department so that they may be controlled under lock and key. In the office where the Local Auditor is located, the coupons should be turned over to him daily. This is an important safeguard, and the Auditor should not consider a loosely controlled operation satisfactory.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

CHRISTMAS CLUBS (Continued)

4. IS THE SIGNATURE CARD PROPERLY COMPLETED? L

In order to establish complete computer records for each Christmas Club account, care must be exercised in opening the account to get the complete customer name, address, branch name and number. The Local Auditor should spot check the signature cards to determine that they are being completed by the branch personnel.

5. ARE PREMATURELY CLOSED ACCOUNTS HANDLED SATISFACTORILY? L

When an account closes prematurely, the customer should sign a regular savings withdrawal slip to indicate withdrawal. A $1.00 service charge should be collected at this time and credited to Other Income. On accounts that are closed prematurely, holds should be placed on the computer to prevent duplicate withdrawals.

6. ARE THE ACCOUNTS VERIFIED BY THE LOCAL AUDITOR DIRECT WITH THE CUSTOMER? L

The Local Auditor should verify on a quarterly basis sufficient accounts to equal ten percent of all accounts.

7. ARE NON-POSTED ITEMS HANDLED PROPERLY? L

The Local Auditor should determine through his balancing procedure that all rejected deposit and withdrawal items are re-entered promptly and posted to the proper account.

8. ARE RETURNED CHRISTMAS CLUB CHECKS PROPERLY CONTROLLED? L

Christmas Club checks should be mailed in envelopes with the return post office box of the Local Auditor. When received by the Local Auditor, adequate records should be maintained to insure that the checks are mailed to the customer after correct addresses are obtained or If correct addresses cannot be obtained, the Local Auditor should be so notified, and the checks filed under dual control. During his next quarterly audit, the Local Auditor should account for all undelivered checks placed in dual control since his last audit. Annually, all undelivered checks should be accounted for at one time. If a check is removed from dual control, the customer's name and correct address should be obtained and forwarded to the Local Auditor, so he can verify the transaction.

U. S. TREASURY ACCOUNTS

1. IS THE TREASURY TAX AND LOAN ACCOUNT VERIFIED MONTHLY BY THE LOCAL AUDITOR?

2. ARE EXCEPTIONS ON THE ABOVE VERIFICATION TRACED?

At the present time, the Federal Reserve Bank renders one statement each month to the Atlanta Local Auditor covering all of our National Bank offices. Each of the National Bank offices outside Atlanta should forward to the Atlanta Local Auditor a copy of their Treasury Tax and Loan Account as of the predetermined date. The Atlanta Local Auditor should reconcile the account and trace all exceptions in the reconcilement. In the affiliate banks, the Local Auditor should reconcile the statement, or, if he is not available at the time it is received at the affiliate, he should check their reconcilement, and at the same time determine that the account is reconciled by an individual not involved in making entries to the account.

3. ARE WITHHELD TAXES VERIFIED CURRENTLY?

Preferably on a monthly basis, the Local Auditor will select one day's remittances of withheld taxes taken by each office or branch and trace all individual deposits back to each depositor's checking account if on us. If payment is made by a check on another bank, this item will be traced to the extent of identifying the bank to which the item was forwarded to payment. Any cash payments of withheld taxes will be verified on a positive basis with the customer.

Where records are not conveniently available for monthly review, the above may be performed on a quarterly basis by selecting three days' payments taken at each office or branch during the current fiscal quarterly audit period.

There must be available an auditor's copy of each receipt for withholding taxes and the related remittance letter to the Federal Reserve Bank. Failure to have receipts available for all items listed in the remittance letter will be an audit exception. Information, including date, amount and employer's identification number, must be properly transcribed to the remittance letter and any differences explained. Likewise, any delay between preparation of the remittance letter and the related credit to the TT&L Account must be explained.

Tracing of individual tax payments, if drawn on us, will consist of a physical inspection of the paid check, if still in the Bookkeeping Department check files, or a review of statement film. The amount and payment date must agree with information appearing on the auditor's copy of the withheld tax receipt. Should the payment not be located in file or on film, it must be located on Proof Department tapes and traced to the conclusion.

4. IS THE SERIES "E" BOND SUSPENSE ACCOUNT HANDLED PROPERLY?

All proceeds from the sale of Series "E" Bonds should be credited to the Series "E" Bond Suspense account on the general ledger, and then transferred to the Treasury Tax and Loan account at proper intervals. The Local Auditor should ascertain that the account is being handled properly at the time he verifies bond holdings plus interim observations during the times he reviews the various general ledger accounts.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

U.S. TREASURY ACCOUNTS - Continued

5. IS PROPER CONTROL MAINTAINED OVER SERIES "E" BONDS SO THAT DEFINITE RESPONSIBILITY CAN BE PLACED AT ALL TIMES? L

Unissued Series "E" Bonds should be under control of one individual and inaccessible to other personnel. When the individual is relieved for lunch periods and breaks, the individual responsible must issue an operating supply of bonds to the relieving person, and upon his return, account for the bonds or sales tickets in this supply. The Local Auditor should determine the adequacy of the control each time he audits the office or department.

6. ARE SERIES "E" BOND HOLDINGS VERIFIED SEMI-ANNUALLY? L

Semi-annually the Local Auditor should verify with the Federal Reserve Bank the Series "E" Bonds being held by the bank for sale. After he inventories the bonds on hand he should compare these against the last report submitted to the Federal Reserve Bank, verifying the amount debited against the suspense account and credited to the Treasury Tax and Loan Account. At the same time he should verify direct with the Federal Reserve Bank the correctness of the last bond report. At intervals the Federal Reserve Bank themselves will verify with each office their series "E" bond holdings. The Local Auditor should handle this confirmation and he may count it as one of his audits.

OTHER BANKS

1. ARE "DUE TO BANK" ACCOUNTS VERIFIED MONTHLY THROUGH RECONCILEMENT? L

This will also include "Due to C & S Bank" accounts. The Local Auditor should send verification reconcilement requests to all banks at a minimum of once each month and trace all outstanding items as reported by the depositing banks. Before sending out these reconcilement forms the accounts should be listed and balanced to the General Ledger. The banks who consistently fail to return reconcilements properly completed and signed by an authorized official should be tactfully contacted by the Local Auditor in an effort to obtain reconcilements regularly. The Local Auditor should also observe the bank ledger bookkeepers balancing frequency to determine that the ledger is kept currently in balance with the General Ledger.

E-935

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE. THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES DEPOSITS

OTHER BANKS - Continued

2. ARE SIGNATURE FILES CURRENT? L

At intervals throughout each year the Local Auditor should observe the condition of the signature files for bank accounts to ascertain that they are kept current. He should specifically spot check the paid checks to be sure that they are signed by authorized personnel.

3. ARE ALL OVERDRAFTS APPROVED BY AN OFFICER? L

Monthly when the Local Auditor balances this ledger against the General Ledger figures, he should observe each account to see whether or not any overdrafts have occurred during the month. All overdrafts so noted should be reviewed with an officer of the bank to be sure that they are properly approved.

4. ARE LEDGERS ADEQUATELY HOUSED? L

The Local Auditor should inspect the facilities for housing the ledgers. The ledgers must be housed in fireproof containers which are kept locked each night. The Local Auditor should make a point of the fact that he should be notified of any proposed changes in the housing facilities so that he can review it immediately.

5. IS THE STOP PAYMENT FILE CURRENT? L

The Local Auditor, when balancing the bank ledger, should review the stop payment file to see that it is in current condition. He should also determine whether or not the method used to detect checks on which stop payment orders have been issued is adequate.

E- 936

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES

OTHER LIABILITIES - BILLS PAYABLE

1. ARE BILLS PAYABLE THOROUGHLY ANALYZED MONTHLY, AND ARE ALL TRANSACTIONS SATISFACTORY? L

   This question is applicable to the Local Auditor of the Atlanta Office and to the Local Auditors of the Affiliate Offices. Once each month the Local Auditor should review the bills payable account and verify all entries since the last review. Contra entries should be checked to be sure that they are made to the proper accounts and in the proper amounts. To complete the audit, the Local Auditor should verify interest paid against the borrowings.

REDISCOUNTS

1. ARE ITEMS VERIFIED CURRENTLY? L

   On a quarterly frequency, the Local Auditor should review the appropriate General Ledger account to determine if any rediscounted paper is on the books. If so, he should verify the rediscounts to ascertain that all are legitimate.

RESERVE FOR DIVIDENDS

1. HAS THE BOARD OF DIRECTORS APPROVED THE RESERVE ALLOCATED FOR PAYMENT OF DIVIDENDS, AND IS THE AMOUNT OF RESERVE FOR DIVIDENDS CORRECT? L

   The reserve allocated for payment of dividends should be approved by the Board, and the amount shown on the Statement of Condition should correspond with the amount approved by the Board. The Local Auditor should verify the Board's approval and the correctness of the amount by checking the Minutes of the Board of Directors meeting.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES

OTHER LIABILITIES

1. ARE OVERAGES AUDITED IN THE SAME MANNER AS SHORTAGES? L

   The questions pertaining to shortages which are outlined under "Other Assets" are applicable to overages. The only difference is that an overage represents an excess of funds and is a liability of the bank. The Local Auditor should audit overages by applying the same procedures as outlined for shortages.

2. ARE ESCROW ACCOUNTS FOR TAXES AND INSURANCE VERIFIED AT THE TIME LOANS ARE VERIFIED? L

   Where escrow accounts are maintained in connection with the loans, the Local Auditor should include the balance of the escrow account when he verifies the loans with the borrowers. If there are any such insurance or tax reserves which are being held by the bank, they should be individually verified with the borrowers.

3. ARE SUSPENSE ACCOUNT RECONCILEMENTS REVIEWED BY THE LOCAL AUDITOR? L

   The Local Auditor should keep informed of all suspense accounts and review the reconcilements of the outstanding items to general ledger at least quarterly.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES

CAPITAL STRUCTURE

CAPITAL

1. DOES THE REGISTER OF OUTSTANDING SHARES AGREE WITH THE GENERAL LEDGER, AND ARE SURRENDERED SHARES VERIFIED CURRENTLY BY AUDITORS? L

Annually, the Local Auditor should balance the records of the bank against the general ledger to be sure that these records are in agreement as to the number of shares of stock outstanding.

BANK STOCK EXCEPT C&S NATIONAL BANK

When performing the above operation, the Local Auditor should check all cancelled certificates since the previous audit to see that the surrendered shares are properly cancelled, properly assigned, and that the signatures are guaranteed properly. There should also be a signed receipt to evidence delivery of the new certificates to stockholders or their agents.

C&S NATIONAL BANK STOCK

When performing the balancing function, the Local Auditor should spot check a minimum of 15% of certificates cancelled since the previous audit to see that the surrendered shares are properly cancelled, properly assigned, and that the signatures are guaranteed properly.

SURPLUS

1. ARE ALL ENTRIES APPROVED BY THE BOARD OF DIRECTORS? T

The Traveling Auditors should prepare a schedule of the Surplus account and review the minutes of the Board of Directors' meetings to see that all entries to this account are proper and have been approved by the Board.

UNDIVIDED PROFITS

1. ARE PROPER ANNUAL CREDITS MADE? T

All entries to this account should be inspected and analyzed thoroughly by the Traveling Auditors. In preparing the schedule of this account in connection with the annual audit, they should be sure that all entries have been approved by the Board of Directors, and that only one annual credit is being made rather than a monthly or quarterly credit.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

LIABILITIES CAPITAL STRUCTURE

GENERAL CONTINGENCY RESERVE

1. HAVE ALL CHANGES IN THIS ACCOUNT BEEN VERIFIED? L

The Local Auditor should review this account semi-annually for the purpose of verifying any changes that have taken place since his last review.

RESERVE FOR BOND ACCOUNT

1. HAS THE PROPER PERCENTAGE OF REALIZED GAINS OR LOSSES BEEN ENTERED TO THIS ACCOUNT? L

Quarterly the Local Auditor should review transactions in the bank's security investment portfolio to determine that the proper percentages of gains or losses from the sale of securities have been entered. He should keep in mind the fact that percentages will vary depending upon whether the gain or loss is on a long or short term basis.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INCOME — OPERATING INCOME

INTEREST FROM LOANS
INTEREST - DEMAND LOANS
INTEREST - TIME LOANS

3-A. ARE INTEREST RATES ON LOANS BEING USED IN ACCORDANCE WITH PRE-ESTABLISHED RATE SCHEDULES? L

On a test check basis, the Local Auditor should determine whether or not his offices are charging the proper rate on the various types of commercial loans as called for in the schedule of interest rates for his particular office. Unsecured loans bearing interest at the rate of 4½% or 5% should generally be supported by a "Customer Request for Automatic Bond Redemption" or savings withdrawal slip form filed with negotiable collateral. Savings and savings bond records should be flagged "HOLD BALANCE". The savings withdrawal slip should be dated with the maturity date of the loan. If a withdrawal slip bears any date other than the loan maturity date, it should be reported as an audit exception. Generally speaking, deviations from the pre-established rate schedule should be almost nil. All exceptions should be reported to the Executive Vice President or President, and, in addition, if there is a too high percentage of exceptions, the matter should be referred to the head of your office, and a copy of the exception report forwarded to the General Auditor. It then is the responsibility of the office to check all their loans for rate exceptions. This observation should be incorporated with other phases of continuous audits on loans. Specifically, it should be done at times of direct verification, checking collateral and listing notes.

3-B. ARE INTEREST RATES ON LOANS SECURED BY BANK'S OWN SAVINGS BONDS OR TIME CERTIFICATES OF DEPOSIT IN ACCORDANCE WITH REGULATION "Q"? L

As required under Regulation "Q", the rate of interest on a loan secured by a bank's own time certificate of deposit must be not less than 2% per annum in excess of the rate of interest paid by the bank on the time deposit. During the course of his checking collateral on loans, the Local Auditor should determine that the rate charged is a minimum of 2% above the rate paid on savings bonds and time certificates of deposit. There must be no violation of this Regulation.

E- 942

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INCOME OPERATING INCOME

INTEREST FROM LOANS
INTEREST - DEMAND LOANS
INTEREST - TIME LOANS -
Continued

4. ARE EARNINGS BEING ACCRUED PROPERLY? L

In the National Bank, the Accrual Department performs this function. In the affiliates, interest generally is not accrued. However, interest should be accrued on large loans which run for a long period of time where a cash entry would materially affect the earnings of a certain period in one direction and the earnings of another period in a reverse manner. The Local Auditor should keep this in mind each time he audits the loans, and any such loans found should be brought to the attention of management, if the interest is not being accrued.

5. HAS ALL TAX FREE INTEREST BEEN CREDITED TO THE PROPER ACCOUNT? L

All loans made to state, county or municipal subdivision, including school districts, should be plainly marked in order that interest from this source will be credited to the Tax Free Account. The Traveling Auditors should ascertain that the correct procedure is being followed by a review of the credit files and notes over $3,000.

INTEREST FROM SECURITIES AND AMORTIZATION OF PREMIUM

1. ARE ALL ENTRIES VERIFIED? L

In the National Bank, the Accrual Department verifies all entries to these accounts. In the affiliate banks, it will be necessary to verify all entries to these accounts to be certain that all required entries have been made. On a quarterly frequency, the Local Auditor should verify all entries since his last audit in this connection.

E- 943

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INTEREST FROM SECURITIES AND AMORTIZATION OF PREMIUM (Continued)

2. ARE EARNINGS ACCRUED PROPERLY? L

In the affiliate banks, the Local Auditors, on a quarterly frequency, should verify the accrual of all earnings to ascertain that they are being reflected properly in the Earnings accounts.

3. ARE CHARGES ACCRUED PROPERLY? L

In the affiliate banks, the Local Auditor should verify that all charges have been accrued properly and are on a proper accrual basis during his quarterly audits.

SALES OF BANK SERVICES

RENT - SAFE DEPOSIT DEPARTMENT

1. ARE RENTAL FEES PROPERLY CREDITED? L

The Local Auditor should verify the correctness of entries to be certain that income on rented boxes has been collected and credited to Earnings.

The Local Auditor should determine the number of rented boxes. In order to do this, it is necessary to physically check the number of keys to unrented boxes to arrive at this figure. A test check should be made of any unrented boxes to verify that they are vacant. The Local Auditor should reconcile income received according to the rent cards on rented boxes against the income received as shown by the bank's records on an annual basis. Procedures for accounting for rented and unrented boxes will require the use of a numerical check sheet. Rebates of rent on surrendered boxes should be shown on the rent record, which should be attached to the old contract card.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT WITH COPIES TO THE GENERAL AUDITOR.

INCOME — OPERATING INCOME

SALES OF BANK SERVICES

RENT - SAFE DEPOSIT DEPARTMENT (Continued)

2. ARE SAFE DEPOSIT RENTAL RECORDS ADEQUATE?

It is important that safe deposit records be adequate as well as current. All new signature contract cards should be filed daily. Rental payments should be posted to the payment record cards as they are received and the respective Income account credited daily for payments received that day.

Visits by customers into their safe deposit boxes should be recorded at the time the box number and signature are checked. Visit or access tickets should be retained by the department at least seven years. Closed out signature cards must be retained for a period of at least seven years. Those offices that have converted to or are now using the "unnumbered key" system should maintain an alphabetical file of safe deposit customers.

3. IS PAST DUE BOX RENT BEING FOLLOWED?

The Local Auditor should determine that the proper collection efforts are being made in this connection. In addition, when he prepares a list of the past due boxes on an annual basis, he should have rent notices prepared and mail these to the box renters himself with a request to notify the Auditor if the rent has been previously paid according to the customers' records. Past due rent cards should be separated from current rent cards.

4. ARE STORAGE RENTAL RECORDS ADEQUATE?

Storage rental payments should be posted to the rental record cards as they are received, and "Rent--Safe Deposit Department" credited the day received.

Customers should be billed annually in accordance with the rate shown on the contract.

E- 945

Rev. 3/72, #4 New

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INCOME OPERATING INCOME

INCOME - SERVICE CHARGES ON INDIVIDUAL ACCOUNTS

1. ARE SERVICE CHARGES OR ANALYSIS CHARGES BEING MADE ON ALL ACCOUNTS SUBJECT TO CHARGE? L

For the banks whose Demand Deposits are on the Computer Operation, the Local Auditor, once a year using his own program, should print out the accounts on which service charges are not being assessed. He should review this list to determine that all waivers are those authorized by the bank, and if necessary, discuss the list with the Executive Vice President. The Local Auditors outside of the Atlanta Area whose deposits are processed on the computer may request the Atlanta Local Auditor to forward him a list of these accounts affecting their respective offices for audit purposes. For the banks not on the computer operation the Local Auditor can accomplish this by obtaining the previous month's stubs and reviewing them to see that all of the accounts which should be charged have actually had service charges applied. All exceptions should be reviewed with the responsible officer and a record of the exceptions made. If the exceptions appear to be abnormal, this fact should be brought to the attention of the Comptroller.

2. ARE PROPER CHARGES BEING MADE ON ITEMS RETURNED FOR INSUFFICIENT FUNDS, AND FOR OVERDRAWING ACCOUNTS? L

The Local Auditor can best determine whether or not insufficient check charges are being assessed at the time he intercepts and audits return items. Each time he is involved in auditing checking account statements, the Local Auditor should incorporate in this audit a review of the accounts having overdrafts to determine that proper charges for overdrawing the accounts have been assessed. These audits will reveal failures to charge, and excessive waivers of the charges, for which the Local Auditor should investigate the reason.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INCOME - SERVICE CHARGES ON INDIVIDUAL ACCOUNTS - Continued

3. ARE COMPUTATIONS CHECKED, AND ARE CHARGES CHECKED INTO THE EARNINGS ACCOUNT? L

On a quarterly frequency the Local Auditor should make a special review of the service charge income account on the General Ledger. He should analyze the service charge account to determine if the amounts collected are consistent from month to month. Any fluctuations which are out of reason should be investigated. For the accounts processed by the computer, the Local Auditor on a quarterly basis should check the accumulated total of service charge print-out by the computer and trace the totals covering one complete statement cycle to the General Ledger income account. For the banks whose accounts are not processed on the computer the Local Auditor should use statement stubs or posting journals where applicable to determine whether or not the total amount of service charges charged to the customer has been credited to the proper earnings account. Depending on the bookkeeping system employed the Local Auditor should determine on a spot check basis whether or not the equipment is computing service charges correctly or that an individual other than the one who makes the original charge is spot checking computations. A review of the debits against the service charge accounts representing refunds of insufficient check and overdraft charges should be made a part of the audit to determine that the volume, the reason for the refunds, and the offsetting credits are in order.

INCOME - EXCHANGE RECEIVED

1. ARE CASH COLLECTIONS BY TELLERS VERIFIED WITH PRESCRIBED FREQUENCY? L

The Local Auditor should intercept the work of the tellers to ascertain that all cash collections of exchange are being made properly so that each teller will be checked a minimum of twice annually, or more often where interim investigation warrants. Quarterly the Local Auditor should review one month's General Ledger credits to exchange. A spread sheet listing each teller's daily credit to the exchange account

E- 947

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INCOME - EXCHANGE RECEIVED - Continued

covering a period of two weeks would serve as a guide in judging whether or not any particular teller should be checked more frequently. Another guide for the Local Auditor in determining the extent exchange collections should be checked is a quarterly analysis of the Exchange Received and the Exchange Paid account. A net loss would indicate that the tellers might not be collecting or crediting the exchange properly. In making an overall analysis of the exchange accounts, the Local Auditor should determine that the deferred exchange accounts are being handled properly and whether or not other departments of the bank are absorbing exchange.

2. ARE ONLY EXCHANGE COLLECTIONS ENTERED TO THIS ACCOUNT? L

The Local Auditor should be responsible for determining that only exchange collections are credited to this account and that miscellaneous entries are not also credited. The simple review of the General Ledger Credits would reveal any exceptions. Charges other than exchange charges normally should be credited to "Other Income". If other credits are permitted to be posted to this account, the net gain or loss in non-par exchange will not be reflected correctly.

3. IS EXCHANGE CREDITED DAILY REGARDLESS OF AMOUNT - NEVER ALLOWED TO ACCUMULATE? L

It is very important that all funds received be processed on date of receipt, and this rule should be strictly enforced. At the time tellers cash is verified by the Local Auditor he should look for exchange that has been held over. The exceptions noted should be brought to the attention of management in order that immediate corrective action may be taken.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INCOME

EXPENSE - EXCHANGE PAID

1. ARE ALL CHARGES VERIFIED? L

Semi-annually the Local Auditor should obtain a total of the non-par cash letters and relate to that the amount of non-par exchange remitted and charged to the exchange paid account to determine that the amount of exchange paid is correct. In the offices where some of the cash letters go direct to the non-par correspondent from which the correspondent deducts exchange when remitting for the cash letter, the Local Auditors should audit these on a spot check basis. Semi-annually he should select the cash letters covering a preceeding one week period and determine that the total amount of exchange deducted by these correspondents each day during the period agrees with the amount charged against the exchange paid account. He should also spot check the correspondent banks deduction calculations, and at the same time ascertain that operating personnel are verifying exchange deductions on a daily basis. The Local Auditor should keep in mind the fact that there should be no other type debits against this account in order that the account will always reflect the correct amount of exchange paid for analysis purposes.

NET INCOME FROM REAL ESTATE

RENT - BANK BUILDING AND OTHER REAL ESTATE

1. ARE LEASES VERIFIED WITH TENANTS AND IS THE INCOME VERIFIED? L

Annually the Local Auditor should verify leases with all tenants both as to rent and terms. Concurrent with the verification of leases the Local Auditor should trace the total of rents collected to the General Ledger.

E- 949

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INCOME

BUILDING EXPENSE

1. ARE ALL CHARGES PROPER? L

Quarterly, or at the time he audits the regular expense bills, the Local Auditor should review all charges to this account to determine whether or not they are proper. In reviewing this account he should inspect all vouchers to assure himself that they properly support all entries made.

E- 950

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER OPERATING INCOME

INCOME - BOND DEPARTMENT

1. ARE ENTRIES SUPPORTED BY INVOICES? L

   Quarterly the Local Auditor should spot check invoices against purchase and sale entries to verify their accuracy.

2. ARE ALL ENTRIES VERIFIED? L

   Quarterly, the Local Auditor should verify all entries to this account to ascertain that they are proper. All contra entries must also be verified.

3. ARE ONLY FEES AND COMMISSIONS AND THE PROFITS OR LOSSES ON SALES OF SECURITIES INCLUDED? L

   The Local Auditor, in verifying the entries to this account should be sure that the only entries reflected in this account are fees, commissions, and profits or losses on sales of securities held in the Trading Account.

INCOME - SERVICE CHARGES ON LOANS

1. ARE ALL CHARGES BEING CREDITED PROPERLY? L

   The Local Auditor can best determine this through observation and by questioning personnel of the Loan & Discount Operations. In addition to this, he should look for evidence of loan fees which should have been collected by the bank and spot check these fees into the General Ledger, making sure that they are credited to the proper account. This should be made a part of his regular audit routine in connection with his regular review of the department's loan files.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INCOME — OPERATING INCOME

INCOME - SERVICE CHARGES ON INSTALLMENT LOANS

See Installment Loan Audit

MISCELLANEOUS INCOME

1. ARE EARNINGS FROM CASHING OF "E" BONDS CREDITED TO THE PROPER ACCOUNT, AND ARE COMPUTATIONS ACCURATE? L

The Federal Reserve Bank reimburses each office for services rendered in connection with cashing of Series "E" Bonds on a quarterly basis, March, June, September, and December. Reimbursement is based on the number of bonds cashed. The Local Auditor should maintain a follow-up record accounting for this income each quarter. He also should check copies of the bond letters for each period in determining that the correct amount of money is received. If the amount of fee does not tie in with the bank's record of bonds cashed, the Local Auditor should verify the transaction with the Federal Reserve Bank.

2. IS OTHER MISCELLANEOUS EARNINGS OR INCOME PROPERLY ACCOUNTED FOR? L

This Income Account is more or less a catch all for unclassified income, into which income is credited from various sources. Some of this income is credited daily while other of it is credited monthly, quarterly, semi-annually or annually. The Local Auditor should determine the sources of miscellaneous income and maintain card records to be used as a reminder or follow-up system in accounting for it. The income that is received and credited on a daily basis should be spot checked into the General Ledger on a once a month frequency to the extent that the Auditor is satisfied that all of it is being credited. The income scheduled to be received at other intervals should be specifically accounted for. During his continuous observance of the activity in this account, the Local Auditor should also make sure that there is no income credited therein which should have been credited to classified accounts.

E- 952

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

EXPENSES — OPERATING EXPENSE

INTEREST PAID TO SAVINGS DEPOSITORS

INTEREST - SAVINGS DEPOSITS

1. ARE COMPUTATIONS VERIFIED? L

For the savings accounts which are processed on the automation equipment the interest is computed automatically by the computer. Under this system the Local Auditor should review the program used to determine the basis of computation and that the interest is computed as of the date of last transactions in the interest period rather than a day or two before the end of the period. The Local Auditor should also check the total interest figure from the computer to determine that it is in agreement with the amount charged to interest expense and the amount credited to savings deposits. In the banks whose savings deposits are not processed on the computer, the Local Auditor should assure himself of the fact that all computations of interest are being verified by some individual other than the one who computed the interest. He should also spot check calculations and trace the totals as indicated above. Under both systems the Local Auditor should compare current period interest with the previous period, relating total interest paid to total deposits.

2. IS INTEREST ACCRUED IN LINE WITH INTEREST PAID? L

On a semi-annual frequency the Local Auditor should review the interest paid and interest accrued figures to determine whether or not the proper amount of interest is being accrued in relation to the amount being paid.

E- 953

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

EXPENSES — OPERATING EXPENSE

INTEREST PAID TO SAVINGS DEPOSITORS
INTEREST - SAVINGS BONDS

1. ARE DEBITS TO INTEREST EXPENSE ON SAVINGS BONDS PROPER? L

COMPUTER SYSTEM

Monthly, the Local Auditor should determine that the "year-to-date interest paid" totals shown on the Monthly Ledger Summary Sheet are balanced by Operations to the general ledger control accounts. In other than a unit bank, it will be necessary to recap these totals for all branches in order to balance to the general ledger.

MANUAL SYSTEM

Correctness of debits to Interest Expense must be verified from debits against the general ledger, and not from entries to the bond controls. Each month, the Local Auditor should review all debits against the Interest Expense account on the general ledger to be certain they are correct and proper. Where interest is paid periodically by check, the Auditor should calculate interest from the bond controls to determine that the debit against Interest Expense used to purchase interest checks is the correct amount.

EITHER SYSTEM

About 10% of the debits to Interest Expense, other than the regular monthly entries, should be verified on a test basis against redeemed bonds to ascertain that there actually was a redeemed bond in each case and that interest paid was correct.

2. ARE PAYMENTS OF BOND INTEREST CORRECT, AND ARE THERE NO MATERIAL OVERPAYMENTS OF INTEREST? L

Monthly, the Local Auditor should review the Savings Bond Exception Report for differences of $5.00 or more in the payment of bond interest. Any which are not accrual differences, and actually are payment errors, should be handled as audit exceptions. Underpayments of $5.00 or more should be remitted to the customer. As the Local Auditor reviews replies to exception reports, he should make a notation on the exception report of the total amount of interest overpayments not recovered from customers. This total of "Unrecovered Interest Overpayments to Date" should be shown on the next exception report, so that the actual amount of loss to the bank will be accumulated and carried forward until it is reported in the annual audit. The Local Auditor should keep in mind that the accrual exception differences on the report may not represent true overpayment or underpayment of interest, and could be legitimate adjustments with no corrections needed.

3. HAS THE SUSPENSE BALANCE AS DETERMINED BY THE COMPUTER BEEN COMPARED TO THE GENERAL LEDGER SUSPENSE OR THE ACCRUAL DEPARTMENT SUSPENSE? L

All Banks on the Accrual System. The Accrual Department in Atlanta will check their records on Suspense against the Suspense balance determined by the computer, and the Atlanta Local Auditor will review this procedure with the Accrual Dept.

Cash Basis Banks. Local Auditors responsible for coverage of Associate Correspondent Banks not on the accrual system should determine that the general ledger reflects the correct accrued unpaid savings bond interest as of the end of the accounting period. Any material differences should be brought to the attention of the Accrual Department and the General Auditor.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

EXPENSES OPERATING EXPENSE

INTEREST - BORROWED MONEY

1. ARE ALL CHARGES VERIFIED AGAINST BORROWINGS? L

At the time the Local Auditor analyzes Bills Payable he should verify all charges against Interest - Borrowed Money to verify that they are reconcilable with the amount of money borrowed by the bank.

SALARIES

SALARIES - OFFICERS

SALARIES - EMPLOYEES

1. ARE ALL SALARIES APPROVED? L

Each payroll period the Payroll Department in Atlanta should receive a list of salary changes which should be officially signed. The Local Auditors outside the Atlanta Area should determine that the payroll prelist for their respective offices is officially signed. The Local Auditor of the Atlanta Area should periodically check with the Payroll Department in Atlanta to ascertain that all salary changes are being officially approved.

2. ARE ALL SALARIES CREDITED TO CHECKING ACCOUNTS? L

The Local Auditor should be aware of this requirement in making regular audits of checking accounts on the bank's individual ledgers. Any deviation should be reported to management and to the Comptroller.

3. ARE ALL SALARIES REVIEWED ANNUALLY? T

Annually the General Auditor should discuss this procedure with the personnel officer of the bank to determine the interval at which salaries are reviewed.

E- 955

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

EXPENSES **OPERATING EXPENSE**

SALARIES
SALARIES - OFFICERS
SALARIES - EMPLOYEES (Continued)

4. IS WITHHELD SALARY BEING ACCRUED? L

In the National Bank, the Accrual Department accrues the withheld salary. In the Affiliates, withheld salary accrued should be checked semi-annually by the Local Auditor to be sure that this liability has been established, and that the semi-annual payments are charged to the Accrued Liability.

5. HAS THE LOCAL AUDITOR BALANCED COMPENSATION AND ACCOUNTED FOR ALL OFFICERS AND EMPLOYEES ON THE PAYROLL? L

The Local Auditor should account for all officers and employees on the payroll by distribu[illegible]g advices of compensation twice each year to officers and employees in the various offices for which he is responsible, or by using some other means which will accomplish the same desired result. Before the advices are distributed, the Auditor should balance total pay against salary expense to be sure that his coverage is complete. At the same time, the Local Auditor should test check officers' and employees' salaries as shown on the payroll records against files in the Personnel Department to be certain that salaries are correct. Memoranda concerning officers' salary increases will be sent to the appropriate Local Auditor during the month the salary increase is approved. In addition, the Local Auditor should spot check the computation of hours worked on employee time cards, and the computation of overtime. The distribution of advices of compensation of officers should be handled by the Local Auditor and not assigned to an employee.

OCCUPANCY - RENT

1. DOES THE AMOUNT OF RENT PAID AGREE WITH THE CURRENT LEASE? L

At least once each year, the Local Auditor should review rental payments on quarters which are leased by the bank to be certain that the amounts of the payments are in agreement with the terms of the current lease. If the lease expires in the immediate future, that fact should be brought to the attention of management, and the Auditor should again check rental payments as soon as is practical after the expiration date of the old lease.

DEPRECIATION

1. ARE AMOUNTS SHOWN AS DEPRECIATION EXPENSE PROPER? L

Quarterly, the Local Auditor should review the amounts charged to expense as Depreciation-Furniture & Fixtures and see that they equal the depreciation figures shown on the computer records and also the amount credited to the Depreciation Reserve account. This same procedure should be followed in checking Depreciation-Bank Building.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

EXPENSES — OPERATING EXPENSE

TAXES - OTHER THAN FEDERAL INCOME TAXES

TAXES OTHER THAN INCOME TAXES

1. ARE ALL CHARGES VERIFIED AND ARE THEY BEING ACCRUED PROPERLY? L

The Local Auditor should review this account quarterly and verify all charges against the account since his last review. He should ascertain that there are in the files supporting vouchers for all charges, and that each voucher has been approved by an officer of the bank. In the National Bank the Accrual Department maintains the accrual record which should be reviewed semi-annually by the Local Auditor. In the affiliates, the Local Auditor should observe whether or not accruals have been set up in sufficient amount to cover these taxes with the same frequency.

COST OF INSURING DEPOSITS

FEDERAL DEPOSIT INSURANCE

1. IS PROPER DEPOSIT LIABILITY BASE USED? L
2. ARE COMPUTATIONS VERIFIED? L
3. ARE CHARGES ACCRUED PROPERLY? L

The Local Auditor should be aware of the proper base for deposit liability and should investigate to be sure that it is being used when reports are made. He also should verify computation and at the same time determine whether or not these charges are being accrued properly by reviewing the records of the Accrual Department in the case of the National Bank and the bank's records in the case of the Affiliate Banks.

E- 957

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR

EXPENSES **OPERATING EXPENSE**

CONTRIBUTION TO PENSION FUND

PENSION EXPENSE

1. IS EXPENSE BEING ACCRUED PROPERLY, AND IS IT VERIFIED? L

In the National Bank the Accrual Department will accrue this expense and their records should be reviewed by the Local Auditor in Atlanta semi-annually. In the Affiliate Banks, the Local Auditor should review the records of the bank to determine whether or not they are accruing this expense properly. Annually, the Atlanta Auditor will send each Local Auditor a list of officers and employees in his area who are receiving pension checks, and the Local Auditor should verify by personal contact that the intended payee is actually receiving the funds. The Atlanta Auditor will verify the correctness of the check amounts with the trustees of the pension fund.

DIRECTORS FEES

1. ARE ALL CHARGES PROPERLY APPROVED, AND DO EXPENSES RECONCILE WITH THE MEMBERS PRESENT ACCORDING TO THE MINUTES? L

During his audit of the bank's expenses, the Local Auditor should ascertain that debits against Directors Fees expense have been approved by an authorized individual. The Local Auditor should reconcile the fees paid to Directors against the Minutes of the Directors meetings to see that the charges shown on the bank's records are proper.

INSURANCE

1. IS ADVANTAGE OF LONG TERM INSURANCE BEING TAKEN WHERE PRACTICAL AND ARE EXPENSES PROPERLY ACCRUED? T

When the Traveling Auditors prepare a schedule of insurance protection at the time of their annual audit, they should determine whether or not the bank is taking advantage of reduced premiums where long term insur-

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INSURANCE - Continued

ance is available. An annual discussion with the individual responsible for handling the bank's insurance should reveal this. Long term insurance expense is being accrued by the Accrual Department for the National Bank, and the Traveling Auditors should review this matter with them. In the Affiliates, this should be determined by the Traveling Auditors when they prepare various schedules for their audit report.

POSTAGE

1. ARE ALL CHARGES PAID TO THE POST OFFICE DEPARTMENT? L

2. IF NOT, ARE ALL OTHER CHARGES REASONABLE? L

Normally the biggest portion of postage expense should be paid directly to the Post Office Department. At the time the Local Auditor audits the bank's expense bills he should see that the offsetting credit entries to charges against the postage account represent checks payable to and endorsed by the Post Office Department. There usually will be some miscellaneous charges to this expense account such as petty stamp money which will be proper. However, these should be watched by the Local Auditor because they should not be allowed to run into any large amounts.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

EXPENSES OPERATING EXPENSE

BANK TRAVEL AND BUSINESS DEVELOPMENT

1. IS THIS ACCOUNT BEING ANALYZED ACCORDING TO INDIVIDUALS INCURRING EXPENSES? L

2. ARE ALL EXPENSE VOUCHERS COMPLETED PROPERLY? L

3. ARE EXPENSES INCURRED BY ALL INDIVIDUALS IN LINE WITH EACH OTHER? L

4. ARE ALL CHARGES OFFICIALLY APPROVED? L

5. IS INFORMATION REQUIRED BY THE INTERNAL REVENUE SERVICE BEING OBTAINED? L

The Local Auditor should determine on a current basis whether or not an analysis of this account is being made, and whether or not the executive officer of the bank is kept informed of the individuals incurring expenses of this nature. An effective method of analyzing these expenses according to individuals incurring them is through maintaining subsidiary accounts in the General Ledger under the names of the individuals involved. This would provide the Local Auditor and other interested officers a ready means of comparing expense accounts of individuals of comparable rank and travel activity in determining whether or not they are in line with each other. In any event, the Local Auditor should be alert to recognize any expenses that would appear to be unreasonable, and discuss the matter with the head of the bank, or if deemed necessary, a report should be made to the Comptroller and the General Auditor. The Local Auditor should make sure that each and every expense voucher is properly completed and officially approved. In addition, the Local Auditor should be alert to detect any non-deductible entertainment expenses which do not meet the government regulations affecting travel and entertainment expenses. The regulations describe deductible entertainment expenses as being in one of two categories:

1. Directly related to active conduct of our business.

2. Associated with the active conduct of our business.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

EXPENSES OPERATING EXPENSE

BANK TRAVEL AND BUSINESS DEVELOPMENT - Continued

Also, the Revenue Act makes club dues non-deductible as a business expense unless the club is used more than 50% for business purposes, then only that portion of the club dues which is proportionate to the amount of time the club facilities are used for business will be deductible. The portion of club dues attributable to personal utilization will be treated as additional compensation to the individual concerned; therefore, in order to differentiate between the two, it is necessary to maintain club utilization work sheets on each individual concerned. The Local Auditor should familiarize himself with the instructions issued by the Comptroller's Department, and determine from time to time that these records are accurately kept.

6. ARE BANK OWNED AUTOMOBILES USED FOR BANK PURPOSES ONLY? L

The Local Auditor should ascertain from time to time that the bank owned automobiles are used only for bank purposes and are not used for personal use.

GENERAL EXPENSES

1. ARE ALL CHARGES MADE AGAINST APPROPRIATE ACCOUNTS? L

2. ARE ALL CHARGES SUPPORTED BY BILLS, INVOICES, OR MEMORANDA APPROVED BY AN OFFICIAL OF THE BANK? L

3. DO ALL CHARGES SEEM TO BE REASONABLE? L

4. HAVE ALL DISCOUNTS BEEN TAKEN? L

5. ARE EXPENSES INCURRED IN LINE WITH BUDGET FIGURES OF THE ACCRUAL DEPARTMENT? L

6. IS INVESTED CREDIT REQUESTED ON LEASED EQUIPMENT? L

Daily or monthly, whichever is applicable, the Local Auditor should review all of the expenses and charges to the bank's expense accounts. During this review, he should be careful to note that they are being charged against the proper account. All charges should be supported by invoices, bills or other memoranda, all of which should be approved by the Cashier or other officers of the bank. The Local Auditor should make an exception of any that are not properly supported or approved. In auditing these expenses, the Auditor should place his audit stamp on expense bills to prevent them from being used again to support a subsequent disbursement. The Local Auditor should satisfy himself that all charges appear to be proper and reasonable, and he should not hesitate to question any disbursements which are out of the ordinary. Where discounts are allowed, the Local Auditor should make certain that the bank is taking advantage of the discount in every case.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

GENERAL EXPENSES - Continued

Each month, the Local Auditor should review the Accrual Statement as a regular routine and discuss with the Cashier any expense items on which the cash expenditures appear to be out of relationship with the budget figures. While reviewing expenses, the Local Auditor should watch for charges for equipment recently leased. He should then determine whether the lessee of the equipment (the bank) requested that the investment credit be passed on to the bank. If so, the lessor of the equipment should have been requested to send the investment credit election statement directly to the Comptroller Department of the National Bank for (1) execution, or (2) transmittal to the appropriate bank Cashier with instructions for execution. The lessee should notify the Comptroller's Department that the election statement is forthcoming. If not, the Local Auditor should report it as an exception.

7. IS THE CHIEF EXECUTIVE OFFICER THE ONLY OFFICER ATTENDING MORE THAN ONE CONVENTION, SCHOOL, SEMINAR, WORKSHOP, ETC., OUTSIDE THE CITY EACH CALENDAR YEAR? L

The Local Auditor should keep a record for each individual incurring bank travel, business development, or education and training expense involving attendance at some type of meeting or school. In addition to the name of the individual, the record should show the type of meeting, date, and expenses incurred. At the end of each calendar year, the Local Auditor should report to the General Auditor and chief executive officer of the bank involved the names of the individuals attending two or more meetings, the dates, types of meetings, and expenses incurred during the calendar year.

OTHER REAL ESTATE EXPENSES

1. ARE ALL EXPENSES VERIFIED? L

2. ARE ALL EXPENSES CORRECT AND JUSTIFIED? L

Periodically, not less than quarterly, the Local Auditor should verify all expenses charged against this account. He should raise a question regarding any items which he feels are not justifiable. The Local Auditor should exercise his own judgment in determining whether or not disbursements should be verified directly with the person to whom paid. Direct verification would be in order if he is not able in some other manner to completely satisfy himself that these expenses are proper. During his review of this account, the Local Auditor should determine that there are no entries posted therein which should have been charged to another account.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INCOME NON-OPERATING INCOME

PROFIT OR LOSS ON SECURITIES SOLD

1. ARE ALL PROFITS AND LOSSES VERIFIED? L

Quarterly the Local Auditor should review all transactions handled by the Bond Department to be sure that the proper amount of profits or losses are being entered to the proper account on the records of the bank. This work should be tied in with his audit of the entries in connection with the "Reserve for Bond Account".

2. ARE PROPER TAX PERCENTAGES APPLIED TO GAINS OR LOSSES ON SECURITIES SOLD? L

In connection with the work outlined above, the Local Auditor should, at the same time, determine that the proper amount of taxes are applied in connection with the Accrued Income Tax Account and the Reserve for Income Tax Account.

TRANSFERS FROM RESERVE FOR BOND ACCOUNT

1. ARE ALL TRANSFERS THE PROPER PERCENTAGE OF LOSSES ON SECURITIES SOLD? L

In connection with his quarterly audit of profit or loss on securities sold, the Local Auditor should determine whether or not the proper percentages of losses are transferred from the Reserve for Bond Account.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

INCOME — NON-OPERATING INCOME

RECOVERIES

1. ARE ADEQUATE RECORDS KEPT ON CHARGED-OFF ASSETS? L

2. ARE PROPER EFFORTS BEING MADE TO EFFECT RECOVERIES? L

Each bank should maintain adequate records on all charged-off assets, and responsibility for these records should be specifically assigned to an individual Proper efforts should be made to effect recoveries on a continuous basis, and in this connection, the Local Auditor should determine that a routine has been established for following these charged-off assets. Once the Local Auditor has determined that the procedures to be followed are adequate, he should not stop here, but should review with the persons responsible at least quarterly the efforts expended to effect recoveries.

3. ARE ALL DEBITS TO OTHER RECOVERIES REVIEWED AND APPROVED BY THE LOCAL AUDITOR PRIOR TO POSTING? L

Debits for unclaimed deposits, previously credited and being refunded, should be reviewed by the Local Auditor prior to posting, and verified on a positive basis with the customer. Any other debits to the account should similarly be reviewed to determine that they are proper.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

EXPENSES NON-OPERATING CHARGES

FEDERAL INCOME TAXES

1. ARE TAXES COMPUTED PROPERLY, PARTICULARLY TAXES ON CAPITAL GAINS AND LOSSES? T

   Once each year, the Traveling Auditors should review the copy of the income tax return to see whether or not taxes have been computed properly. Any questions should be directed to the Comptroller.

2. IS THE PROPER AMOUNT OF ESTIMATED TAX PAID WHEN DUE? L

   Estimated income taxes must be paid by the bank by April 15th, June 15th, September 15th, and December 15th. The Comptroller's Department will advise the Cashier of each office the amount of estimated income tax to be remitted. The Local Auditor should review these payments to determine that the amounts are correct and the remittances were forwarded when due.

ADDITION TO RESERVE FOR LOAN LOSSES

1. ARE ADDITIONS APPROVED BY THE BOARD OF DIRECTORS? T

2. ARE ADDITIONS ACCRUED MONTHLY? T

3. ARE ALL ENTRIES PROPER INCLUDING CONTRA ENTRIES? T

   The Traveling Auditors, at the time of their annual audit, should check the minutes of the Board of Directors' meetings to verify that all additions to the Reserve for Loan Losses have been approved by the Board of Directors. At the same time, they should determine whether or not the bank is accruing these additions on a monthly basis. They also should ascertain that no credits are being made to this account that should be credited to some other account, in particular to "Other Recoveries".

CONTRIBUTION TO PROFIT SHARING TRUST FUND

1. IS THE CONTRIBUTION IN ACCORDANCE WITH TERMS OF THE TRUST FUND? T

2. IS THE PROPER AMOUNT BEING ACCRUED MONTHLY? T

   The Traveling Auditors should examine the contributions to the profit sharing fund to be sure that they are in accordance with the terms of the trust fund. They also should check the monthly accruals to the profit sharing fund to determine whether or not the monthly contributions are in the proper amount.

ADDITIONS TO RESERVE FOR BOND ACCOUNT

1. ARE SUCH ADDITIONS THE PROPER PERCENTAGE OF PROFITS ON SECURITIES SOLD?

Quarterly, and at the same time the Local Auditor audits profit and loss on securities sold, he should determine that additions to the Reserve for Bond Account are the proper percentages of profits on securities sold.

OTHER DEDUCTIONS

1. ARE ALL CHARGE-OFFS APPROVED BY THE BOARD OF DIRECTORS?

The Local Auditor should review the minutes of the Board of Directors meetings to determine whether or not all charge-offs have been approved by the Board of Directors. The Local Auditor should also study the explanations to determine whether further questioning or investigation is in order.

DISTRIBUTION OF PROFITS

RETAINED AS PART OF CAPITAL FUNDS

1. IS REMAINDER OF NET PROFITS TRANSFERRED ANNUALLY TO UNDIVIDED PROFITS?

The Auditors should determine whether or not the remainder of net profits after dividends has been transferred to Undivided Profits on an annual basis.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER TRAVELERS CHEQUES

1. ARE CHEQUES ON HAND VERIFIED PERIODICALLY WITH THE ISSUING AGENCY? L

Semi-annually the Local Auditor should verify the travelers cheques on hand with the issuing agency to make sure that all are accounted for. He should also determine that the bank is not holding an excessive supply of cheques.

2. ARE DAILY PROCEDURES BEING HANDLED PROPERLY? L

The Local Auditor is responsible for determining that daily procedures are in order. In addition to checking these procedures at the time he verifies travelers cheques with the issuing agency, he should make special observations each time he performs other work in or around the department. Although one and only one person should be charged with the overall responsibility for travelers cheques and the maintenance of the daily inventory, it is permissable for more than one employee to sell travelers cheques, provided each employee maintains a separate supply of travelers cheques for which the employee alone is responsible. If such is the case, each employee must report all sales to the person charged with the overall responsibility for travelers cheques so that the daily continuous inventory will be correct. Each morning, each employee who has a supply of cheques should check the number of the last issued cheque of the previous day against the numbers of the cheques on hand to be sure that there has been no skip in these numbers. The individual responsible for the preparation of the daily report of sales must be sure that all cheques which have been sold are in consecutive order and follow those of the previous report. The vault supply of the cheques should be under the control of the person charged with the overall responsibility, with only an adequate operating supply held by each employee selling cheques. If any person charged with the responsibility for travelers cheques is relieved of this duty, his/or her successor should be checked in as to travelers cheques on hand just like we do our tellers who handle cash so that, at all times, we will be able to pin point responsibility to one person.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER

FOREIGN DRAWING AND REMITTING SERVICE

1. ARE EXCHANGE RATES AND COMMISSION INCOME FROM SALES OF THIS SERVICE VERIFIED? L

In the offices offering foreign drawing and remitting service, the Local Auditor should spot check, or where the volume is not great, check 100% of the exchange conversions and trace commission income to the General Ledger. This work should be planned in conjunction with other work performed at the office or the International Department. Each office should retain in it's files office copies of the drafts and foreign transfers on which there is provided a space for recording the rate and commission charges. These foreign drafts and transfers are prenumbered and should be issued in numerical sequence.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER

FOREIGN COLLECTION DEPARTMENT

1. ARE COLLECTION ITEMS UNDER NUMERICAL CONTROL? L

The Local Auditor should be aware of whether or not this control is being exercised, and through frequent observation he should determine that numerical sequence is being maintained.

2. ARE ITEMS ENTERED FOR COLLECTION VERIFIED BY BALANCING AND TRACING? L

The Foreign Collection Department should maintain daily updated control records on outstanding collections. Semi-annually the Local Auditor should balance all outstanding collections against these records, and trace their disposition of payments covering these items.

3. ARE REMITTANCES INTERCEPTED QUARTERLY WITHOUT THE KNOWLEDGE OF THE DEPARTMENT, AND THE PROPER CREDITING BY THE DEPARTMENT VERIFIED? L

On a quarterly basis, the Local Auditor should intercept remittances without the knowledge of the department over a period of about three or four days. In doing this he should make a record of the remittances and after the department has put through their work, the Local Auditor should verify the proper crediting of each individual remittance. Unless remittances are intercepted without knowledge of the department, the audit is rendered ineffective. The Local Auditor should continue his efforts to intercept without knowledge of the department, but where he is not sure that this is being accomplished, he should proceed with an application of funds audit by intercepting the department's block from the Proof Department to determine the presence of any lapping of funds. For example, if the Auditor finds a remittance which should have been credited to "B" but was credited to "A", this would be a strong indication of fund lapping and must be investigated.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT WITH COPIES TO THE GENERAL AUDITOR.

OTHER

COLLECTION ITEMS - NOTES, CHECKS, DRAFTS, ETC.
(NON-CASH ITEMS)

1. ARE COLLECTION ITEMS, NOTES, CHECKS, AND DRAFTS UNDER PRE-NUMBERED NUMERICAL CONTROL? L

   The Local Auditor should be aware of whether or not pre-numbered numerical control over these items is in effect and account for all missing numbers, generally for multi-payment notes, quarterly. A division of duties is necessary whereby one person is responsible for receiving the items from the customer, preparing the collection records, and then turning them over to the Collection Department for handling.

2. IS CASH CARRIED BY THE CITY COLLECTION TELLER HELD TO A MINIMUM? L

   The cash requirements of this teller should be considerably less than the regular Paying and Receiving Teller. This cash should not be allowed to build up, and the Local Auditor should keep this fact in mind during his regular cash audits. A build-up in cash would afford a greater opportunity of withholding or lapping of funds.

3. ARE ITEMS FOR COLLECTION VERIFIED SEMI-ANNUALLY? L

   The Local Auditor should semi-annually verify direct with the maker and payee one-fourth (1/4) of all collections held, to ascertain that no funds are being withheld. The important thing to consider in this verification is that all items are accounted for and that the Auditor would detect any that were withheld. The Auditor's use of pre-numbered control would serve this purpose. In the offices where the volume is not great, one hundred percent direct verifications should be made annually.

4. ARE NON-CASH ITEM COLLECTION PAID ADVICES SENT TO THE LOCAL AUDITING DEPARTMENT DAILY? L

   As single payment items and final payments on multi-payment items are paid, the Auditor's copy of the payment tickler should be marked "PAID" and sent to the Local Auditor. The Local Auditor should accumulate these copies and file them in numerical order. The Local Auditor should check these advices against the actual credits on a spot check basis to

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER

COLLECTION ITEMS (Continued)

determine that the customer has received credit as indicated. The application of funds audit is very important in this area. Not less than quarterly, the Local Auditor should intercept the department's block from the Proof Department in an effort to uncover any lapping of funds where checks are used in the lapping operation. Cash payment of items should be verified with the payer.

5. ARE OLD ITEMS HANDLED PROPERLY? L

Each time the Local Auditor is involved in any work in this department, he should ascertain that all old items which cannot be collected are being promptly returned to the customer and proper acknowledgement received from the customer, or, if the items are undeliverable, they should be placed in the Cashier's box.

6. ARE COLLECTION TELLERS ROTATED AFTER PROPER INTERVALS? L

Rotation of the collection teller is especially important from an auditing standpoint. The person who receives and processes payments in this department should serve no more than fifteen months in that capacity and should be rotated after having served that period of time. The Local Auditor should review periodically the teller's length of service, and about three months before rotation is due, the Local Auditor should point out this fact to the officer in charge.

7. ARE ENVELOPES WHICH CONTAINED PAID NOTES OR OLD UNCOLLECTIBLE NOTES HELD UNTIL YEAR END? L

During his semi-annual verification of items left for collection, the Local Auditor should determine that envelopes which contained collection notes paid out during the year, and envelopes which contained collection notes returned to our customers because of non-payment by the borrowers during the year, are held until the end of the current year in a "Paid-Out" file. The bank must file a Form 1099 on any customer receiving an aggregate total of interest of $600.00 or more during the year, regardless of the number of notes left with the bank for collection by the customer. The information needed to complete these 1099's is obtained from the note collection envelopes.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER SAFE DEPOSIT DEPARTMENT

1. IS AN ADEQUATE RECORD OF ENTRIES MAINTAINED, AND HAS THE AUDITOR TEST CHECKED THE ACCESS TICKETS TO DETERMINE THAT ONLY AUTHORIZED ENTRANCE IS PERMITTED AND THAT TICKETS ARE PROPERLY COMPLETED AND INITIALED? L

The Local Auditor should satisfy himself that the Safe Deposit Department is maintaining an adequate record of entries into safe deposit boxes, or storage files. Quarterly, the Local Auditor should select a block of access tickets and compare the signatures against authorized signatures on file. All tickets should be properly initialed and completed to include the date and time of entry. The Auditor should also observe whether or not the vault custodian is comparing signatures before entry is permitted.

2. IS PROPER CUSTODY MAINTAINED OVER GUARD KEYS? L

The Local Auditor should, by observation and questioning, determine that the guard key is properly safeguarded so that there will be no possibility of unauthorized people having access to it. This should be observed each time the Local Auditor is performing work in the department or in the area.

3. ARE KEYS TO UNRENTED BOXES UNDER DUAL CONTROL? L

All keys to unrented boxes must be kept under strict dual control so that no one individual will have access to the box or compartment containing keys to unrented boxes. The important thing for the Local Auditor to keep in mind is that dual control must be constant. Therefore, the Local Auditor should specifically determine that no breakdowns in the dual control have occurred each time he is in or around the Safe Deposit Department.

4. DO ONLY CUSTOMERS REMOVE AND RETURN BOXES FROM AND TO SAFES? L

When auditing the Safe Deposit Department, the Local Auditor should observe the vault custodian's procedure of serving the customers. When the compartment door has been opened, the customer should remove his box from the safe and also return it to the compartment when the compartment has been re-opened for this purpose. Under no circumstances should the custodian enter the vault alone for the purpose of delivering a box to a customer.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER SAFE DEPOSIT DEPARTMENT

5. IS IT STANDARD PROCEDURE TO CLOSE AND LOCK THE DOOR OF A SAFE DEPOSIT BOX WHILE THE CUSTOMER IS INSPECTING THE CONTENTS OF HIS BOX? L

During his observations, the Local Auditor should determine that the vault custodian had locked the door to safe deposit boxes while the customers are inspecting the contents of the boxes. It is also important that the keys not be left hanging in the locks as the customers keys should remain in the customer's possession at all times. If the doors are left open, a box could inadvertently be replaced in the wrong compartment. If keys are left in the locks it is possible that an impression of the key for duplication purposes could be made, and in case of a claim for missing contents, the bank should always be in a position to certify that customers keys remained in the possession of the customer.

6. ARE LOCKS CHANGED UPON TERMINATION OF LEASES AND BEFORE SAFES ARE LEASED TO NEW TENANTS? L

Locks must be changed when leases are terminated. There must be no exceptions. The Local Auditor should determine that this procedure is strictly adhered to through continuous observation and questioning of safe deposit personnel.

7. ARE NEW KEYS PLACED UNDER DUAL CONTROL IMMEDIATELY UPON RECEIPT? L

When new keys are received from the Printing Department in Atlanta, they must not be accumulated and placed under dual control at a later date. It also is very important that the vault custodian not be the person who receives the new keys. Best control can be had if the keys are received by a person detached from the safe deposit operation - then this person and the vault custodian should place them in the key safe in presence of each other. In addition, the person who receives the new keys must be one who does not have access to the guard keys. The Local Auditor should review this operation frequently so that he will be aware of any deviation from prescribed procedure.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER SAFE DEPOSIT DEPARTMENT

8. ARE CONTENTS OF DRILLED SAFE DEPOSIT BOXES BEING HANDLED PROPERLY? L

After rent on a safe deposit box has been past due for a year and a registered letter to the customer informing him that his box will be entered and the contents removed if rent is not paid within 30 days has brought no response, the box may be drilled for non-payment of rent. Boxes for which there are no keys or rent cards in file may be drilled after they have been sealed with an Auditor's seal for not less than two years. When a safe deposit box is drilled for rent non-payment, the contents should be inventoried and listed on a pre-numbered inventory Form No. 20-1022. The entire procedure for drilling boxes, preparing inventories, storing contents, etc., is outlined in G.O.G. 17.25, and each Local Auditor should be thoroughly familiar with what it says. It is mandatory that the procedures outlined in G.O.G. 17.25 be followed. When accounting for the contents of drilled boxes, the Local Auditor should also account for all serially numbered Inventory Forms (Form #20-1022) assigned to the office. There should be no missing numbers.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

OTHER — SAFE DEPOSIT DEPARTMENT

9. DOES BANK MANAGEMENT AND VAULT CUSTODIAN KNOW THE POTENTIAL HAZARDS AND LIABILITIES OF SAFE DEPOSIT BUSINESS, AND DO THEY REALIZE THE PENALTY OF NEGLIGENCE? L-T

In making his regular audits of this department, the Local Auditor should be able to determine whether or not the people responsible recognize the potential hazards of the operation. He should make sure that they understand the reasons for the various safeguards and controls. When the situation is truly understood, the problems of control are much diminished. The Traveling Auditors should also ascertain that proper importance is placed on the prescribed safeguards in the operation of this department.

10. ARE UNRENTED SAFE COMPARTMENTS, FOR WHICH THERE ARE NO KEYS IN THE UNRENTED KEY FILE, SEALED BY THE AUDITOR? L

When accounting for keys, the Local Auditor should determine that there are two keys in the unrented key file for all unrented boxes. A report should be prepared on all exceptions. If there are no keys in the unrented file for a box that the bank has no record of renting and the rentor can not be determined by reviewing safe deposit rental income tickets or other means, the Local Auditor should seal the safe compartment by placing his audit seal over the key slots. The Local Auditor should periodically inspect his seal to determine that it has not been tampered with, and that it remains on the box for a period of two years. At the end of the two-year period, if no one has seeked access to the compartment or paid rent on it, the lock should be drilled for non-payment of rent and the contents inventoried as outlined under Question No. 8 of this same section of the Commercial Audit Manual.

1. ARE ALL ITEMS PHYSICALLY VERIFIED ANNUALLY?

Annually, the Local Auditor should verify physically all items held in storage. All items held should have a seal attached bearing a printed number that agrees with the number on the contract signed by both the customer and the bank's representative.

2. ARE ALL ITEMS HELD UNDER DUAL CONTROL?

The Local Auditor should during his annual audit insure that dual control is maintained over items held in storage.

3. ARE ITEMS HELD IN STORAGE VERIFIED WITH CUSTOMERS ANNUALLY?

At the time the Local Auditor physically verifies the presence of the items held, he should send a verification directly to the customer. The Local Auditor should also verify directly with the customer all contracts closed since his last audit.

4. IS THERE A DESCRIPTION OF THE ITEM(S) ACCEPTED FOR STORAGE ON THE CONTRACT?

The Local Auditor should during his annual physical verification of the items held in storage insure that the contracts in force bear a description sufficient enough to positively identify the item(s) held for each customer. Also, the customer must declare the value of the item(s) accepted for storage by the bank.

5. ARE STORAGE CONTRACTS UNDER NUMERICAL CONTROL AND ARE ALL NUMBERS ACCOUNTED FOR?

The Local Auditor should during his annual audit of this department insure that storage contracts are under strict numerical control and that all numbers are accounted for. When the bank enters into a contract with a customer to hold an item or items in storage for him, the customer and a representative of the bank must sign both copies of the contract. The customer receives the original contract and the duplicate is retained by the Safe Deposit Department. When the contract is terminated, the customer must sign the release protion of the contract along with two representatives of the bank, one of whom preferably is a senior employee.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

NIGHT DEPOSITORY

1. IS THE OPENING OF THE NIGHT DEPOSITORY SAFE AND THE REMOVAL OF ITS CONTENTS HANDLED PROPERLY? L

Whenever working in or around the night depository area, but not less than quarterly, the Local Auditor should determine that the night depository safe is being unlocked under strict dual control. No one person should be able to unlock the safe by himself. All contents of the safe should be removed from the depository and registered under dual control. The safe door should then be closed and locked, and the door alarm reactivated if there will be more than a five-minute delay before the main vault door is opened. Each of the individuals comprising the dual control should verify the bag numbers and the number of envelopes found in the safe, and each party of the dual control must sign the log book. It is mandatory that the bank's records support the fact that the safe was opened and the contents were removed under dual control.

2. AFTER REMOVAL FROM THE NIGHT DEPOSITORY SAFE, ARE THE CONTENTS PROPERLY SAFEGUARDED? L

After the night depository bags have been removed from the safe and logged in under dual control, they should be assigned to individuals who will be responsible for controlling the bags until they are called for by customers, or until the contents have been processed where the bank is authorized to do so. The individuals accepting the bags should initial the log book for each bag, indicating their receipt of each bag. This night depository log book should clearly indicate the employee who is responsible for holding the bag until it is called for by the customer, or the employee responsible for processing the contents of the bag.

3. ARE NIGHT DEPOSITORY BAGS DELIVERED ONLY TO PROPERLY AUTHORIZED INDIVIDUALS? L

After the individuals who are responsible for controlling and protecting night depository bags until they are called for by customers, or who are responsible for processing the contents of the bags, have receipted for the bags on the night depository log book, they should pull the customers' signature cards, and match them with the bags. The signature cards should not be housed with the bags to prevent loss of bag and card. As the bags are signed for by the customers, the signature cards should be re-filed. At the end of the day, there should be a bag remaining for each outstanding card. This will provide the employees responsible a means for accounting for all undelivered bags, which must be safeguarded overnight in the bank vault.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

NIGHT DEPOSITORY

4. ARE KEYS TO BAGS WHICH THE BANK IS AUTHORIZED TO OPEN PROPERLY CONTROLLED? L

All keys held to bags that the bank is authorized to open by customers who have elected to accept the "bank's count" should be controlled by those individuals whose responsibility it is to verify the contents of the bags. If one teller is responsible for processing the contents of such bags, the keys to the bags should be kept in that teller's cash drawer. If more than one teller processes bags, the keys should be held by an individual not connected with the dual control opening of the safe, and assigned with the bags to specific tellers. Keys to night depository bags should never be left exposed and unattended.

5. IS THE CHECK DEPOSITORY OPENED UNDER DUAL CONTROL? L

The check depository is frequently used by customers for cash deposits. Therefore, it is mandatory that the check depository be opened under dual control. Under no circumstances do we want to put one of our employees in the position of having individually remove the contents of the check depository, and then have a customer make a claim for a missing cash deposit.

6. ARE ALL CASH DEPOSITS FOUND IN EITHER THE CHECK DEPOSITORY OR THE NIGHT DEPOSITORY SAFE VERIFIED UNDER DUAL CONTROL? L

Envelopes found in either the night depository safe or the check depository should be opened under dual control, and those containing cash should be recorded in a log book, which should be initialed by the two individuals opening the deposits. If one of the two parties of the dual control is a teller, the teller can go ahead and process the cash deposits. Otherwise, the cash deposits should be turned over to a teller, who should receipt the log book for the deposits, and then process them. Envelopes which do not contain cash need not be recorded except for the total number found. These should then be passed on to other tellers for processing in the normal manner.

7. ARE UNRENTED NIGHT DEPOSITORY BAGS AND KEYS PROPERLY PROTECTED? L

All keys to unrented night depository bags should be tagged with the corresponding bag number and held under dual control until the bag is rented. Unrented night depository bags should be held in the cash vault by the head teller.

AS EACH EXCEPTION IS FOUND, A REPORT SHOULD BE MADE ON AN AUDITOR'S EXCEPTION FORM TO THE HEAD OF THE OFFICE, THE OFFICER IN CHARGE OF THE DEPARTMENT, WITH COPIES TO THE GENERAL AUDITOR.

NIGHT DEPOSITORY

8. ARE NIGHT DEPOSITORY RECORDS ADEQUATE? L

The Local Auditor should test check customers' signature cards (bag receipt cards), rental agreements, indemnity agreements, and lost bag statements. He should determine that bags are not being delivered to unauthorized individuals, indemnity letters, rental agreements, etc., are being fully completed and properly signed, and that missing bags are supported by lost bag statements.

9. IS THE NIGHT DEPOSITORY OPERATING PROPERLY? L

During his quarterly reviews, the Local Auditor should determine that the night depository head is operating properly, that it is fish-proof, and in the case of new installations, that the safe and chute are encased in reinforced concrete.

OPERATIONS

1. HAS THE LOCAL AUDITOR OR COMPTROLLER'S DEPARTMENT APPROVED ALL NEW ACCOUNTS OPENED ON THE GENERAL LEDGER? L

The Local Auditor must be sure that he is made aware of any new accounts contemplated for the general ledger before they are put into use, regardless of whether they be Asset, Liability, Income or Expense accounts. All accounts that are opened on the general ledger must be pre-approved by the Local Auditor or Comptroller's Department.

If, in the judgment of the Auditor, the establishment of an account would conflict with normal banking practices or auditing procedures, the matter should be discussed with the Operations Officer. In the absence of mutual agreement, the matter should be referred to the Comptroller or the General Auditor.

2. DISCUSS BRIEFLY ANY RECOMMENDED CHANGES. L

In any audit work, the Auditor should observe the systems and methods being used and constantly seek improvements. When the Auditor feels that improvements can be made in a system or procedure in use by the bank, it would be best to discuss the matter with the Operations Officer in the bank. If both the Auditor and the Operations Officer feel that the change would be wise, steps should be taken to effect the change. If the discussion does not lead to mutual agreement, it would be advisable for the Auditor to present the matter to the Comptroller for his action.

3. ARE EDP SERVICE CONTRACTS ON FILE?

If the bank being audited either performs a computer service for another bank, or has another bank perform any computer service for it, there should be an EDP service contract in file (except between offices of the same bank). Annually, the Local Auditor should determine that these contracts are in file.

4. ARE GENERAL LEDGER DEBITS OFFICIALLY APPROVED?

The Local Auditor should determine whether or not debits to general ledger accounts are approved by officers or properly authorized individuals. The only exceptions permitted are as follows:

1. Interior Transfers.
2. Proof Department resume entries, and subsequent entries made by control clerks to effect changes to adjust general ledger accounts for the particular day's transactions.
3. Entries to Cash.

OPERATIONS - Continued

All tickets must bear adequate descriptions of transactions. No official approval is required for credit entries, except credits to Overage and Shortage accounts. Names of individuals preparing tickets, and signatures and titles of officers approving the entries, must appear on the tickets.

BRANCH OFFICES AND LARGE OPERATING DEPARTMENTS STAFFED WITH ONLY ONE OFFICER

For branch offices or large operating departments where there is only one officer assigned, a designated managerial person of the same area may approve debit tickets, except debits to income accounts, expense accounts, and either debits or credits to "Over and Short", provided there is on file a letter indicating that the individual has authority to approve debit tickets.

5. DOES AN OFFICIAL OR SENIOR MALE EMPLOYEE OF THE BANK EITHER CLOSE OR WITNESS [illegible] VAULT, AND CHECK [illegible]

Two people should close the bank's vaults each day, one of whom preferably should be an officer of the bank. If it is not practical for an officer to be present because of meetings, business calls, etc., a senior responsible male employee may assist the Head Teller with the vault closing. This official or senior employee should verify that the vault time has been placed on the time locks, the clocks are running, the door is properly closed, and the combination dial spun. A log book should be maintained in which the date, time, number of hours, and initials of the two individuals are recorded. The Local Auditor should inspect the log book at monthly intervals to determine that all closings have been properly witnessed and recorded.

6. IS INCOMING MAIL [illegible] BY DESIGNATED PARTIES? L

Incoming mail should be routed through a mail department which preferably should be under the control of the Local Auditor. Where it is not practical for mail department to come under the supervision of the Local Auditor, he should investigate from time to time in checking the ultimate disposition of monies received in order that the possibilities of loss might be held to a minimum.

OPERATIONS - Continued

7. IS INCOMING REGISTERED MAIL RECEIPTED FOR BY THE RESPONSIBLE DEPARTMENTS?

The Local Auditor should determine whether or not responsibility can be placed on an individual with respect to incoming registered mail. He should check the registered mail book and question personnel at least quarterly in determining the adequacy of the system and whether or not there have been any breakdowns in the control.

8. IS THE REVIEW AND CONTROL OF OLD RECORDS ADEQUATE AND IN COMPLIANCE WITH THE FINANCIAL RECORDKEEPING AND REPORTING ACT?

The Local Auditor should assure himself that the operating personnel are reviewing old records, retaining those which need to be retained, and controlling their location effectively. He also should check to see whether or not operating personnel are destroying old records as allowed and suggested by the bank's destruction schedule. In particular, the Local Auditor should see that the records providing audit trails, and the records required by the Financial Recordkeeping and Reporting Act, are not destroyed prematurely. When new systems are adopted, the Local Auditor should immediately review the retention of records schedule.

9. DOES THE BANK MAINTAIN PROPER FACILITIES FOR HANDLING LATE CUSTOMERS?

The Local Auditor should ascertain from time to time that the bank maintains proper facilities for handling late customers. Normally, this would be in the form of after-hour teller windows to take deposits. Usually, Installment Loan customers should have access to the department until five o'clock.

10. IS THE BANK'S CURRENT CHARTER IN FILE?

Once each year, the Local Auditor should determine that the bank's charter is in file, where appropriate, and that the thirty-year expiration date has not been overlooked. The Local Auditor should review the minutes of the annual stockholders' meeting and see that the charter expiration date is shown, in accordance with GOG 26.372.

11. IS INFORMATION ON VARIOUS STATISTICAL REPORTS BEING COMPUTED ACCURATELY?

Semi-annually, the Local Auditor should review copies of the last statistical reports, particularly the Monthly Operations Report, to ascertain that the reports are being properly made to the Comptroller's Department and that this statistical information is being accurately compiled. In doing this, the Local Auditor should keep in mind that, for example:

OPERATIONS - (Continued)

A small error in the number of personnel reported in a given area could result in a large error in the final analysis. Accuracy in compiling statistical information is very important; therefore, the Local Auditor should keep himself well versed on all instructions in connection with this subject.

12. HAS THE FILE "THINGS OF INTEREST TO THE CASHIER" BEEN REVIEWED AND FOUND IN ORDER?

Annually, the Local Auditor should ascertain by inspecting the safe deposit box issued to the Cashier that this box only holds the proper instruments for the bank's use and that it does not contain illegal collateral, signed blank notes, or such other items of that nature which are not on the bank's records.

13. ARE AT LEAST TWO FIRE EXTINGUISHERS AVAILABE FOR EMERGENCY USE?

At least semi-annually, the Local Auditor should check each office and determine that at least two fire extinguishers are conveniently located and that the service dates have not expired. Preferably these extinguishers should be all-purpose type which could be used on electric, gasoline or any type fire. If all-purpose extinguishers are not used, at least one of the extinguishers should be of the type for use on electric fires, and at least one other should be the type used on gasoline and other fires.

14. IS THE LIST OF CUSTOMERS WHO REGULARLY HAVE LARGE CURRENCY TRANSACTIONS CURRENT?

The Financial Recordkeeping and Reporting Act requires each teller and the Branch Manger of each office should have a copy of the list of customers who regularly have currency transactions of more than $10,000.00. These list must be reviewed, and kept current and accurate.

15. IS A CURRENCY TRANSACTION REPORT PREPARED WHEN NECESSARY?

Through observation and questionning, the Local Auditor should determine that a Currency Transaction Report is being properly completed on unusual transactions involving more than $10,000.00 cash. Generally, the Head Teller will prepare the reports.

16. DOES THE OFFICE HAVE A FOREIGN TRANSACTION FILE?

The Financial Recordkeeping and Reporting Act requires that banks maintain records of transactions of more than $10,000.00 involving a person, account, or place outside the United States. A copy of each such transaction should be placed in the Foreign Transactions File.

E-983

17. ARE EMPLOYEES AWARE OF THE PENALTIES THAT MAY BE IMPOSED FOR FAILURE TO FILE CURRENCY TRANSACTION REPORTS?

Willful failure to file a fully and accurately prepared Currency Transaction Report when required could cause the bank and the employee to be assessed a civil penalty not exceeding $1,000.00 or be imprisoned not more than one year. All employees handling currency transactions should be aware of these penalties.

PERSONNEL

1. DO THE OFFICERS AND EMPLOYEES SEEM HAPPY IN THEIR WORK? L

2. ARE THE OFFICERS AND EMPLOYEES GIVEN PROPER INSTRUCTIONS AS TO THEIR DUTIES AND RESPONSIBILITIES? L

3. ARE THE OFFICERS AND EMPLOYEES EFFICIENT? L

4. ARE SALARIES ADJUSTED ANNUALLY ON MERIT RATHER THAN SENIORITY EXCEPT FOR EXCEPTIONAL CASES AND AUTOMATIC RAISES? L

5. ARE DEPARTMENT HEADS RESPONSIBLE INDIVIDUALS? L

6. ARE DEPARTMENT HEADS PART OF MANAGEMENT? L

7. ARE OFFICERS AND EMPLOYEES NEAT IN THEIR WORK? L

8. ARE OFFICERS AND EMPLOYEES COURTEOUS AND COOPERATIVE IN DEALING WITH CUSTOMERS? L

9. ARE INEFFICIENT EMPLOYEES WEEDED OUT AS SOON AS PRACTICAL? L

All the foregoing questions under this heading can be determined only through personal observation by the Local Auditor. This phase is a very important aspect of any audit. It is a responsibility of all auditing personnel to be alert at all times in order that they may properly evaluate the personnel situation to the best of their ability.

10. ARE ALL OFFICERS AND EMPLOYEES BEING ROTATED AFTER PROPER INTERVALS? L

Rotation of personnel is a very important audit safeguard in addition to serving as a training tool. There are a number of jobs and departments which should be classified as critical areas with respect to rotation of personnel. The Local Auditor should be able to recognize these as he carries out his duties and in studying the audit manual. He should keep records of the people and the length of time served in those capacities, bringing this fact to the attention of management far enough in advance in order that the rotation program may be effectively carried out. During the annual review it should be determined that a program of rotation is in effect, and in the report should be listed any instances in need of attention not covered by the program.

E-985

PERSONNEL

11. ARE ALL OFFICERS AND EMPLOYEES REQUIRED TO TAKE ANNUAL VACATIONS? L

The Local Auditor should determine that all officers and employees are taking annual vacations. Where practical, it is suggested that the Local Auditor obtain a list of the vacation schedule in determining that all personnel are included.

12. ARE NO OFFICERS AND EMPLOYEES ALLOWED TO SPLIT THEIR VACATIONS WITHOUT THE PRESCRIBED PERMISSION AND WITHIN THE LIMITS OF THE BANK'S POLICY? L

The Local Auditors should determine adherence to this policy. The bank's policy on this subject is as follows: In the case of one or two weeks' vacation, the period away from work must not be split. The entire vacation is expected to be taken at one time except where special permission for a "split" vacation is granted by the Personnel Officer, Department Manager, and the General Auditor.

In the case of three or four weeks' vacation, at least two weeks should be taken at one time, and this period should cover a month's end. The number of weeks in excess of two may be transferred to the following year, but the vacation carried forward must be taken the second year, either with accrued vacation or separately. When vacations of three or four weeks are split for two consecutive years, the entire vacation must be taken in the third year without a split. Any exception to this policy must be satisfactorily explained.

13. WERE ALL REPORTS OF DIRECT AND INDIRECT INDEBTEDNESS OF OFFICERS TO OWN AND/OR OTHER BANKS FULLY COMPLETED IN EVERY DETAIL AND TURNED IN DURING THE AUDIT? L

The General Auditor, or his officer assistant, at the beginning of the audit, should deliver forms for this purpose to all officers. He should request that these forms be completed and turned in by the end of the audit. The General Auditor should make an exception on any that have not been turned in fully completed, commenting on the reason under the "Specific Comments" section of his report.

14. HAVE ALL LOANS MADE TO OFFICERS OR THEIR SPOUSES BEEN CLEARED THROUGH THE PROPER CHANNELS? L

Loans made to officers or their spouses should be cleared through the Executive Vice Presidents of the National Bank offices and the Presidents of the Affiliated banks. The annual audit should include a list of these loans.

E-526

PERSONNEL

15. IS THE PROPER DIVISION OF DUTIES ADEQUATE IN ALL JOBS AND IN ALL RESPECTS? L

The proper segregation of duties is an all important audit tool. Normally, responsibility for an entry from origination through final disposition vests too much control in one individual. The Local Auditor should be familiar with the various job assignments in order that he may determine whether or not there is proper division of duties. In making this test, the Local Auditor should keep in mind the fact that proper division of duties should always provide the work of one individual to serve as a check on the work of another individual.

16. ARE LOANS TO OFFICERS, OFFICERS' SPOUSES, OR EMPLOYEES SEGREGATED AND CARRIED UNDER SEPARATE TOTALS? L

Officers' loans, loans to officers' wives or husbands, and loans to employees should be segregated and carried under separate totals to facilitate their being reviewed periodically by management and to provide a more accurate means of obtaining this information for audit reports. During his periodic audits of loans, the Local Auditor should determine that this is being done. Annually, the Auditor will prepare a schedule of these loans for inclusion in the annual audit report.

E-927

THE CITIZENS & SOUTHERN NATIONAL BANK

INSTALLMENT LOAN AUDIT MANUAL

E-9 8

INDEX

	SECTION
Cash	ILD-1.
Balancing and Posting	ILD-2.
Dealer Reserves	ILD-3.
Delinquents and Extended Accounts	ILD-4.
Collateral	ILD-5.
Sales Finance	ILD-6.
Reports	ILD-7.
Wholesale	ILD-8.
Notes	ILD-9.
Rebates	ILD-10.
Bank Liability Repossessions	ILD-11.
Miscellaneous	ILD-12.
C&S Financial Corporation	ILD-13.

CASH

1. HAS THE CASH HELD BY THE DEPARTMENT BEEN RECONCILED QUARTERLY WITH THE AMOUNT CHARGED TO THE DEPARTMENT? L

Quarterly, the Local Auditor should count the cash and reconcile the total with the amount charged to the department.

2. IN THE RECONCILIATION OF CASH, WERE ALL DEBIT ITEMS CURRENT AND IMMEDIATELY COLLECTIBLE? L

In verifying the cash, the Local Auditor must take into consideration all debit and credit items in the work at the time. To make sure all debit items are valid, they should be traced to their final payment. Checks drawn on the bank being audited can be verified with the Bookkeeping Department, and all other checks should be replaced with an interior transfer, the checks marked with an Auditing Department stamp and re-deposited. All return items so marked should be returned to the Local Auditor. The Auditor should keep in mind the possibility of a shortage being covered through floating invalid checks.

3. IS CASH DRAWER LOCKED WHEN UNATTENDED WITH ONLY ONE PERSON HAVING ACCESS TO EACH FUND, OR OTHERWISE HANDLED SO THAT DEFINITE RESPONSIBILITY CAN BE ESTABLISHED AT ALL TIMES? L

The Local Auditor can determine this through observation and questioning. Observations should be made on a surprise basis at intervals frequent enough to insure compliance. In addition to reviewing all exceptions with management, the Local Auditor should make a record of the dates and names of tellers involved. Where no exceptions were noted, the Local Auditor's record should indicate dates observations were made.

4. IS CASH HELD TO A MINIMUM AT ALL TIMES? L

The matter of whether cash held by the Installment Loan Department is excessive or insufficient should be determined by the Local Auditor when he verifies the tellers' cash. Particularly should the department avoid keeping excess cash on hand. Where the Local Auditor feels that too much or too little cash is being held, the matter should be discussed with the management of the department in order to arrive at the true operating requirements.

5. IS OVER AND SHORT RECORD OF TELLERS NORMAL? L

The Local Auditor should maintain a record of the over and short entries, by the names of the individuals responsible for the overages and shortages. If this procedure is followed, the Local Auditor will have before him at all times a cumulative record of the individuals in the bank causing overages and shortages, and, depending upon the individual jobs concerned, can determine if any individual's record is unsatisfactory. Unsatisfactory records should be brought to the attention of the Operations Officer and the Department Manager. In reviewing such records, the absence of overages and shortages should be investigated as much as the presence of an excess number. Absence may be occasioned by the maintenance of a "kitty" or other unauthorized methods.

BALANCING AND POSTING

1. ARE ALL DETAIL RECORDS LISTED MONTHLY AND BALANCED TO THE SUBSIDIARY CONTROLS AND THE GENERAL LEDGER? L-T

MANUAL SYSTEM

Quarterly, the Local Auditor should recap the trial balance tapes run by the Installment Loan Department to determine that they are in agreement with the general ledger. Corrections and changes in the listings should be verified at the same time. It is very important that the same person does not run the same section of the ledger more than one month in succession, and the Local Auditor must determine this each time he checks the tapes. The individual balancing each classification should sign or clearly initial each tape so that the Auditor can keep a running record of the rotation from month to month. The Local Auditor should place his audit stamp and initial on each tape.

In addition to checking the department's trial balance tapes, the Local Auditor, on a quarterly frequency, should actually balance one or more classifications selected on a random basis. The number of classifications selected would depend on the size of the operation. In the smaller operations, he should cover all accounts. Also, 5% of the accounts in these classifications should be verified on a positive basis with the customer. The Local Auditor's tapes and verifications should be kept for inspection by the Traveling Auditors.

The Local Auditor should keep a running record of all over and short entries in connection with the department's balancing, and the General Auditor should include a schedule of all such entries since last audit in his audit report together with any controls that are still out of balance.

AUTOMATED SYSTEM

Installment Loan Control or Installment personnel should reconcile computer totals to the general ledger daily. The Local Auditor should review these balancing sheets at least quarterly and actually reconcile the computer totals to general ledger during his review.

2. ARE ALL PAYMENTS AND CONTROLS POSTED PROMPTLY, AND IS THE TELLER AND POSTING OPERATION SEPARATED? L

MANUAL SYSTEM

When the Local Auditor is performing other work in the department, he should determine whether or not payments are being posted promptly. Any delay beyond the day after payments were made should be investigated and an explanation requested. A written report of any such occurrences should be made to the General Auditor. Also, it is important for the Local Auditor to determine that the tellers are always separated from the posting operation.

2. ARE ALL PAYMENTS AND CONTROLS POSTED PROMPTLY, AND IS THE TELLER AND POSTING OPERATION SEPARATED? L (Continued)

AUTOMATED SYSTEM

No later than the following business day, entry should be made to the general ledger account for all payments posted. In banks using the Suspense account, each day the ILD Individual-Suspense balance for the previous day should be reversed, and each payment included the prior day should be cleared. Exceptions uncovered when reconciling computer totals to general ledger should be reported.

EITHER SYSTEM

Customer disputes over the dates payments were paid should be reported to the Local Auditor immediately.

3. ARE PROPER EFFORTS MADE TO LOCATE OVERAGES AND SHORTAGES? L

The Local Auditor should satisfy himself that adequate efforts are being made to locate all overages and shortages. All differences over $100.00, and customer disputes over payments or balances should be reported to the Local Auditor the day they occur.

4. ARE CORRECTIONS TO LEDGER CARD POSTINGS MADE BY REVERSING ENTRIES RATHER THAN ERASURES OR ELIMINATION OF THE ORIGINAL INCORRECT ENTRY? L

MANUAL SYSTEM

The only acceptable method of making a correction to a ledger card posting is that of making a reversing and correcting entry. The Local Auditor should determine if this is being done properly in the course of his routine handling of the ledger card records. No erasures should appear on a ledger card. A debit ticket should be made explaining the correction. This ticket should be posted as a short payment, and the ledger card marked "POSTED IN ERROR" so that the error in posting will not be confused with a short payment resulting from a returned check.

AUTOMATED SYSTEM

Monthly, the Auditor, EDP, Atlanta, will compare the master file for the current month against the prior month master file and print double labels on address changes and a list of changes showing old name and address and new name and address, and in addition, if the new balance increases, old balance and new balance. This information will be forwarded to each of the Local Auditors so that he can verify address changes or determine the cause of the increased balance by using the date of last activity, shown on the print-out, in looking up the necessary tickets.

BALANCING AND POSTING (Continued)

5. ARE RETURN ITEMS "REVERSED" ON THE LOAN RECORDS PROMPTLY? L

Any returned checks or other payments that cannot be cleared within 24 hours should be debited back to the loan as outlined in the Operating Bulletin. The Local Auditor should check this operation and question personnel during the course of his continuous audits. Where no exceptions have been located, the Local Auditor's record should indicate the dates on which this work was performed.

6. ARE UNUSED RETURN ITEMS PROPERLY VOIDED AND FILED? L

MANUAL SYSTEM

During his periodic thumbing operations, the Local Auditor should pull a representative number of ledger cards on which payments have been re-instated because of returned checks since his last audit. If the re-instated payments have not been paid, the returned checks should be attached to the ledger cards. If the re-instated payments have been paid, there should be no returned checks attached to the ledgers, and the Local Auditors should review the collection folders to determine that any returned checks, covering payments subsequently paid by other means, have been properly voided and placed in file.

AUTOMATED SYSTEM

The monthly address change print-out will list all loans which have had payments reinstated during the month. The Local Auditor should determine during his quarterly audits that checks covering reinstated payments have been voided and filed in the customer's folder.

7. IS THE NEW LOAN LOG COMPARED TO THE FILE MAINTENANCE REPORT DAILY? L

Quarterly, the Local Auditor should determine that Installment personnel are comparing the New Loan Log against the File Maintenance Report daily, and that differences are promptly corrected.

8. ARE EXCEPTIONS SHOWN ON THE ACTION REPORT CORRECTED PROMPTLY? L

Exceptions shown on the Action Report will appear only one time, and prompt corrective action should be taken. Quarterly, the Local Auditor should review the Action Reports for at least one week, and by checking subsequent computer records, determine that action was taken. The employee responsible for adjusting items shown on the Action Report should not make entries pertaining to balance increases for insurance coverage.

DEALER RESERVES

1. HAS THE TOTAL OF THE DEALER RESERVE STATEMENTS MAILED TO DEALERS BEEN BALANCED TO THE GENERAL LEDGER SEMI-ANNUALLY, AND DOES THE DETAIL UNDER EACH DEALER CHECKED AGREE WITH THE RESPECTIVE STATEMENTS? L

   At least twice each year, the Local Auditor should list the original dealer reserve statements which he receives each month and balance the total with the general ledger. If on a manual system, he should then select 10% of all dealer reserve accounts and balance the permanent reserve cards to the statements.

2. ARE DEALER RESERVES VERIFIED ON A SEMI-ANNUAL BASIS? L

   All dealer reserve statements should be delivered to the Local Auditor each month for mailing. This permits the Auditor to select a time to perform the work without the knowledge of the department. Semi-annually (not the same months each year), he should balance the total to the general ledger and verify by negative verification all dealer reserve accounts. This verification may be incorporated in the work in #1 above. The Local Auditor must not delay the mailing of these statements. They should be mailed on the same day received.

3. ARE MONTHLY STATEMENTS OF DEALER RESERVES SUBMITTED TO ALL DEALERS REGARDLESS OF ACTIVITY ON ACCOUNTS? L

   Since the statements are delivered to the Local Auditor monthly for mailing, any exceptions will be obvious at the time the Local Auditor balances the total to the general ledger. Statements should be rendered to all dealers without exception, and failure to do so should be reported.

4. ARE PROPER EFFORTS MADE TO DISPOSE OF DEALERS RESERVE ACCOUNTS WHEN ALL CONTRACTS ARE PAID OUT? L

   The Local Auditor, when auditing dealer reserve statements, should also determine whether or not there are any inactive accounts where all contracts have been paid that have not been remitted to the respective dealers. If not paid immediately, it is most important that the balances be transferred to dormant checking accounts and subsequent disposition of the funds verified. Copies of the reserve statements will reveal absence of activity.

5. ARE DEBITS TO DEALER RESERVE ACCOUNTS PROPER, AND HAS A PERCENTAGE OF THE DEBITS BEEN TRACED? L

   Debits are made to dealer loss reserve accounts for rebates of reserve to customers, payment of earned reserve to dealers, commissions on C&S agency insurance if policies are cancelled within 60 days of issue date, and for the cancellation of reserve on a contract being repurchased by a dealer. The two times a year the Local Auditor balances the reserve statements, he should, at that time, trace the debits from the general ledger to the related accounts to determine whether proper or not. The Local Auditor's record should indicate dates audited, number of debits checked and exceptions, if any.

DELINQUENTS AND EXTENDED ACCOUNTS

1. ARE PAST DUE LOANS VERIFIED BY THE LOCAL AUDITOR? L

At least 5% of the loans past due 15 days or more must be verified by the Local Auditor each quarter. The Auditor, E.D.P., in Atlanta, will send printed verifications, and a print-out for follow-up, on any of the banks whose installment loan accounting is done on the computer.

2. ARE ALL ACCOUNTS ON WHICH PAYMENTS ARE DELINQUENT IN EXCESS OF AUTOMATIC NOTICE PERIOD IN THE HANDS OF THE COLLECTION DEPARTMENT? L

MANUAL SYSTEM

Quarterly, the Local Auditor should review one-fourth of the current ledger cards to be sure that no past due cards are in the current file. All accounts found in the current trays which should have been in the hands of the Collection Department should be verified by the Local Auditor direct with the customer. One hundred percent (100%) return must be obtained on these accounts. At least every 30 days, all ledger cards should be checked by the department for past due "sleepers". The Local Auditor should keep a record of all exceptions showing all pertinent information.

AUTOMATED SYSTEM

The Local Auditor should determine that collection cards were produced for all accounts listed on the print-out of verifications sent on past due loans, and that these cards are in the hands of the Collection Department. Verification of accounts on which there is no collection card in file must be followed for 100% return. Also, Installment personnel should be questioned to see if they are checking the past due list against collection cards monthly.

3. ARE ALL LATE CHARGES AND LATE CHARGES ONLY CREDITED TO SERVICE CHARGES ON LOANS? L

MANUAL SYSTEM

Quarterly, the Local Auditor should verify at least one day's work to be sure that all late charges collected on that day have been credited to Service Charges on Installment Loans. This should be done by reviewing the coupons and reconciling the amount of late charges as indicated on the coupons against the entries to the general ledger. In addition to being sure that all charges have been credited, the Local Auditor should also be sure that no extension fees or other miscellaneous charges have been included in the entries to this general ledger account.

AUTOMATED SYSTEM

Quarterly, the Local Auditor should select two weekly periods, not consecutive, and trace all late charges as shown on the Daily Transaction Journal to Service Charges on Installment Loans on general ledger. Larger debits to the late charges account should be reviewed to see that the offsetting credits are proper. The File Maintenance Lists and input documents should be reviewed for excessive waivers of late charges, which should be reported to management. After review, the lists and input items may be destroyed.

DELINQUENTS AND EXTENDED ACCOUNTS (Continued)

4. ARE THE BILLING AND COLLECTION OF LATE CHARGES SHOWN PROPERLY ON THE LEDGER CARDS? L (Applicable only to Manual System.)

In connection with the above verification of late charges collected, the Local Auditor should also check the posting of these late charges on the ledger cards and check the proper entry of the billing of these late charges on the ledger cards as outlined in the Installment Loan Department Operational Guide. When reviewing the payment coupons, it should be kept in mind that late charges due but unpaid should be recorded on the ledger cards for subsequent billing.

5. ARE CORRECT EXTENSION FEES COLLECTED ON ALL LOANS EXTENDED, AND ARE THEY CREDITED TO INTEREST AND DISCOUNT-INSTALLMENT LOANS? L-T

MANUAL SYSTEM

Each quarter when the Local Auditor thumbs the ledger cards and at the time verification of late charges is made, he should also verify the correctness of all extension fees in that particular work. In addition to this verification of fee computations, the Local Auditor should check a small percentage of ledger cards (about 25% normally) on accounts which have been extended and verify the collection of the fees to the extent of checking them through the bank's general ledger. The general rule on collection of extension fees is to collect 1% of the unpaid balance for each 30-day period that the account is extended. All extension fees should be credited to Interest and Discount-Installment Loans. The Local Auditor should maintain a record by classification of the number of extensions granted together with any exceptions noted so the General Auditor can review the file from a standpoint of audit coverage.

AUTOMATED SYSTEM

Monthly, the Local Auditor should review the monthly Accrual and Exception Report for each of his banks for the dollar amounts of current extension fees, which will be shown under the column "Disc on New Loans and Changes This Month". An amount followed by an "E" will be the extensions collected during the month. By using the loan number and video, the Local Auditor can determine the balance of each loan extended, apply the 1% per month extended factor, and check the computation of extensions. Normally, 25% of the extension fees recomputed should be traced to Interest and Discount-Installment Loans. This 25% should include the fees which will be verified with the customers. To locate accounts extended with no fee paid, look on the Accrual and Exception Report under the heading "This Month" column, "Adjustment to Accrual" for an amount followed by a minus (-) sign. If the extension column shows the account has been extended, and there is no amount followed by an "E" under the "Disc. on New Loans & Changes This Mo*" column, probably no fee was collected, and the file should be checked.

DELINQUENTS AND EXTENDED ACCOUNTS (Continued)

6. ARE EXTENSION FEES PROPERLY RECORDED? L

MANUAL SYSTEM

In reviewing the ledger cards for extension fees during his quarterly thumbing operation, the Local Auditor should appraise the manner in which these fees are recorded. The ledger cards should be marked to indicate the date of extension, the term of extension, the amount of extension fee paid, and should be initialed by a person authorized to grant the extension. Extensions should not be granted until the extension fee is paid, and extensions should be properly recorded on the ledger card without exception. The Local Auditor's record should indicate the number of instances extension fees were not recorded on the ledger cards and the total number of accounts extended in the classifications being audited.

AUTOMATED SYSTEM

Quarterly, when the Local Auditor receives his verifications, he will also receive a print-out which will show any loan extended, since the prior quarterly report, where the computer records do not reflect the extension. The reason for each exception should be determined, and unexplained exceptions should be verified with the borrowers. The computer file must be corrected to reflect the unauthorized exception in every instance.

7. HAVE OUTSTANDING ACCOUNTS ON WHICH EXTENSIONS HAVE BEEN GRANTED BEEN VERIFIED DIRECT WITH THE CUSTOMER BY THE AUDITOR? L

During his quarterly checking of extension fees, monthly on Automated System, the Local Auditor should verify direct with the customer a minimum of 10% of accounts on which extensions have been granted since the last audit. The verification letter should indicate the amount of the fee and date paid. Second and third requests should be sent if necessary. The fees verified should have been included in the fees traced to the general ledger.

8. ARE THE DEPARTMENTAL RECORDS ON PROFIT AND LOSS ACCOUNTS IN AGREEMENT WITH THE GENERAL LEDGER? L

The Recovery Department should balance "Collectible" charge-offs to the general ledger quarterly, and the "Non-Collectibles" semi-annually. Annually, the Local Auditor should review the departmental listing tapes, and then list and balance the records of the Recovery Department of each of his banks to the general ledger account "Loan Losses and Recoveries".

9. ARE OUTSTANDING CHARGE-OFFS BEING VERIFIED DIRECT WITH THE CUSTOMER? L

At the time the Local Auditor balances the Profit and Loss accounts with the general ledger, he should verify whatever percentage of these accounts he believes necessary direct with the customer. He should verify enough to provide a good test check coverage, and the important thing in this verification is that whatever percent is verified, the return must be 100%. This would require that he continue to follow those from which replies have not been received.

COLLATERAL

The following auditing procedure in connection with the checking of collateral should be applied by the Local Auditor on a quarterly basis, by reviewing loans made since the date of the last quarterly audit.

The Local Auditor should examine the notes and related papers on loans:

(a) in excess of $3,000.00 minimum or a less amount to be determined at the time of the audit (percent of coverage to be determined by the Local Auditor),

(b) made during a one-week period since the date of the prior quarterly audit, and

(c) secured by negotiable collateral and savings passbooks or certificates which must be held under dual control.

1. IS ALL COLLATERAL PROPERLY DESCRIBED ON THE NOTE OR SECURITY INSTRUMENT, AND IS THE COLLATERAL IN FILE? L

The Local Auditor, in verifying the existence of collateral, should check the note or security instrument to see that it contains an adequate description of all collateral so that positive identification can be made.

2. IS ALL NEGOTIABLE COLLATERAL UNDER DUAL CONTROL AND HOUSED IN THE VAULT OVERNIGHT? L

Adherence to the prescribed method of dual control over negotiable collateral should be ascertained by the Local Auditor each time he audits the department. Also, he should determine that adequate records of entries are maintained to substantiate dual control.

3. ARE SEPARATE STOCK POWERS OBTAINED FOR EACH CERTIFICATE OF STOCK OR REGISTERED BOND PLEDGED AS COLLATERAL, AND ARE THESE POWERS PROPERLY EXECUTED? L

At the time collateral is checked, the Local Auditor should determine that each certificate of stock or registered bond pledged as collateral is supported by a separate stock power, and that these powers are signed in the same manner that the stock or registered bond is issued and properly completed. The Assignee line and the statement of appointment on the lower half of the form should be left blank.

4. ON LOANS SECURED BY SAVINGS ACCOUNTS OR SAVINGS CERTIFICATES, HAVE PROPER NOTATIONS BEEN MADE ON THE SAVINGS RECORDS TO INDICATE THE ACCOUNTS ARE PLEDGED? L

All savings accounts and savings certificates that have been pledged as collateral should have sufficient information on the savings records or computer records to indicate the pledge so that the funds will be held. The Local Auditor should determine that savings accounts or savings certificates records have been flagged, and that there are acknowledged change of status cards in file for those accounts or certificates that are on the computer. On exceptions noted, the Auditor should determine whether each failure is due to the Loan Department, Savings Department, or Bond Control.

For savings accounts or certificates not on the computer or with other banks, there should be properly completed assignments and acknowledgements in file.

COLLATERAL (Continued)

5. IS THERE PROPER INSURANCE COVERAGE ON COLLATERAL HELD AS SECURITY? L

In reviewing loans secured by insurable collateral, the Local Auditor should be certain that the collateral is protected with insurance and that the original insurance policy, an acceptable binder, a signed copy, or a letter of acknowledgement of insurance coverage properly completed and signed by the agent is in the possession of the Installment Loan Department. Evidence of insurance coverage should be checked by expiration date, adequacy of amount, type of coverage, description of property insured and loss payable clause. In addition to reviewing insurance coverage on real estate loans made since last audit, the Local Auditor should spot check insurance coverage on at least 10% of other real estate loans. In the smaller offices, a larger percent would be desirable. Through observation when making periodic reviews, the Local Auditor should determine that the Installment Loan Department's special endorsement stamp is being used on checks issued to agents for insurance coverage.

6. ARE ALL WAIVERS OF INSURANCE INDICATED ON THE DISCOUNT SHEET? L

When examining the collateral on loans, the Local Auditor should be sure that where there is no insurance, the discount sheet is so marked. The circling of (N) in answer to the question "Outside Coverage Required" would constitute a waiver. Normally, waivers of insurance would be the exception rather than the rule. With this in mind, if the Auditor should find an exceptionally large number of waivers, he should discuss them with management, and prepare an Exception Report.

7. IS THE COLLATERAL FOLLOW-UP PROCEDURE OPERATED PROPERLY? L

During the course of each of his audits, the Local Auditor should review the department's follow-up procedure. This includes all pertinent papers as well as insurance. In the course of checking the collateral, notations should be made of evidence of insurance coverage which expires prior to the final maturity of the related note. These notations should be cross-checked with the collateral follow-up file to determine if a follow-up tickler is on hand for each item. The Local Auditor should keep a record of all exceptions located.

8. ARE WRITTEN APPRAISALS IN FILE COVERING ALL USED CAR LOANS AND LOANS SECURED BY OTHER TYPES OF COLLATERAL WHERE CONDITION OF EQUIPMENT IS A FACTOR IN DETERMINING VALUE? L

In checking the collateral, the Local Auditor should be sure that wherever necessary, a written appraisal complete in every detail has been obtained on the merchandise financed. The greatest majority of these cases will be loans secured by used automobiles. However, there will be other instances in addition to used car loans which require written appraisals. If appraisal or inspection is waived, a logical reason should appear on the discount sheet, and the letter (N) in answer to the question "Appraisal Needed" should be circled.

COLLATERAL (Continued)

9. IS THERE EVIDENCE OF DISBURSEMENT OF THE PROCEEDS OF EACH LOAN REVIEWED FILED IN THE CREDIT COLLECTION FOLDER? L

The Local Auditor, in reviewing the credit collection folders, should also look for evidence of disbursement of the proceeds of each loan. This will be in the form of copies of official checks or deposit tickets, indications showing that the loan was refinanced, or notations as to the account and account number to which the proceeds were credited.

10. IS THE PROPER TYPE OF INSTRUMENT, PROPERLY EXECUTED, BEING USED ON ALL CLASSES OF LOANS? L

In reviewing the notes and checking the collateral for various purposes, the Local Auditor should also look at the type of instrument used and satisfy himself that the proper type has been used on each loan and that each note has been properly executed, including assignment.

11. ARE ALL PARTIES EXECUTING NOTES AND OTHER SECURITY INSTRUMENTS AUTHORIZED TO DO SO? L

This question has particular reference to powers of attorney, corporate resolutions and other authorizations whereby one party signs for another party or for a corporation. In checking the collateral and notes, the Local Auditor should verify the existence of proper authorizations for the execution of a representative number of instruments held by the bank in connection with these notes. The easiest way to do this is to make notations while going through the notes and security instruments -- then check this information against the resolutions or other files.

12. ARE STANDARD PRINTED FORMS OR APPROVED CONTRACTS AND NOTES USED? L

Our own forms have been reviewed by our attorneys and are kept up-to-date through periodic review. Where other forms are used, the Installment Loan Department records should show that such forms have been approved by our attorneys. The Local Auditor should check this at the time of their quarterly audits.

13. ARE FINANCING STATEMENTS FILED OR OTHER SUPPORTING PAPERS RECORDED WHEN NECESSARY? L

The bank's policy with respect to the filing or recordation of instruments is that all instruments securing loans should be filed or recorded except as outlined in the current Installment Loan Department Operational Guide. The Local Auditor should familiarize himself with these instructions so that he will be able to detect exceptions when checking collateral.

14. ARE LOANS SECURED BY LISTED OR UNLISTED SECURITIES SUPPORTED BY REGULATION "U" CERTIFICATES? L

There should be a certificate in file to support each loan secured by listed or unlisted securities. This certificate should be signed by the borrower, fully completed in every respect, particularly as to the purpose of the loan, and signed by the accepting officer. The Local Auditor should determine that a properly executed certificate is in file at the time he checks the negotiable collateral. There must be a separate note and executed certificate in file for each loan made for the purpose of purchasing or carrying securities convertible into registered stocks. These certificates must be retained by the bank for at least three years after the loan is paid out, which can be accomplished by attaching the Regulation "U" Certificates to the collateral record cards, which will be held for 10 years as the receipt for collateral released.

15. ARE OFFICERS' CERTIFICATES AND ATTORNEYS' OPINIONS OR TITLE CERTIFICATES AND RECORDED DEEDS BEING OBTAINED ON REAL ESTATE LOANS? L

In making his quarterly audit of the Installment Loan Department, the Local Auditor should review all Real Estate loans made since the prior audit and apply the various questions, account for all instruments and determine that all requirements are met. On real estate loans, this includes Appraisal Certificates, Attorneys' Opinions or Title Certificates, and Recorded Deeds.

16. ARE LOANS SECURED BY READILY MARKETABLE COLLATERAL PROPERLY MARGINED? L

Loans secured by readily marketable collateral should be margined in accordance with the bank's policy. In checking these type loans, the Local Auditor should determine the value of collateral where possible to be sure that the loans are properly margined. A record of exceptions should be kept and these exceptions brought to the attention of management in order that they may take appropriate action.

17. IS THE BANK'S SECURITY INTEREST IN COLLATERAL SUBJECT TO THE GEORGIA MOTOR VEHICLE CERTIFICATE OF TITLE ACT BEING PERFECTED? L

In checking loans covered under the Title Act, a Title Certificate must be obtained on each showing the bank as first security interest holder.

(1) A copy of the Certificate should be in the customer's folder correctly identifying the customer, the vehicle, and the security interest holder -- or

(2) A collateral card (19-984) must be in the collateral follow-up file covering recently handled transactions on which the Title Certificates have not been received.

1962 and older model motor vehicles and mobile homes must either be supported by a validated copy of the T-3 Central Filing Form; a collateral follow-up card should be in file, or the filing of the T-3 should be waived and initialed.

COLLATERAL (Continued)

18. ARE TRANSFERS OF EQUITY PROPERLY HANDLED? L

MANUAL SYSTEM

While conducting the quarterly audit, the Local Auditor should watch for ledger cards for secured loans where equity in the collateral has been transferred. Any such transactions occurring since the date of the prior quarterly review should be checked to determine that the transfer forms were properly completed and retained in file in accordance with Regulation "Z", and that a transfer charge ($25.00 on automobiles, airplanes, farm equipment and property improvement; and $15.00 on all others) was collected and credited to Interest and Discount-Installment Loans. Audit exception reports should be prepared if the transfer of equity form was not properly completed or if the transfer fee was not collected and credited, unless the fee was waived by an authorized individual. Insurance coverage, where required, should be checked to be sure that the collateral is properly covered in the name of the new owner. The insurance statement should be completed as required under Regulation "Z".

AUTOMATED SYSTEM

On an automated system, the monthly "New Loan Report" should be used to determine loans with a "Source Code" of 6, which indicates transfers of equity. These loan files should be pulled and checked as outlined above.

19. WHEN CUSTOMERS HAVE TWO OR MORE LOANS SECURED BY THE SAME COLLATERAL, IS EACH NOTE MARKED TO INDICATE THIS FACT? L

The Local Auditor should determine where customers have two or more loans secured by the same collateral that each note is marked "PATL", "PLEDGED AGAINST TOTAL LIABILITY", or in some other manner to indicate that the collateral secures more than one loan. Failure to make some notation on each note might result in premature release of collateral and should be reported as an audit exception.

20. ARE NOTES SECURED BY ASSIGNED LIFE INSURANCE SUPPORTED BY ADEQUATE INFORMATION FROM WHICH THE VALUE CAN BE DETERMINED? L

All assigned life insurance should have sufficient current data furnished by the insurance company to determine the value of policies pledged and the current status of these policies, indicating cash value, accrued dividends, automatic premium clauses, disposition of dividends, dates thru which premiums are paid, etc.. The Local Auditor should ascertain that the bank is obtaining this information.

SALES FINANCE

1. ON SALES FINANCE PAPER, ARE CONTRACTS ASSIGNED TO THE BANK IN ACCORDANCE WITH CURRENT AGREEMENTS WITH THE DEALERS? L

Normally, the majority of Sales Finance paper is discounted under an agreement that permits a non-recourse assignment. If no written agreement exists, notes and contracts should be endorsed as called for in the arrangement with the dealer. At the time collateral is checked, the Local Auditor should spot check Sales Finance contracts of dealers in the sections audited by comparing contracts against dealer agreements.

2. ARE PAYMENTS ON SALES FINANCE PAPER CODED AS TO THE SOURCE OF PAYMENT AT THE TIME THE RETAIL POSTING IS MADE? L

(APPLICABLE ONLY TO MANUAL SYSTEM.)

The Sales Finance ledger cards included in the Local Auditor's quarterly audits should be reviewed at that time to determine that all payments are coded according to source of payment. If any payments are found not marked, the Auditor should determine whether the teller or the posting clerk is at fault. As a check on teller performance, remittances should be checked against coupons during the audit and at times when teller cash is being audited. The posting operation should be checked by checking a day's coupons against the ledger card markings, and the easiest time to do this is after the clerk has posted and before the cards are released to the files, but it is important to remember that the posting clerk must have no forewarning.

3. HAS RETAIL BANKING BALANCED ALL SALES FINANCE MEMO ACCOUNTS MONTHLY? L
(APPLIES ONLY TO ATLANTA LOCAL AUDITOR.)

Quarterly, the Atlanta Local Auditor will review the records of Retail Banking to be certain they are determining that all balances in various S.F. "Memo" accounts on general ledgers of C&S National offices are offset by balances in the same accounts on the general ledger of National System Undistributed. At least semi-annually, Atlanta Local Auditing will actually perform the offsetting of the various memo accounts to see that they net out to zero.

6

E- 1003

REPORTS

1. WAS THE DOLLAR AMOUNT OF LOANS OUTSTANDING AS SHOWN ON THE LAST REPORT OF OUTSTANDINGS AND PAST DUES REPORTED CORRECTLY BY LOAN CLASSIFICATION? L (APPLICABLE ONLY TO MANUAL SYSTEM.)

   Each Installment Loan Department maintains a control sheet on each class of loan showing the dollar amount outstanding. They also maintain a master control sheet showing dollar amount outstanding of all loan classes combined. Once each year, the Local Auditor should check these control figures against those shown on the last Report of Outstandings and Past Dues to make sure that they appear correctly on the report.

2. IS THE ANALYSIS OF PAST DUE ACCOUNTS BEING REPORTED CORRECTLY ON THE OUTSTANDING REPORT, DEALER CONDITION REPORT AND POTENTIAL LOSS REPORT? L (APPLICABLE ONLY TO MANUAL SYSTEM.)

   Annually, the Local Auditor should check the Report of Outstandings and Past Dues, the Dealer Condition Report and the Potential Loss Report to verify that all past due accounts have been shown correctly. A report of his findings should be made to the General Auditor upon completion of this check.

3. WERE ALL ACTIVE DEALERS LISTED ON LAST DEALER CONDITION REPORT? L (APPLICABLE ONLY TO MANUAL SYSTEM.)

   In conjunction with the work above, the Local Auditor should check the dealer purchase guide against the last dealer condition report to make sure that all dealers with retail outstandings over $10.0M, all dealers with wholesale activity and/or wholesale outstandings, and all dealers with accounts on the potential loss report are listed.

4. WERE RETAIL OUTSTANDINGS REPORTED CORRECTLY ON LAST DEALER CONDITION REPORT? L (APPLICABLE ONLY TO MANUAL SYSTEM.)

   As a part of the office's monthly balancing operation, dealer outstandings are listed separately. These tapes should be checked against the figures shown on the last dealer condition report. This check should be made by the Local Auditor in conjunction with the work above.

5. WERE RESERVES ENTERED CORRECTLY ON LAST DEALER CONDITION REPORT? L (APPLICABLE ONLY TO MANUAL SYSTEM.)

   Each dealer receives a statement monthly showing the balance of his dealer reserve and his dealer contingent reserve. The Local Auditor should compare the accounts shown on these statements with the latest dealer condition report when checking out the various statistical reports on an annual basis.

REPORTS (Continued)

6. WERE ALL DIRECT INSTALLMENT AND COMMERCIAL LOANS TO DEALERS REPORTED ON THE LAST DEALER CONDITION REPORT? L

Annually, and at the same time other statistical information is checked, the Local Auditor should check the dealer condition report against the alphabetical departmental file (wheeldex file) and the liability ledger of the Loan and Discount Department to determine that direct loans are reported. Determine date of the month that figures are secured and compare with same date on ledger card or liability ledger to see if correctly reported. Figures should be secured between 25th and 30th of reporting month and where possible, should be reported as of the same date each month. Any exceptions noted should be included in the Local Auditor's report to the General Auditor and others.

7. WERE THE WHOLESALE DEALER OUTSTANDINGS CORRECT ON THE LATEST DEALER CONDITION REPORT? L

Annually, the Local Auditor should compare the amounts shown on the latest dealer condition report with the control balance on each dealer's wholesale as of the date of the dealer condition report. Where the dealer has more than one class of wholesale outstanding, the detail must be checked to be sure that the report is correct. Any exceptions should be reported as previously stated.

8. HAS ALL WHOLESALE PAPER FINANCED OVER SIX MONTHS BEEN REPORTED CORRECTLY ON THE DEALER CONDITION REPORT? L

The Local Auditor should determine this by checking the wholesale ledger records against the dealer condition report at the same time he checks #7 above.

9. WERE CHARGE-OFFS ACCURATELY REPORTED ON THE LATEST "SUMMARY OF CHARGE-OFFS AND RECOVERIES BY BRANCH" REPORT? L

Semi-annually, the Local Auditor should compare the net of debit and credit entries to the "Reserve for Losses on Loans" for the preceding month against the "Summary of Charge-Offs and Recoveries by Branch" Report for the month. Any unreconcilable differences should be handled as audit exceptions.

ATLANTA ONLY - In addition, semi-annually, the Atlanta Local Auditor should determine that Retail Banking is balancing charge-off history sheets against general ledger debits each month.

10. WERE UNINSURED LOANS REPORTED ON THE POTENTIAL LOSS REPORT?

Loans secured by insurable collateral, which are not supported by adequate evidence of insurance within 30 days of the date of the loan, must be reported on the next Potential Loss Report if coverage is not received by the day the report is prepared.

WHOLESALE

1. IS THERE A NOTE AND SUPPORTING PAPERS IN THE FILE TO SUPPORT EACH WHOLESALE LEDGER CARD? L

Quarterly, the Local Auditor should check 10% to 15% of all wholesale ledger cards of each dealer to determine if there is a properly executed note, bill of sale, current invoice from the distributor or manufacturer, etc., in file to support each ledger card, checking the serial number on invoices against the security agreements.

2. ARE THE BANK'S POWERS OF ATTORNEY FROM DEALERS EXECUTED PROPERLY?

All powers of attorney from dealers authorizing the bank to execute notes in the names of dealers must be properly prepared and in the bank's possession The Local Auditor, after having accounted for the powers of attorney from all dealers on the books, should thereafter check for powers of attorney, properly prepared, on each new dealer signed. He should do this at the time he reviews the wholesale notes. In addition, once every two years, the Local Auditor should review powers of attorney from all dealers to make sure that none previously accounted for have been misplaced.

3. ARE WHOLESALE RECORDS POSTED PROMPTLY? L

All payments should be posted to the wholesale ledger records not later than the day after payments are received. The Local Auditor should determine from observation and questioning whether or not this procedure is being followed. This should be checked during the course of each of the Local Auditor's audits.

4. ARE ALL LOANS NOT INSURED BY THE BANK PROTECTED BY INSURANCE FURNISHED BY THE DEALER? L

Dealers who furnish their own insurance can be determined by checking the wholesale insurance reports. Semi-annually, the Local Auditor should determine these dealers -- then review the policies to see that the amount of insurance is sufficient to cover our outstandings, and that the coverage and expiration dates are in order.

5. ARE IRREGULARITIES NOTED ON INDIVIDUAL LEDGER SHEETS AND SUMMARIZED ON THE WHOLESALE CHECKING SUMMARY? L

Floorplan Checking Reports should be reviewed at least quarterly and verified against the wholesale ledgers to determine if irregularities found in checking are noted under the individual items, and exceptions are properly summarized on the Record of Wholesale Checking. The Local Auditor should review 25% of the dealers each quarter so that all of the dealers' checking reports and ledgers will be verified within the period of one year.

WHOLESALE (Continued)

6. DO DEALERS PAY WHOLESALE PROMPTLY AS MERCHANDISE IS SOLD? L-T

When reviewing Floorplan Checking Reports for irregularities (No. 5 above), the Local Auditor should also review the Record of Wholesale Checking for each dealer to determine that the information shown on the Record of Wholesale Checking has been transcribed accurately from the monthly checking reports. It is not necessary to check each Floorplan Checking Report for every dealer against the Record of Wholesale Checking, but the Local Auditor should satisfy himself that the information is being transcribed and reported accurately. Periodically, Central Installment will review the Record of Wholesale Checking to determine the amount of delay in paying for wholesale merchandise sold.

While reviewing the Record of Wholesale Checking for accuracy, the Local Auditor should note any dealer with habitual delays of six days or more in paying for wholesale sold, prepare an Auditor's Exception Report on the dealer to bring it to the attention of management, and disburse the copies of the Exception Report in the usual manner.

Annually, the traveling auditors will review the Record of Wholesale Checking for the previous quarter, and use the information shown to prepare the schedule "Dealer Delay in Paying for Wholesale Sold" for the annual report.

7. ARE STATEMENTS OF WHOLESALE INTEREST COMPUTED PROPERLY? L

Statements of wholesale interest are rendered to dealers through the 25th of each month. The person rendering these statements should compute the average daily balance of wholesale outstandings for the 30-day period preceding the billing date. The Local Auditor should review the file copies of interest statements covering one month on a semi-annual frequency. He should determine that all dealers have been billed, and verify computations on 25% of the statements.

8. IS WHOLESALE INTEREST PROPERLY CREDITED TO INTEREST AND DISCOUNT-INSTALLMENT LOANS-WHOLESALE? L

At the time interest computations are checked, the Local Auditor should trace all payments into the general ledger covering the month under audit. Any delinquencies should be noted and followed until payment is received -- then these payments must be traced into the general ledger. The Local Auditor should keep a record of the months checked together with any discrepancies found.

9. IS A FINANCING STATEMENT FILED ON EACH DEALER WITH WHOLESALE OUTSTANDING? L

A financing statement, not more than five years old, covering inventory should be filed on each dealer with wholesale outstandings.

WHOLESALE (Continued)

10. IS THERE AN ADEQUATE FOLLOW-UP SYSTEM FOR FILING CONTINUATION STATEMENTS? L

There should be a follow-up card in file for filing a continuation statement on each dealer for whom we floorplan. The continuation statement may be filed any time within six months prior to the expiration date of the current financing statement, which is five years from date of filing.

NOTES

1. IS THERE A NOTE IN FILE TO SUPPORT EACH RETAIL ACCOUNT? L

Each quarter when the Local Auditor checks collateral and other phases of the operation, he should determine that a minimum of 5% of the loans made since the last audit are supported by notes in file. Where any exceptions are located, the Local Auditor should send a positive verification letter to the borrower.

2. ARE NOTES FILED IN NUMERICAL ORDER IN A FIREPROOF CABINET? L

Through observation, the Local Auditor should determine that this is being done. In particular, the Local Auditor should watch for any changes in the housing equipment or revisions in the method of filing.

3. ARE PAID-IN-FULL NOTES REMOVED AND RETURNED TO THE CUSTOMER OR DEALER? L

From inspection of the note file, the Local Auditor can determine this, inasmuch as the notes are filed numerically, which automatically brings paid-out and unreturned notes to the front of the file. In addition, the Local Auditor should check paid loans on the Daily Transaction Journals for at least a one-week period to be sure that the paid notes have been pulled. This should be checked quarterly by the Local Auditor when he pulls notes for other purposes.

4. ARE ALL NOTES APPROVED BY AN INDIVIDUAL AUTHORIZED BY THE OFFICER IN CHARGE OF THE INSTALLMENT LOAN DEPARTMENT? L

The Local Auditor in reviewing both retail and wholesale notes for other purposes should at the same time check to see that each note is approved by an authorized individual. All exceptions should be brought to the attention of management.

5. ARE ALL PAPERS OTHER THAN THE NOTE ITSELF IN THE COLLECTION FOLDER OF THE ACCOUNT? L

During his review of the notes and collateral, the Local Auditor should pay particular attention to whether or not any other related documents are filed with the notes, rather than in the collateral file as they should be.

6. ARE ALL PROVISIONS OF REGULATION "Z" BEING COMPLIED WITH? L

Extensions of credit subject to the regulation are those of $25,000 or less, or if secured by real estate regardless of amount, which are primarily for personal, family, household, or agricultural purposes made to a person. Not subject to the regulation are extensions of credit to corporations, partnerships, trusts, governments, or loans for business or commercial purposes, other than agricultural purposes.

NOTES (Continued)

It is the responsibility of the Local Auditor to determine whether or not all disclosure requirements under the Consumer Credit Protection Act (Regulation "Z") are being met. The Local Auditor must be thoroughly familiar with all provisions of the Regulation, the prescribed procedures outlined in Operating Bulletins, and must determine compliance during the course of his periodic audits of loans. The following questions must be answered in determining whether or not there are any exceptions:

HAS THE "ANNUAL PERCENTAGE RATE" BEEN DISCLOSED IN EVERY INSTANCE?

In reviewing the notes, the Auditor should see that the annual percentage rate is disclosed in the space provided. If it was not, and 10 days have elapsed, no corrective action should be taken. He should question loan personnel as to whether the customer has received a copy of the note without exception. Through observation, the Auditor should ascertain that no customers' copies of notes are filed within the bank.

ARE ANNUAL PERCENTAGE RATE CALCULATIONS VERIFIED ON A TEST CHECK BASIS?

Using the charts developed for this purpose, the Auditor should verify computations on a representative number of loans being audited to determine accuracy. Accuracy must be to the nearest one-fourth of one percent. The amount of the finance charge and the annual percentage rate must be computed on a basis of one-half year maturity for demand loans. The annual percentage rate need not be disclosed where the charge does not exceed $5.00 on $75.00 or less, or $7.50 on an amount financed exceeding $75.00; however, in such instances, the "finance charge" must be disclosed.

ARE THE FINANCE CHARGE AND THE TOTAL OF PAYMENTS DISCLOSED IN ALL INSTANCES

In addition to the annual percentage rate, the Regulation requires that the finance charge and the total of payments be disclosed on all types of credits covered except real estate loans made to purchase a dwelling. If either was not, and 10 days have elapsed, no corrective action should be taken. All items of information which must be disclosed have been incorporated in our note and contract forms; therefore, the Auditor should determine that these spaces have been properly filled in.

ARE CHARGES THAT ARE NOT PART OF THE FINANCE CHARGE SPECIFICALLY ITEMIZED AND DISCLOSED?

There are certain charges which are outlined in our Operating Bulletins that may be excluded from the finance charge if they are specifically itemized and disclosed. In addition to charges for credit life insurance, disability insurance, and (SALES FINANCE) property insurance, charges included in the amount financed labeled "Other Charges" must be specified in order to qualify for exclusion as a part of the finance charge. The Auditor should make an exception of any omissions in this regard.

NOTES (Continued)

DO LOANS WHEREBY ADVANCES ARE MADE UNDER LOAN COMMITMENTS CONFORM TO THE REQUIREMENTS?

Where advances are made under commitments, if the bank has disclosed the necessary information, and if the customer has approved the information disclosed, disclosure need be made only once, at the time the agreement is extended. If the bank is electing to consider such transactions to be single transactions, it must estimate amount of disbursement and payment dates and disclose this information. These estimations should be reasonably accurate.

ARE THE TERMS "FINANCE CHARGE" AND "ANNUAL PERCENTAGE RATE" IN PRINT MORE CONSPICUOUS THAN OTHER REQUIRED DISCLOSURES?

The forms developed for use by our banks conform to this requirement; however, the Auditor should make sure that the standard forms are being used, or where forms are revised, he should make sure that they comply in this regard.

HAS THE BORROWER SIGNED IN THE SPACE PROVIDED TO SUPPORT HIS REQUEST FOR OR TO DECLINE CREDIT LIFE AND DISABILITY INSURANCE WHEN HE IS ELIGIBLE FOR THE COVERAGE?

When the borrower is not eligible for credit life or disability insurance, the block indicating this fact must be checked and the borrower need not sign. If the borrower requests credit life insurance (and disability insurance where applicable), the applicable block must be checked and the customer must sign in the space provided indicating his desire. The cost of insurance coverage must be disclosed on the face of the note on insured loans. While Regulation "Z" does not require the customer to sign when he declines this insurance, it is bank policy to have the customer sign to the effect that he has declined the insurance coverage. In order to exclude charges for credit life and disability insurance from the finance charge, these charges cannot be conditions of the loan and this fact must be clearly and conspicuously disclosed in writing to the customer. This information is disclosed in the printed forms which must be used. We must also disclose to the customer his right to obtain property insurance from a person of his choice acceptable to the lender. The Auditor's responsibility is to determine that the applicable blocks are checked, the customer signs separately in the space provided for this purpose, and the insurance cost is shown when the customer requests coverage.

ARE "STATEMENTS OF COST OF LOAN" COVERING REAL ESTATE LOANS PROPERLY COMPLETED IN ALL RESPECTS?

There are two statement of cost of loan forms, purchase and non-purchase. These forms incorporate all the necessary information to be disclosed in order to conform with the regulation. It is imperative that all applicable spaces be completed including the borrower's signature acknowledging receipt of a completed copy of the statement. In auditing the real estate loans, the Auditor must make sure that all of the required information is properly disclosed.

NOTES (Continued)

ARE TRANSFERS OF EQUITY OR LOAN ASSUMPTIONS HANDLED PROPERLY?

All required disclosures must be made to the new customer before he becomes obligated. The transfer of equity form has been revised for this purpose, and the Auditor should determine that a properly completed form signed by both the original borrower and the transferee is in file.

ARE EXTENSIONS OF INSTALLMENT LOAN PAYMENTS PROPERLY DISCLOSED TO THE CUSTOMER?

When a payment is extended and a fee is charged, the following must be disclosed to the customer: Amount extended; time period or date to which payment is extended; and the amount of fee charged. A properly completed "Notice of Extension" must be given to the customer, and a copy of this notice must be retained in the bank's files. In auditing extension fees, the Auditor should check to see if a properly completed form is in the credit folder.

ARE DEALERS MAKING THE PROPER DISCLOSURES ON SALES FINANCE CONTRACTS?

It is the bank's responsibility to determine that dealers are disclosing the required information on conditional sales contracts. In auditing the dealer paper, the Auditor should check for omissions and ascertain whether or not the department is checking the dealer paper adequately. Also, on sales finance property improvement loans, there must be a copy of the customer's right of rescission in the credit folder of the account.

HAS A NOTICE OF RIGHT TO RESCIND CERTAIN REAL PROPERTY TRANSACTIONS BEEN GIVEN TO THE BORROWER?

A customer may exercise his right to rescind any transaction in which a security or lien interest may attach to his residence or real property that is expected to be used as his residence. The customer may cancel the transaction without obligation within three business days after delivery of all disclosures. The customer must receive two copies of the notice of right to rescind, and the bank must retain in file the original notice signed by the customer acknowledging receipt of his two copies of the notice. A printed form using the exact wording required by Federal law has been designed for the bank's use, and no other form of notification may be used. The Auditor must make sure that a properly completed form is in file on applicable transactions.

HAS NO MONEY BEEN DISBURSED EXCEPT IN ESCROW DURING THE THREE-DAY RESCISSION PERIOD?

Under covered transactions, it is imperative that no money be disbursed until the rescission period has expired.

NOTES (Continued)

BEFORE DISBURSING ANY FUNDS, HAS THE BANK REASONABLY SATISFIED ITSELF THAT THE CUSTOMER HAS NOT RESCINDED?

The bank must maintain evidence of the bank's satisfaction that the customer has not exercised his right of rescission. The satisfaction must be obtained after the right of rescission period has expired. It is the bank's policy to require a written statement signed by the customer on all applicable SALES FINANCE paper. (A form is provided for this purpose.) On applicable over-the-counter loans, verification may be made by telephone supported by a dated memorandum signed by an authorized person to this effect, or by a statement signed by the customer, either delivered to the bank in person or received through the mail. A customer signed statement is preferable. The Auditor should look for evidence of compliance on a test check basis.

HAVE THE REQUIREMENTS FOR WAIVER OF THE RIGHT OF RESCISSION BEEN MET?

In cases of emergency, the customer may elect to waive his right of rescission. However, the waiver must be based on an emergency (for example, repair of roof resulting from a storm), and the waiver must be in the form of a separately dated and signed personal statement describing the situation requiring immediate remedy. Printed forms may not be used for this purpose.

IS EVIDENCE OF COMPLIANCE WITH THE REGULATION BEING MAINTAINED?

Evidence of compliance must be retained for two years after all disclosures are made. The disclosure copy of notes should be filed in chronological order, and all other disclosure copies should be filed in the credit folder. During the course of his auditing the loans, the Auditor should review the procedure and check for disclosure copies of notes covering specific transactions on a test check basis. Other disclosure copies should be accounted for when the collateral and credit folders are audited.

7. ARE LOAN CLASS CODES CORRECT? L

When reviewing installment notes, the Local Auditor should determine that each loan reviewed is classified correctly on the computer print-out.

8. ARE PROPER RATE CHARTS BEING USED?

Once each year, the Local Auditor should review the rate charts being used to see if they are the ones recommended in the Installment Lending Operating Guide. If not, an exception report should be submitted, and a recheck made on the next audit.

REBATES

1. ARE AMOUNTS OF REBATES CORRECT? L

The Local Auditor should spot check rebates and verify correctness of rebates granted on one day of each month (or more, depending upon volume and size of the office). In doing this, he will need to use the Standard Rebate Chart or computer records. On a manual system, he should review the respective paid-out ledger cards to determine whether or not rebates are correct in all respects. He should especially observe whether uncollected late charges have been deducted. The "Action Report" will show rebates paid for larger amounts than the computer calculations. The Local Auditor should place his audit stamp or mark on all tickets checked.

2. ARE INTEREST AND DISCOUNT AND DEALER RESERVE REBATES RECEIPTED FOR OR DUALLY APPROVED? L

As the Local Auditor reviews manually calculated rebate tickets each quarter, he should verify the fact that all manually calculated rebates are receipted for by the customer or dually approved by two parties. Further, if on a manual system, the Local Auditor should determine that each of the parties approving the rebate balanced the ledger card to rebate ticket and remittance. The Local Auditor should make sure that the second party actually does check the rebate and remittance to the ledger card, and verifies the original computation rather than merely initialing the tickets solely to meet the dual approval requirements. No exceptions should be permitted.

On an automated system, rebates will be checked by sending positive verifications of the net amount paid on 10% of the loans on which rebates were allowed since the last audit.

3. IS THE AMOUNT OF REBATE GIVEN TO EACH CUSTOMER RECORDED ON THE PAID-OUT RECORD? L

The amount of the rebate should, in all cases, be noted on the paid ledger card in the space provided on a manual system, and on the "Closed Loan Card" on an automated system. Any exceptions noted should be brought to the attention of management.

4. ARE REBATES MADE ON ALL ACCOUNTS WHERE UNEARNED INTEREST AMOUNTS TO $1.00 OR MORE? L

On a manual system, a review of the paid-out and unfiled ledger cards will reveal whether or not this is being done. The Local Auditor should observe this at the same time he checks ledger cards for recording of rebates. The Action Report will show rebates due on an automated system.

BANK LIABILITY REPOSSESSIONS

1. DOES THE CONDITION OF EACH REPOSSESSION ON HAND AGREE WITH THE APPRAISAL SHEET PREPARED AT THE TIME OF REPOSSESSION? L

   At the time the Local Auditor makes his quarterly audits of the Installment Loan Department, he should determine if there are any repossessions on hand. If so, he should physically inspect the repossession to see whether the appraisal sheet has been properly prepared.

2. HAS THE SALE OF EACH REPOSSESSION BEEN VERIFIED WITH THE PURCHASER? L

   Upon receipt of charge-off history sheets, the Central Installment Loan Department will prepare letters to verify the purchase price of repossessed collateral with the buyers. These letters will then be forwarded to the appropriate Local Auditor who will mail them out with an Auditing Department return envelope enclosed. As these letters are returned, the Local Auditor will compare them against the follow-up copies and immediately notify the General Auditor if any discrepancies are discovered. Verification letters will not be mailed on sales handled through the courts.

3. ARE REPOSSESSIONS PROPERLY COVERED BY INSURANCE? L

   With the exception of domestic appliances, repossessions are presumably covered by outside insurance policies. This insurance should remain in force until the repossessions have been disposed of and, to be valid, the insurance company must be notified by letter of the change of status in the account as soon as the repossession is made. Coverage failure insurance will suffice where the bank was originally protected by this insurance. If, because of cancellation or other reasons, there is no insurance in effect at the time of repossession, no outside insurance need be purchased. In these cases, the bank will self-insure for property damage. However, we must be sure that repossessed automobiles are covered under our liability policy for bodily injury. Also, reasonable care should be taken to protect the collateral from exposure to loss. The Local Auditor should determine from the files that the insurance has been properly handled.

4. ARE COMPETITIVE BIDS OBTAINED PRIOR TO SALE OF REPOSSESSIONS? L

   At the time the Local Auditor makes his quarterly audit of the Installment Loan Department, he should determine if any respossessions were sold since his last audit. If so, he should review each file pertaining to the repossession in order to determine that at least three competitive bids, in writing if possible, were obtained in order to establish reasonable value and in order to obtain the best price. The Potential Loss Report will assist in the review of repossessions sold.

5. WAS A WRITTEN NOTICE GIVEN TO THE CUSTOMER PRIOR TO SALE OF THE REPOSSESSION? L

   Written notice should be given to the customer of our intent to sell at least five days before the sale is made. The letter does not have to specify the date of the sale, but only our intent to sell after some specified date. The letter should also describe the goods, and the highest bid obtained.

6. ARE RECEIPTS AND "VOLUNTARY SURRENDER" LETTERS OBTAINED?

Quarterly, the Local Auditor should review the files of customers who have had collateral repossessed to be certain that a Receipt for Mortgaged Property and a "Voluntary Surrender" letter is obtained in each instance.

MISCELLANEOUS

1. ARE RETURNED COUPON BOOKS AND THOSE ADDRESSED IN CARE OF THE BANK REFERRED TO THE LOCAL AUDITOR FOR VERIFICATION? L

Returned coupon books should be sent direct to the Local Auditor who will fill out Form No. 7-289 as outlined in COG: 26.44. The original copy of the form will be forwarded with the coupon book and jacket to the Installment Loan Department of the appropriate office. The copy of the form will be retained for follow-up. The Installment Loan Department will determine the correct address on all returned coupon books, prepare change of address labels, affix the labels to the wallets, and return the coupon books and wallets to the Local Auditor for mailing. The Local Auditor should check these books and wallets against his follow-up copies of Form No. 7-289 to be sure all are received and mailed. Where addresses are changed for reasons other than typographical error or discount sheet not legible, the Local Auditor should hold his follow-up copy of Form 7-289 and review the loan at the time of his next Installment Loan Department audit. On accounts addressed in care of the bank, a physical or telephone verification should be made by the Local Auditor.

2. HAVE ALL ACCOUNTS ON WHICH FOUR OR MORE PAYMENTS HAVE BEEN MADE AT THE SAME TIME BEEN VERIFIED WITH THE CUSTOMER AND EXISTENCE OF COLLATERAL DETERMINED? L

Accounts paid in advance may indicate:

(1) Internal fraud.

(2) In the case of secured accounts or dealer paper, the disposition of our collateral with only part of the proceeds being paid to us.

(3) Accounts paid out except for rebate, but not closed out on our books.

MANUAL SYSTEM

As accounts are thumbed for sleepers quarterly by the Local Auditor, accounts with four or more payments paid in advance should be set aside for further handling. Verification letters should be sent out on 25% of these accounts as a check against internal fraud. For categories Two and Three, accounts should be discussed with the officer in charge of the Installment Loan Department to determine proper action. The Local Auditor should keep a follow-up file to be sure that action decided upon has been taken.

AUTOMATED SYSTEM

The Auditor, E.D.P., will print verifications quarterly on 25% of prepaid loans, and forward them to the appropriate Local Auditor for mailing.

MISCELLANEOUS (Continued)

3. IS THE UNEARNED INTEREST ACCOUNT ON THE GENERAL LEDGER IN AGREEMENT WITH THE RECORDS OF INSTALLMENT LOAN CONTROL?

Installment Loan Control should verify their records monthly with the Unearned Interest account on the general ledger. The Local Auditors, where applicable, should check these figures semi-annually.

4. HAS ALL TAX FREE INTEREST BEEN CREDITED TO THE PROPER ACCOUNT?

All loans made to state, county or municipal subdivisions, including school districts, either direct or through a dealer, should be plainly marked on the discount sheet in order that interest from this source will be credited to the TAX FREE account. The Local Auditor should ascertain that the correct procedure is being followed when he reviews the credit files and notes over $3,000.00. The Local Auditor should also question management regarding what loans of this nature are on the books--he could check to see that the interest from these loans is being properly credited.

5. ARE INSURANCE REPORTS COVERING ALL BLANKET INSURANCE POLICIES PROPERLY PREPARED, AND IS PREMIUM CORRECTLY COMPUTED?

MANUAL SYSTEM

The correct method of computing insurance premiums on blanket insurance policies (floorplanned automobile, floorplanned appliance, retail fire and theft, credit life and disability insurance) is covered in the Operating Guide. The Local Auditor should select the last insurance report on a semi-annual basis and check it out to see that the report is accurate in all respects. In doing this, he should also question responsible employees to determine that the prescribed procedures are fully understood.

AUTOMATED SYSTEM

The Local Auditor should check the debit to Unearned Discount against the computer record, and then determine that this amount was remitted to the insurance company or Atlanta.

6. ARE ALL BLANKET INSURANCE CLAIMS ON CREDIT LIFE AND DISABILITY INSURANCE IN ORDER?

The Local Auditor should determine that claim drafts issued are credited to the loan account of the insured. By using the copies of the drafts, 100 percent of death claims should be checked. At the same time, the proceeds of rebates of unearned finance charges, unearned disability insurance, and unearned fire and theft insurance (not credit life), should be traced to the estate of the insured on a spot-check basis. At least 25 percent of the disability claims should be checked, using draft copies. Associate Correspondent Banks generally do not issue their own claim checks for disability insurance, and the doctors' certificates supporting claims in such instances will be forwarded to Consumer Insurance Service here in Atlanta. In such situations, you may send the Atlanta Local Auditor the pertinent information on the loan, or a copy of your draft copy, and he will check the Consumer Insurance Service file for the certificate. If the office issues its own claim drafts (all National and Affiliate Banks, plus two Associate Correspondents), the doctor's certificate should be in file in the office. On claims checked, the customer's folder should be reviewed to be sure the loans were not fictitious or made in anticipation of claims being submitted. When checking for proper credit of a draft, the Local Auditor should also determine that the computer payment code indicates payment was made by life or disability insurance.

MISCELLANEOUS (Continued)

7. IS THE CORRECT AMOUNT OF UNEARNED INTEREST AND DISCOUNT CREDITED TO GENERAL LEDGER? L

Quarterly, the Local Auditor should trace unearned discount on all notes made during one week since the date of the prior audit from the notes to the discount sheets to general ledger.

8. HAS THE INCOME ON PARTICIPATIONS PURCHASED BEEN TRACED INTO THE INCOME ACCOUNT? L

At least quarterly, the Local Auditor should trace interest on participations purchased and determine that the correct amount is credited to "Interest and Discount-Indirect Collections".

IN ATLANTA ONLY, the Local Auditor will review the procedure for the computation of interest on participations sold to be certain that they are figured by one individual, recomputed by a second individual independently, and compared to be sure that the two amounts are in agreement. Any differences should be referred to management, who would determine the correct amount of the interest. The Local Auditor in Atlanta will review the amounts credited to the participating banks to see that they are proper and that they equal the amount charged as interest on participations sold. The Atlanta Local Auditor will verify all participations sold with the purchasing banks at least once every six months on a positive basis.

9. ARE LOANS VERIFIED BY THE LOCAL AUDITOR? L

MANUAL SYSTEM

During his quarterly audit of loans, the Local Auditor should verify at least 5% of the loans reviewed, in addition to "sleepers", extensions, and prepaid loans, on a positive basis. Ten percent (10%) of the loans verified, determined at the time verifications are typed, must be followed to a 100% conclusion.

AUTOMATED SYSTEM

Quarterly, the Auditor, E.D.P., will, without notification, send the Local Auditor printed verifications for each of his banks. These verifications will cover 5% of outstandings, plus 25% of loans prepaid four payments as of verification date. In addition, a print-out of all loans verified and second request printed verifications on 10% of the loans verified will be included. This 10% must be followed for 100% return.

MISCELLANEOUS (Continued)

10. ARE ITEMS SHOWN ON THE ERROR CONDITIONS REPORT REVIEWED AND CLEARED? L

Quarterly, the Local Auditor should determine, by questioning, if management in the Installment Loan Department is reviewing the Error Conditions Report each month. More important items, such as re-scheduling needed, balance less than available rebate, loan balance $5.00 or less, missing insurance codes, last transaction code indicated pay-off but balance remains, etc., should be cleared prior to the next monthly report being printed.

11. ARE MISCELLANEOUS DEBITS SHOWN ON THE ACCRUAL AND EXCEPTIONS REPORT PROPER? L

The Local Auditor should review miscellaneous adjustments to Unearned Interest and Discount as shown on the Accrual and Exceptions Report, and trace a percentage selected at random, plus the larger amounts, to determine that the credits are proper.

12. ARE ILD CASHIERS' CHECKS ISSUED IN NUMERICAL SEQUENCE, AND CREDITS TO OUTSTANDING OFFICIAL CHECKS PROCESSED THE SAME DAY? L

A daily credit to Official Checks Outstanding should be processed each day to offset all ILD Cashiers' checks issued since the previous day's closing. These checks should be issued in numerical sequence. Any check issued without the corresponding credit being processed the same day or issued out of sequence is an exception.

13. ARE CHARGES TO "MISC. EXPENSE-GENERAL-AUTO INSURANCE PARTICIPATION" PROPER? L

Quarterly, the Local Auditor should trace one week's debits to this expense account and determine that offsetting credits are made to the Dealer Contingent Reserve account.

14. ARE WRITTEN RECORDS OF INQUIRIES IN FILE AS REQUIRED BY THE FAIR CREDIT REPORTING ACT? L

Whenever information other than our own ledger experience is given on one of our customers in answer to a telephone inquiry, a written record of the inquiry should be placed in file. When making his periodic reviews, the Local Auditor should determine that this procedure is being followed.

15. ARE COPIES OF DECLINED APPLICATIONS RETAINED? L

Copies of all applications for credit which are declined should be retained in file for at least two years.

16. ARE REQUIRED COPIES OF CUSTOMER NOTIFICATIONS OR DISCLOSURES IN FILE? L

Whenever the bank requests an investigative consumer report on any consumer, the bank must notify the consumer of that fact not later than three days after the date on which the report was first requested. If the consumer requests in writing the nature and scope of the investigation being conducted, the disclosure should be made in writing not later than five days from the date on which the consumer request was received or such report was first requested, whichever is the later. When an application for credit is declined, a letter must be mailed to the applicant telling of the declination when the denial of credit was wholly or partly based on information from a reporting agency or information secured from some other source. A copy of this letter should be retained in file. If we approve credit, but deny credit life and/or disability insurance as a result of our investigation, we must comply with notification provisions of the Act.

C&S FINANCIAL CORPORATION

1. ARE PROMISSORY NOTES ISSUED IN NUMERICAL ORDER AND ACCOUNTED FOR BY THE LOCAL AUDITOR?

   Promissory notes are issued by the Money Management Department and by our New York Service Office. Each of the departments should issue notes in numerical order from their respective supplies. This should be checked during each quarterly audit.

2. ARE PROMISSORY NOTES VERIFIED QUARTERLY BY THE LOCAL AUDITOR?

   On a quarterly basis, at least ten percent of the notes should be verified with the purchaser using a "random" selection basis and positive verification forms.

3. ARE PAID PROMISSORY NOTES CANCELLED?

   Paid promissory notes should be cancelled and filed in numerical order. These notes should be checked on each quarterly audit and used by the Local Auditor in maintaining numerical control by marking his records to indicate that these notes have been paid.

4. ARE PROMISSORY NOTE PAYMENTS IN THE CORRECT AMOUNTS?

   Using a "random" selection of ten percent of the paid notes, the Local Auditor should determine that all notes were redeemed for the proper amounts and that disbursements were made to the proper entities.

5. ARE PROMISSORY NOTES OUTSTANDING BALANCED MONTHLY BY THE CORPORATION AND QUARTERLY BY THE LOCAL AUDITING DEPARTMENT?

   During each quarterly audit, the Local Auditor should review the balancing tapes where the Corporation has listed the promissory notes each month. At the time of the audit, the outstanding notes should actually be listed by Local Auditing personnel and reconciled to the General Ledger.

6. ARE BANK ACCOUNTS RECONCILED MONTHLY BY THE CORPORATION AND QUARTERLY BY THE LOCAL AUDITOR?

   The Central Accounting Section is responsible for reconciling all of the Corporation's checking accounts, including the operating accounts of the out-of-town branches. When reviewing the reconcilements, make sure that all outstanding items are being traced and that management is reviewing the reconcilements on a monthly basis.

7. ARE PARTICIPATIONS PURCHASED VERIFIED?

At the time of the quarterly audit, the Local Auditor should verify all current participations with the issuing agent.

8. ARE PARTICIPATIONS SOLD VERIFIED?

At the time of the quarterly audit, the Local Auditor should reconcile the Participations Sold account on the Corporation's General Ledger to the Participations Purchased account on the Bank's General Ledger.

9. ARE PARTICIPATIONS SOLD CERTIFICATES ISSUED MONTHLY?

On a quarterly basis, the Local Auditor should review the Financial Corporation's copies of participations sold certificates and determine that a participation certificate has been issued to the bank each month.

10. ARE THE CONTROLS FOR PARTICIPATIONS PURCHASED AND PARTICIPATIONS SOLD POSTED DAILY?

On a quarterly basis, the Local Auditor should review the controls on participations purchased and participations sold and determine that the controls are posted daily. When this review is made, the controls should be reconciled to the General Ledger.

11. IS INTEREST PAID ON PARTICIPATIONS SOLD DEBITED TO THE EXPENSE ACCOUNT IN THE CORRECT AMOUNT?

Semi-annually, the Local Auditor should trace the interest paid on participations sold from the Expense account to the final disbursement for one full month's activity.

12. IS INTEREST RECEIVED ON PARTICIPATIONS PURCHASED CREDITED TO THE "INCOME" ACCOUNT IN THE CORRECT AMOUNT?

Semi-annually, the Local Auditor should determine the amount of interest that should have been collected on participations purchased and trace this interest payment to the "Income" account for one full month's activity.

C&S FINANCIAL CORPORATION (Continued)

13. IS THERE A PARTICIPATION AGREEMENT BETWEEN THE BANK AND THE CORPORATION IN FILE?

On an annual basis, the Local Auditor should check the files and determine that there is a participation agreement between the Bank and the Corporation in file outlining the method that the daily purchases of participation will be handled.

14. ARE THE COMPUTER TOTALS ON LOANS BALANCED TO THE GENERAL LEDGER DAILY BY THE CORPORATION AND QUARTERLY BY THE LOCAL AUDITOR?

On a quarterly basis, the Local Auditor should review the daily Installment Loan journals and determine that the computer totals are being reconciled to the General Ledger daily. Local Auditing personnel should actually reconcile the computer totals to General Ledger for the day of the audit.

15. IS THERE PROPER SEPARATION OF DUTIES IN THE CENTRAL ACCOUNTING SECTION?

On a quarterly basis, the Local Auditor should, by observation and questioning, determine that a proper separation of duties is being maintained. Determine that the same individuals who make the entries to the Corporation's General Ledger and to the Bank's books do not reconcile the General Ledger accounts and Bank checking accounts.

16. ARE ALL ENTRIES POSTED TO THE GENERAL LEDGER "UNPOSTED SUSPENSE" ACCOUNT CORRECTED DAILY?

On a quarterly basis, the Local Auditor should review the Unposted Suspense account for two separate weeks in the quarter in order to determine that all entries posted to this account are cleared out the next day and that the entries have been made to the proper accounts.

17. IS THE CORRECT AMOUNT CHARGED TO MANAGEMENT FEES AND CREDITED TO THE BANK?

The Local Auditor should obtain the log where the management fee is figured by the Corporation, and trace this amount to the Corporation's Expense account. From the Expense account, trace item through the checking account to the Income account of the Bank's General Ledger. If an error is made in any of these entries, make a determination as to where the error occurred. If made in the Corporation, type exception to the Corporation; and if it occurs in the Bank, send exception to Commercial Banking.

CONSUMER CREDIT OPERATING GUIDE #_____

ASSIGNED ON: June 30, 1972

ASSIGNED TO: Justice Department

DX-311

BANK OR OFFICE: Atlanta

PLEASE FILE THIS AS THE FIRST PAGE IN SECTION I. EVERY SECTION INDEX CARRIES A FOOTNOTE REFERRING TO THIS PAGE.

☒ This C&S Consumer Credit Operating Guide has been assigned, by location, on a permanent basis. The Guide is up to date when it is assigned. The branch manager will see that it is kept in current condition.

☐ This C&S Consumer Credit Operating Guide has been assigned to you, for as long as you need it. You are responsible for keeping it in current condition. Please take it with you when you transfer. Be sure to notify Retail Banking immediately of your new address so that current bulletins can continue to reach you without delay.

USING YOUR GUIDE

This manual has been designed both as a training tool and a reference guide. It contains not only step-by-step illustrated procedures for Consumer Credit functions but also both C&S Consumer Credit policy and a great deal of the philosophy behind that policy. Its value, however, depends entirely upon its intelligent use. Newcomers to Consumer Credit will find that it provides answers to many questions of "how" and "why". "Old-hands" can use it as a ready-reference guide and refresher for the details of day-to-day operations.

SECTIONS

As with any new reference book, it is absolutely essential that you thoroughly familiarize yourself with the manner in which it is organized. The Guide is divided into eight functional sections:

I	Assignment, Memorandums & Correspondence	
II	Accounting and General Operations	Bulletins in these four sections usually apply to more than one lending segment (CAS,OTC,SF). Most apply to all three segments. Each sectional index now shows applicability.
III	Collections	
IV	Insurance	
V	Lending General	
VI	Over-The-Counter	
VII	Sales Finance	
VIII	CAS	This section contains ONLY those bulletins that have application to other lending segments. Other detailed C&S operating information is in the Procedure Handbook.

INDEXES

The first page of each section is a section index. All bulletins in each section are listed alphabetically by their subject headings, and by topics within a given subject heading. New indexes are published each January and July. They are double-spaced to allow insertion of new or revised bulletins recently issued. A column now shows area of applicability of the bulletins (CAS, OTC, SF) in sections II, III, IV, V.

At the end of each index a listing of bulletins deleted during the previous six months is given. [illegible] from Retail Banking.

BULLETINS

Bulletins are issued for all Consumer Credit Operating Guides from Retail Banking as they are developed or revised. You will always know whether one is new, or replaces another bulletin, or replaces only certain pages, by information appearing between the two lines just above the text of each bulletin. When revisions are made that affect only a moderate or small portion of a bulletin, marginal letters are frequently used to show where the change occurred. This will permit the reader to read only the change, without having to search through the entire bulletin to find the change. These marginal letters are very simple to remember - R, or REV means revised material. N or NEW means new material. D means deleted material.

Nearly all bulletins show, at the end, one or more related bulletins. This is on the increase because our business continues to become more complex. It still seems to be the best way so far to "tie it all together."

CONSUMER CREDIT TRAINING OUTLINE

This outline is available from Retail Banking on request. A large portion of it is based upon the Consumer Credit Operating Guide, and is in a sequence which will probably be of the most help to the new employee in a branch.

CONSUMER CREDIT OPERATING BULLETIN INDEX*

ACCOUNTING & GENERAL OPERATIONS II — 5-01-72

APPLIES TO	SUBJECT	TOPIC	DATE
OTC,SF,CAS	BANK - BRANCH CODES		4/14/72 ~~8-09-70~~
SF	DEALER RESERVE	EARNED RESERVE LIST	8-01-69
OTC,SF,CAS	INTEREST INQUIRIES		12-28-70
OTC,SF,CAS	LOSSES	NON-COLLECTIBLE ACCOUNTS	10-24-69
OTC,SF	PAID-IN-FULL PROCEDURES		8-25-66
OTC,SF	PAYMENT SCHEDULE	CHANGES	12-01-70
OTC,SF	PAYMENTS	ADJUSTER & DEALER PROCEDURE	8-24-70
OTC,SF	PAYMENTS	CHARGE ACCOUNTS	8-21-57
OTC,SF	PAYMENTS	PAYMENT CARD BOOK	8-26-70
OTC,SF	PAYMENTS	SPECIAL HANDLING	9-10-70
OTC,SF	REBATES	EXPLANATION	9-01-67
SF	REBATES - DEALER RESERVE		9-01-67
OTC,SF	REBATES - INTEREST & DISCOUNT	PROCEDURES	12-27-71
OTC,SF,CAS	RECORD RETENTION		1-03-62
SF	REPORTS	DEALER CONDITION	1-03-62
SF	REPORTS	INDIRECT COLLECTION ACCOUNTS	1-03-62
OTC,SF	REPORTS	POTENTIAL LOSS	1-03-62
OTC,SF	REPORTS	STAT. SUMMARY - INDIVIDUAL	2-19-69
SF	WHOLESALE	CURTAILMENT BILLING	9-30-66
SF	WHOLESALE	INTEREST BILLING	12-08-58
SF	WHOLESALE	NEW LOANS	8-24-61

SEC. II Acctg. & Gen. Operations

*Information on how to use guide, indexes, and bulletins is on the pink page in Section I.

OPERATING BULLETIN

SECTION ACCOUNTING

SUBJECT BANK - BRANCH CODES

TOPIC

 Date 4-14-72

Replaces Bulletin: ACCOUNTING - BANK - BRANCH CODES - Dated 3-9-70

The following list is furnished as an aid in identifying and processing installment loan payments made at C&S locations other than the one carrying the account. It includes codes for Atlanta CAS - Liquidating Accounts, Atlanta Term Loan, and the C&S Financial Corporation in Atlanta, Savannah, Macon, Athens, Augusta, and Valdosta.

Any payment containing the computer system code may be processed with your payments if your bank is on the automated system. Payment coupons with the manual system code must be sent directly to the bank indicated including CAS-LA (with the exception of Atlanta.)

COMPUTER ILD CODES BANK-BRANCH	MANUAL ILD CODES	NATIONAL - ATLANTA AREA
52-01	1G	C&S Financial Corporation
01-01	1A	Marietta Street
01-02	1S	Bolton Road
01-03	11K	South Moreland
01-04	1E	Northside Parkway
01-05	1R	Roswell-East Andrews
01-06	11N	North Avenue
01-07	1T	Fulton Industrial
01-08	11M	Peachtree Battle
01-09	1N	Roswell Wieuca
01-10	1M	Capitol Area
01-12	1C	Mitchell Street
01-13	1B	Tenth Street
01-14	1D	Howell Mill
01-15	1E	Cascade Heights
01-16	1F	South Expressway
01-17	1H	Peachtree Palisades
01-18	1V	Ansley Mall
01-19	1J	Stewart Lakewood
01-20	11F	Lenox
01-21	11B	Moreland
01-22	11A	Northwest
01-23	11C	Peachtree
01-24	11H	Peachtree-Baker
01-25	11G	Broadview
01-26	11E	Campbellton Plaza
01-27	11J	Bankhead
01-28	11D	Buckhead
01-29	1P	Pershing Point

OPERATING BULLETIN

SECTION ACCOUNTING
SUBJECT BANK - BRANCH CODES
TOPIC
Page 2 of 5 **Date** 4-14-72

Replaces Bulletin: ACCOUNTING - BANK - BRANCH CODES - Dated 3-9-70

COMPUTER ILD CODES BANK-BRANCH	MANUAL ILD CODES	NATIONAL ATLANTA AREA
01-30	11R	Greenbriar
01-31	1U	Piedmont Cain
01-32		West End
01-33	11S	Perimeter-Jonesboro
01-34		Cheshire Square
01-36	11Q	Peyton Village
01-37		Electric Plaza
01-38		Ponce de Leon
01-40		Hurt Building
*01-42		Peachtree Fifth
*01-45		Camp Creek Pkwy
*01-48		Armour Park
*01-49		Perimeter Center
01-50		Decatur Square
01-70	13	Small Business/Term Loan
~~01-75~~ 15-01		CAS - Liquidating Accounts
01-96		Employee Loans
01-98		Educational Assistance
11-01		C&S Holding Company
12-01	12A	C&S Bank of East Point - Main Street
12-02	12B	C&S Bank of East Point - Cleveland
12-03		C&S Bank of East Point - North Springs
12-06		C&S Bank of East Point - College Park
14-01	14A	C&S Bank of Emory - Clairmont Road
14-02	14B	C&S Bank of Emory - Toco Hill
14-03	14C	C&S Bank of Emory - North DeKalb
16-01	16	C&S Bank of DeKalb - Avondale Estates
16-02	73	C&S Bank of DeKalb - Belvedere
18-01	116	C&S Bank of North Fulton
19-01	170	C&S Park National Bank
58-01	87	C&S Bank of Sandy Springs
62-01	88	C&S Bank of Chamblee - Chamblee Plaza
62-02	63	C&S Bank of Chamblee - Buford Highway
70-01		C&S Bank of Tucker
70-02		C&S Bank of Tucker - LaVista
		<u>SAVANNAH - OUTSIDE ATLANTA AREA</u>
52-02	2K	C&S Financial Corporation
02-01	2A	Bull Street
02-02	2B	Liberty Street

*Opening Soon

Replaces Bulletin: ACCOUNTING - BANK - BRANCH CODES - Dated 3-9-70

COMPUTER ILD CODES BANK-BRANCH	MANUAL ILD CODES	NATIONAL - OUTSIDE ATLANTA AREA
		SAVANNAH
02-03	2D	Southside
02-04	2F	Victory Drive
02-05	2G	DeRenne
02-06	2H	West Savannah
02-07	2J	DeSoto Hilton
02-09	2L	Islands
02-10		Garden City
02-11		Armstrong Plaza
		MACON
52-03	3G	C&S Financial Corporation
03-01	3A	Crystal Palace
03-02	3B	Ingleside
03-03	3C	City Bank
03-04	3D	Westgate
03-05	3F	Denmark Second
03-06	3E	Shurlington
03-07	3H	Riverside Office
		ATHENS
52-04		C&S Financial Corporation
04-01	4A	College Avenue
04-02	4B	Prince Avenue
04-03	4C	Beachwood Avenue
04-04		Gaines School
		AUGUSTA
52-05		C&S Financial Corporation
05-01	5A	Broad Street
05-02	5B	Medical Center
05-03	5C	Telfair
05-04	5D	Daniel Village
05-05	5E	13th Street Branch
05-07		Airport
05-08		Gordon Highway
05-09		Peach Orchard
05-10		Center West
05-11		Forest Hills

OPERATING BULLETIN

SECTION ACCOUNTING
SUBJECT BANK - BRANCH CODES
TOPIC
Page 4 of 5 **Date** 4-14-72

Replaces Bulletin: ACCOUNTING - BANK - BRANCH CODES - Dated 3-9-70

COMPUTER ILD CODES BANK-BRANCH	MANUAL ILD CODES	NATIONAL - OUTSIDE ATLANTA AREA
		VALDOSTA
52-06		C&S Financial Corporation
06-01	6A	Patterson
06-02	6B	Brookwood
06-03		Five Points
		AFFILIATES - OUTSIDE ATLANTA AREA
07-01	7	C&S Bank of Thomaston - North Center
07-02		C&S Bank of Thomaston - Northside
08-01	8	C&S Bank of Dublin - Main
08-02		C&S Bank of Dublin - East Dublin
09-01	9A	C&S Bank of Albany - Washington Street
09-02	9B	C&S Bank of Albany - Slappey Drive
09-03		C&S Bank of Albany - Marine Drive
09-04		C&S Bank of Albany - Northside
09-05		C&S Bank of Albany - South Slappey
10-01 10-02	10	C&S Bank of LaGrange - Commerce
13-01		C&S International - Miami
17-01	17	C&S Newnan Bank
		5% - OUTSIDE ATLANTA AREA
20-01	84	C&S Bank of Chatham Co., Savannah (merged with Savannah)
26-01	223	C&S Bank of Dalton
29-01		First State National Bank, Bainbridge
35-01		Bank of Woodstock
38-01	7	C&S Bank of Thomas County, Thomasville
40-01	221	C&S Bank of South DeKalb
48-01	213	The C&S Bank of Hart County, Hartwell
49-01 44-02	214	The C&S Bank of Milledgeville (20TC+30RE)
50-01	162	C&S Bank of Cobb Co., Austell - Mozley St.
50-02	103	C&S Bank of Cobb Co., Austell - Bankhead
50-05		C&S Bank of Cobb Co., Austell - North Four Lane Highway
51-01	77	The C&S Bank of Tifton - First St. Office
51-02	125	The C&S Bank of Tifton - Northside
56-01	70	C&S Bank of Colquitt County, Moultrie
57-01	147	Farmers & Merchants Bank, Fayetteville
59-01	94	C&S Bank of Rockdale, Conyers

HATCHER SQ. (82-TC + 32-RE)

E-1030

OPERATING BULLETIN

SECTION ACCOUNTING
SUBJECT BANK - BRANCH CODES
TOPIC
Page 5 of 5 · **Date** 4-14-72

Replaces Bulletin: ACCOUNTING - BANK - BRANCH CODES - Dated 3-9-70

COMPUTER ILD CODES BANK-BRANCH	MANUAL ILD CODES	5% - OUTSIDE ATLANTA AREA
60-01	76	The C&S Bank of Warner Robins - Watson Blvd.
60-02	205	The C&S Bank of Warner Robins - Williams Plz
61-01		The C&S Bank of Henry County, McDonough
64-01	207	C&S Bank of Clayton County
64-02	219	C&S Bank of Clayton County - Jonesboro Rd.
64-03		C&S Bank of Clayton County - So. Clayton
65-01	179	First State Bank of Stockbridge
66-01	120	The Cartersville Bank
68-01	188	C&S Bank of Springfield
71-01	162	C&S Bank of Richmond County (merged with Augusta)
72-01	101	Farmers and Merchants Bank of Senoia
74-01	59	C&S Bank of Jackson
79-01	199	C&S Bank of Gwinnett County - Main
79-02		C&S Bank of Gwinnett County - Norcross/ Tucker
87-01	68	National Bank of Monroe - Broad Street
87-02		National Bank of Monroe - Woodfield Plaza

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT DEALER RESERVE

TOPIC EARNED RESERVE LIST

 Date 8-1-69

NEW BULLETIN

For years we have kept Dealer Reserve and Dealer Contingent Reserve cards filed separately in "earned" and "unearned" grouping. Due to increased volume and the fact that we very seldom pay reserves on the basis of what reserves are earned, a revision in this procedure is necessary.

All dealer accounts should be reviewed to determine what percentage of reserve to outstanding should be held to protect the Bank from loss. These percentages will vary by class of paper and the quality of paper generated by the dealer. If the present percentage being maintained is adequate when paying the reserve on an "earned" basis, then you should establish that percentage.

Once these percentages have been determined, only the excess (now considered earned) over the required percentage will be paid at the agreed upon intervals.

When Dealer Reserve cards are received from Central Billing (monthly), they should be filed, by dealer, until a statement containing those entries has been rendered. The cards should then be filed for 60 days for statement verification only. After that period of time they may be destroyed.

Where a holdback is required on a specific transaction this reserve will be "contingent" reserve and these amounts should not be considered when computing the amount of reserve to be paid.

E- 1032

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT INTEREST INQUIRIES

TOPIC

 Date 12/28/70

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - STATEMENT OF INTEREST Dated 1-29-63

This bulletin explains the use of the revised STATEMENT OF INTEREST and outlines standardized procedures for handling the requests through the use of the Interest Inquiry Request and Worksheet. It also ties in with our Personal Income Tax Service.

When a customer contacts one department and requests information, he expects that department to contact all other departments for information on additional loans he may have with the Bank. Consequently, it is important that we set up a routine procedure for consolidating this information and sending it to our customer upon his request. It is advisable to designate a department or one person to act as a clearing point where these requests can be routed and processed.

CUSTOMER SERVICE

All departments are requested to give one-day service on interest computation requests. This is the only way we can live up to what we tell our customers.

INFORMATION ALREADY PROVIDED TO CUSTOMER

1. Installment Loans made after conversion to the computer show interest amounts and computation information on the payment book name and address insert. (Exception: Irregular payment schedule loans require manual computation of interest.) Examples A and B show the front and back of the payment book name and address insert.
2. CAS interest is printed on the December statement (Example C).

EXAMPLE A

This book contains a card for each of your payments showing the amount and due date. When making payments by mail please forward your payment card to the address shown below. Send only the card for the payment you are making. Please use registered mail when you send cash.

C & S NATIONAL BANK
P. O. BOX 4,687
ATLANTA, GA. 30302

Payments may also be made to any teller when accompanied by this book. Protect your credit and avoid a late fee by making your payment on the due date. When contacting the bank about your loan, use the account number shown below.

Account Number

Year		Each intervening full year		Total
Tax Deductible Interest				
No. of Payments Due				

EXAMPLE B

Computation of Income Tax Deduction

For your convenience in preparing your income tax return, the interest charges for this loan are shown on the reverse side.

One method to determine the amount of interest paid each year is to divide the total interest amount by the total number of payments and multiply the result by the number of payments made during the year.

Example:

$48.00 Total Interest	÷	24 Total Number Payments	=	$2.00 Interest Per Payment	$2.00 Interest Per Payment	× 11 Payments Made During Yr.	= $22.00 Interest Paid During Yr.

The amounts of interest shown on the front by year were determined by this method but were based on the number of payments scheduled to be made each year. If the number of payments made is different from the number scheduled, the interest paid in any year should be calculated on the basis of the number of payments actually made.

If your loan is paid in full ahead of schedule, an adjustment should be made for any interest refunded. If "irregular schedule" is indicated on the front, the interest amount for any year may be calculated by the above or other appropriate method.

Consult your tax adviser or Internal Revenue for the most up-to-date information and advice regarding your tax return.

EXAMPLE C

Reach for your C&S Card

CHARGE ACCOUNT SERVICE

STATEMENT OF YOUR ACCOUNT

MAKE CHECKS PAYABLE TO THE CITIZENS AND SOUTHERN BANK

PLEASE RETURN YOUR PAYMENT CARD WITH YOUR CHECK

269345445	121470	00	00	00		00
00 +	=	00	00	00	00	00
		TOT ALLOWABLE INT 1.08			00	00

MRS A O GOLD
215 PONCE DE LEON AVE
ATLANTA GA
30307

THANK YOU FOR USING YOUR C&S CARD IN 1970. BEST WISHES FOR A HAPPY AND PROSPEROUS NEW YEAR.

E- 1034

TAKING THE REQUEST

Mail Requests: Fill in the information from your department on the Interest Inquiry Request and Worksheet. Forward it to the central person or department handling interest requests for your office. See example below. (Out-of-Atlanta offices can use this form if desired, substituting their address.)

INTEREST INQUIRY
REQUEST AND WORKSHEET

TO: _____ DATE: _____
OFFICE

PLEASE:

_____ MAIL INFORMATION DIRECTLY TO CUSTOMER ON STATEMENT OF INTEREST FORM WITH THE INCOME TAX SERVICE STUFFER.

_____ COMPLETE THE INTEREST FIGURES AND RETURN TO INTEREST INQUIRY DEPT.

_____

INTEREST INFORMATION ON:

_____ _____
CUSTOMER'S NAME DAYTIME TELEPHONE NUMBER

_____ _____
CURRENT STREET ADDRESS FORMER ADDRESS IF MOVED DURING YEAR

_____
CITY, STATE AND ZIP CODE

TYPE OF ACCOUNT: INTEREST AMOUNT FOR 1970:

1. LOAN & DISCOUNT _____ $_____
BRANCH LOCATION
2. CAS _____ $_____
CARD NUMBER
3. REAL ESTATE _____ $_____
OFFICE

TAXES PAID FROM ESCROW (IF APPLICABLE) $_____

4. TERM CREDIT _____ $_____
BRANCH & ACCOUNT NUMBER
5. COLLECTION ACCOUNT _____ $_____
TYPE & LOCATION
6. INSTALLMENT LOAN OR TERM CREDIT*:

OFFICE	ACCOUNT NUMBER	DATE OF LOAN	PAYMENTS		TOTAL INTEREST CHARGED
			TOTAL NUMBER	NUMBER PAYMENTS SCHEDULED FOR 1970	

NOTE: *ANY INTEREST INFORMATION NOT PROVIDED BY THE COMPUTER MUST BE MANUALLY COMPUTED BY THE PROCEDURE IN THE CONSUMER CREDIT OPERATING BULLETIN: ACCOUNTING & GENERAL OPERATIONS - INTEREST INQUIRIES.

E- 1035

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - STATEMENT OF INTEREST Dated 1-29-63

Walk-In and Telephone Requests:

Automated locations - determine whether interest information desired is only CAS and/or Installment Loan. If so, mention that the information is already available to them in their payment card books and December statements. If they still want you to get it, follow steps below.

All locations -

1. Fill out the Interest Inquiry Request and Worksheet as completely as possible. Show customer's full name (not initials), current address, and his previous address if he has moved during the past year. If the customer volunteers information that he thinks may help us locate the loan (dealer name, endorser, co-signer, transferor), show it also. Get a telephone number where the customer can be contacted during the day. Be sure to mention our Personal Income Tax Service.
2. Forward the Worksheet to the person or department acting as a central clearing point (Interest Inquiry Department in Atlanta).
3. Interest Inquiry Department will forward requests for information to those departments that are not yet automated.
   They will secure information from the following sources for automated offices:
   a. CAS will be on a printout specifically for this purpose by yearend. All accounts on which there was any activity during the year will be on the printout. It is prepared during December, by cycle. It should be retained for the year.
   b. Installment Loans:
      Active Loans will be on a printout specifically for this purpose approximately January 10. It will be prepared for the Interest Inquiry Department for each city.
      Closed Loan interest will be shown on closed loan cards.

MANUAL PROCEDURE FOR INTEREST COMPUTATION

INSTALLMENT LOANS

In reporting "Payments - Number Paid", use the number paid during the calendar year for which the return is to apply, including prepayments. The information is to be reported on each loan the customer may have had in the Installment Loan Department during the year. The procedure as outlined is to be used regardless of the base rate that may have been charged to the customer.

1. Subtract "Interest and Discount" and "Dealer Reserve" from "Total Note" to determine the amount advanced. (Do not subtract contingent reserve.)

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - STATEMENT OF INTEREST Dated 1-29-63

2. Multiply the amount advanced by the appropriate 6% per annum factor, depending upon the number of months in the contract; i.e., 8 months - 4%, 12 months - 6%, 18 months - 9%, 24 months - 12%, etc. This gives the amount of "Interest Charged" to report to the customer. (There may be a case where a rate was charged, including life insurance, etc., which is less than the 6% factor, such as a 5% rate. If the amount of interest shown on the ledger card is less than the amount determined by using the 6% factor, report to the customer the full amount shown on the ledger card.)
3. On prepaid accounts on which a rebate was allowed, recompute the rebate without deducting the "minimum handling charges"; then use the "interest charged" as determined by Step 2 above as the amount to which the rebate percentage applies. Subtract the amount of the adjusted rebate from the interest charged and report the net amount to the customer. For example, on a $1,000 loan for 24 months paid out in 4 months:

Interest at 6%	- $120.00
Rebate Factor	- .700
Adjusted Rebate	- 84.00
Net Interest	- $ 36.00

4. On irregular or seasonal loans, refer to the discount sheet and recompute, using the 6% factor applicable to the principal on each payment date. For example, on a $2,000 loan, repayable $1000 at the end of 12 months and $1000 at the end of 24 months, multiply $2000 (principal at second payment date) by 6%($60.00), giving a total interest charged of $180.00.
5. On single payment transactions, the interest should be computed on an 8% per annum factor for the appropriate number of months.

TIME OR DEMAND NOTE

On loans in Loan & Discount, the Comptroller's Department recommends that the interest be recomputed using the original base rate, exclusive of any minimum charges, base charges, or insurance charges. 8% is the maximum legal rate.

REAL ESTATE OR MORTGAGE NOTE

Most real estate or mortgage loans have an amortization schedule which accompanies each, and the total interest charged for the year can be obtained from this schedule. If on a real estate or mortgage loan an add-on rate was charged, then the interest must be recomputed in the same manner as on an installment loan (manual procedure).

COLLECTION NOTE

On notes for collection, report the total interest paid.

STATEMENT OF INTEREST

When all departments involved have furnished the necessary interest figures, Interest Inquiry will prepare the 19-896 Statement of Interest. It should be mailed in the 9-351 window envelope, along with a statement stuffer on our Personal Income Tax Service.

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - STATEMENT OF INTEREST Dated 1-29-63

C&S

STATEMENT OF INTEREST
FOR CALENDAR YEAR OF

Y

1. Installment Account(s)*

Account Number	Date	Total Number of Payments	Number of Payments Scheduled This Year	Total of Interest Charged
				$

2. Charge Account Service $
3. Time or Demand Note $
4. Real Estate or Mortgage Note $
5. Taxes Paid From Escrow Account (If Applicable) $
6. Collection Note $

*Example: To Calculate Interest On Installment Accounts:

Total of Interest Charged	÷	Total Number Of Payments	=	Interest Per Payment	×	Number of Payments Paid	=	Interest Paid During Year
$48.00		24		$2.00		11		$22.00

If the number of payments made is different from the number scheduled, the interest paid in any year should be calculated on the basis of the number of payments actually made. Please keep this card for tax information until those Installment Accounts listed are paid.

Consult your tax advisor or Internal Revenue Service for the most up-to-date information regarding your tax return. Thank you for banking with C&S.

ORDERING FORMS

E- 1038

FORM NO.	DESCRIPTION	ORDER FROM
10-896	Statement of Interest	Purchasing Department, Atlanta
9-351	Envelope	" " "
NONE	Interest Inquiry Request	Interest Inquiry Dept., YOUR CITY

OPERATING BULLETIN

SECTION ACCOUNTING AND GENERAL OPERATIONS

SUBJECT LOSSES

TOPIC NON-COLLECTIBLE ACCOUNTS

 Date 10/24/69

NEW BULLETIN

Non-collectible accounts are a large portion of the charged-off accounts in each office. To simplify the handling of the non-collectibles, as well as to facilitate audit control, inactive non-collectible accounts should be eliminated from your Recovery Department's ledger trays. This bulletin sets forth procedures for purging inactive non-collectibles, and reactivating as needed.

INACTIVE NON-COLLECTIBLE ACCOUNT DEFINED

For our purposes, an inactive account is a non-collectible ledger with no activity for five years or longer.

PROCEDURE

The following procedure should be coordinated with the local auditor.

1. Recovery personnel should age the non-collectible ledgers according to number of years since last activity.
2. If more than one control group on non-collectibles exists, be sure to keep each group separate.
3. Run adding machine tapes on each year group of inactive ledgers.
4. The local auditor will verify the totals, and satisfy himself that only non-collectible accounts having no activity within the last five years are included.
5. Prepare a dummy ledger for each control group, labeled "Control Ledger, Inactive Non Collectibles, (CAS, ILD or L&D) control, (Originating office) Branch".
6. Post the total balances of each year group on the control ledger and substitute it in your file in place of the inactive ledgers, plus the inactive control ledger, and balance to the controls).
7. Note the current balance on the wheeldex card.
8. Type a list of the account numbers, loan type (CAS, ILD or L&D) names, and balances of the accounts involved.
9. Send a copy to System Consumer Credit, Atlanta.
10. Place the ledgers in dead storage, with instructions to destroy after 15 years.
11. Keep folders, notes, and wheeldex listings on these accounts in their present locations.
12. Going forward, purge non-collectible files annually to eliminate inactive ledgers.
13. Notify the local auditor by memo approximately a week prior to the time ledgers are purged.
14. Add the total balances of the ledgers purged to the control ledger, and place the ledgers in dead storage.

NEW BULLETIN

REACTIVATION

If it becomes necessary to reactivate one of these ledgers:

1. Take it from storage and return it to the file.
2. Subtract the balance on the reactivated ledger from the balance on the control ledger.
3. Notify the local auditor of the reactivation, via memo, giving account name, number and balance reactivated.

FINAL DISPOSITION

On accounts inactive over 20 years:

1. Destroy the ledger card, folder, etc., pursuant to the Consumer Credit Operating Guide Bulletin ACCOUNTING AND GENERAL OPERATIONS - RECORD RETENTION.
2. Lower the controls by the total of the balances of the cards destroyed.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT PAYMENTS

TOPIC ADJUSTER & DEALER PROCEDURE

 Date 8/24/70

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - PAYMENTS - RECEIPT BOOK Dated 6-25-57

Our accounting system for payments is most efficient when there is a high percentage of unmutilated customer payment cards received with payments. Everyone who accepts payments must encourage customers to use their payment card book when they send or bring their payments. If the customer needs a new payment card book, order one on form 19-1215, Installment Loan Payment Book Reorder.

RECEIVING PAYMENTS

When the customer has his payment card book,

1. Determine the exact status of the account.
   a. Dealers can use customer's payment card book and past due list.
   b. Adjusters refer to collection card, audio, video, or Past Due list.
2. Collect the proper amount due, including late charges.
3. Remove the appropriate payment card(s) from the payment card book.
4. Date and initial the appropriate stub(s).
5. If amount collected differs from pre-printed amount on payment card, write it in the Amount Paid portion of the card. Also write it on the stub.
6. Give the payment card book back to the customer.

If the customer does not have his payment card book,

1. Determine account number and exact status of account.
2. Collect the proper amount due, including late charges.
3. If payment is check or money order, write in the customer's account number.
4. Fill out a Customer Receipt.
5. Give the customer the original (Customer Receipt Copy).

CUSTOMER RECEIPT BOOK (19-947 Rev. 7/70)

We provide our adjusters and dealers with a Customer Receipt Book. It should normally be used only when the customer does not have his payment book. Each receipt carries wording supplied by our attorney indicating that the payment is accepted as agent for the customer. The Receipt Book is designed in "pocket size" so that it may be conveniently carried by the dealer and our adjustors in making outside calls. Sufficient receipts are in each book to take care of the requirements of all except the larger dealers who will need to be supplied with more books. The receipts are triplicate snap-out sets, and the second copy is for use as a substitute payment card.

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - PAYMENTS - RECEIPT BOOK Dated 6-25-57

Previously, a separately prepared substitute ticket was required. For this reason, we should encourage dealers to use our books in preference to others. Instructions for dealers and adjusters are printed in each Receipt Book. However, if we are to gain a saving in time through the use of the Receipt Book and dealer payment procedure, a constant dealer educational program will be necessary in requiring that all dealers follow the instructions.

The receipts have transaction code 42 (regular payment, possibly including late charge) already printed. The code 42 should be crossed through and code 12 (late charge only), or code 63 (extension fee) entered when applicable.

The Account Number portion should be filled in completely. The first three spaces are for the 3-digit bank code (until 3-digit bank codes are published, use the present 2-digit bank code preceded by "0".). The next two spaces are for branch code, and the last five spaces are for the loan number.

EXTENSIONS

When an extension fee is collected, it is also necessary to complete a Notice of Extension (19-1400). See COLLECTIONS- EXTENSIONS.

RELATED BULLETINS:

ACCOUNTING & GENERAL OPERATIONS - PAYMENT CARD BOOKS
COLLECTIONS - LATE CHARGES
COLLECTIONS - EXTENSIONS

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT PAYMENTS

TOPIC CHARGE ACCOUNTS

 Date 8-21-57

REPLACES BULLETIN "ACCOUNTING - PAYMENTS - CHARGE ACCOUNTS" DATED 9-20-49

In checking with our offices, it has been found that a variety of methods are being used in charging the borrower's checking account on a monthly basis, although a simpler procedure has been recommended for sometime. This procedure has been rewritten to cover all aspects of handling payments charged to customers' accounts and in the interest of economy, we ask that all offices study the following paragraphs carefully and make whatever changes are necessary.

GENERAL

Each Direct loan customer should be sold on having payments charged to his account as they become due. If the customer does not bank with us, this presents a splendid opportunity to get a new account--either Special or Regular checking account. From the customer's standpoint, convenience is the main selling point:

1. He does not have to mail the payment or come into the bank to make the payment.

2. Reduced cost of postage and/or checks.

3. Money will be deducted from his checking account at a time of the month when he has just made a deposit. (No temptation to spend money before he writes up a check or comes in.)

4. Debit ticket in his statement acts as receipt.

5. Date of automatic charge can be changed in the case of vacations, customer to be out of town or emergency. All that is necessary is that he notify us prior to the regular charge date.

PREPARATION OF DISCOUNT SHEET

A space is provided on the Discount Sheet to indicate how the payments are to be charged. Be sure to indicate the exact name in which the checking account is carried. In some cases it may be different from the name in which your loan is set up.

NOTE: When setting the due date on a charge account loan be certain to use the due date closest to a regular deposit date.

CENTRAL BILLING DEPT.

When Central Billing receives a Discount Sheet which indicates that a checking account is to be charged for the payments, they will:

1. Identify the account as a charge account by marking the ledger card "Chg. Reg. (Spec.) Ckg." and the name of the account to be charged if different from that shown on the loan.

REPLACES BULLETIN: "ACCOUNTING - PAYMENTS - CHARGE ACCOUNTS" Dated 9-20-49

2. Further identify the card by slotting the bottom keysort hole on the right side of the ledger card. (This should be verified by each office as a part of the regular routine when ledger cards are returned from Central Billing).

3. Send customer a special coupon book containing only one sample coupon, the customary inserts, and a special insert indicating that the customer's checking account will be charged each month in accordance with his request.

OFFICE HANDLING OF CHARGE ACCOUNTS

1. On the 1st, 8th, 15th, and 22nd remove from the current tray all charge accounts with payments falling due on that day, using the keysort needle. All accounts should be debited and posted on the date due since any delay increases the opportunity for "Insufficient Funds". (In offices that have not been using the keysort system for charge accounts, it is suggested that during the next 30 days all charge accounts be reviewed to be sure that keysort holes are properly slotted. This should be done as each due date is pulled for charging.)

2. Prepare debit tickets in duplicate on each account.

3. Run the original debit ticket through the teller's work in the same manner as a remittance and the duplicate as though it were a coupon. No record need be sent to the customer.

4. In some offices checking account balances are verified either before debit tickets are made or before they are run through the "Block". A simpler and more economic procedure is to run all charges through, on the date due. The number returned as "Insufficient" will be few and they should be given immediate personal handling in the same manner as any "Insufficient" item.

NOTE: Be sure to slot all cards that become charge accounts after the loan is made and to patch all cards on which the charge has been stopped before the loan is paid out.

DOUBLE CHECK WHEN SENDING NOTICES

Cards on which first notices are sent should be carefully checked to avoid sending notices on charge accounts that, through error, were not charged. Such accounts should be charged immediately.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT PAYMENTS

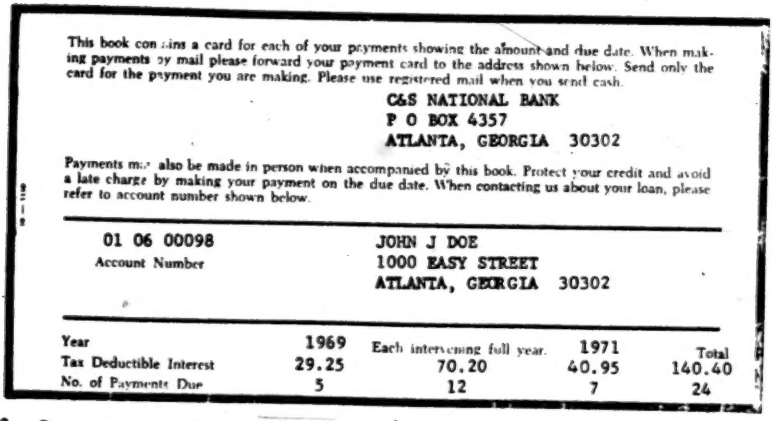
TOPIC PAYMENT CARD BOOK

 Date 8/26/70

Replaces Bulletins: ACCOUNTING & GENERAL OPERATIONS-PAYMENT CARD OR COUPON BOOKS. PAYMENT CARD OR COUPON BOOKS-REQUEST FOR, and PAYMENT CARD BOOKS-RETURNED AND UNUSED - Dated 8/01/65

The Installment Loan Payment Card Book is assembled and mailed by our Central Billing Department for each new loan and for existing loans upon request. It serves as advance notice to our customer of each payment due, provides him with a detailed record of the loan, and permits payments to be made conveniently by mail or at any teller's window in any of our banks. Each payment card is the posting medium containing all information needed for accounting purposes. The Payment Card Book contains:

1. Mailing Insert - The mailing insert provides the following information:
   a. Customer Name and Address - The insert, containing the customer's name and address is bound inside the front cover of the book. A window is positioned in the cover and the mailing envelope allows the customer's name and address to show.
   b. Bank Return Address - The bank address to which payments should be mailed (in each city) is shown.
   c. Interest - Tax Information - The amounts of interest which are applicable for each year are shown, with the total number of payments to be made each year. The total number of payments to be made over the life of the loan and the total interest charge are also shown. On the reverse of the mailing insert there is an explanation of the method of computation.



This book contains a card for each of your payments showing the amount and due date. When making payments by mail please forward your payment card to the address shown below. Send only the card for the payment you are making. Please use registered mail when you send cash.

C&S NATIONAL BANK
P O BOX 4357
ATLANTA, GEORGIA 30302

Payments may also be made in person when accompanied by this book. Protect your credit and avoid a late charge by making your payment on the due date. When contacting us about your loan, please refer to account number shown below.

01 06 00098
Account Number

JOHN J DOE
1000 EASY STREET
ATLANTA, GEORGIA 30302

Year	1969	Each intervening full year.	1971	Total
Tax Deductible Interest	29.25	70.20	40.95	140.40
No. of Payments Due	5	12	7	24

2. Insurance Certificates - If applicable for Life, Disability and Retail Fire and Theft.
3. Change of Address Notification.
4. Add-on Inserts (For Sales Finance, when requested).

5. Payment Cards - a Payment Card is included for each scheduled payment. If the loan is coded "Debit Checking For Payments" only one Payment Card is prepared, showing the payment amount and first due date.

PAYMENT CARD BOOKS RETURNED IN MAIL

Payment Card Books are mailed directly to customers, except for employee loans.

Books returned through the mail are routed to Atlanta-Local Auditing. Books received on loans originating outside of Atlanta are forwarded to the appropriate local auditor for verification.

Local auditors will prepare a notice of returned payment card book, showing full account number and complete address. Then they will send it and the returned mailing envelope to the Installment Loan Department which originated the loan. The auditors retain the book itself. The receiving Installment Loan Department should take action immediately to determine the exact address and prepare a Change Of Address form if necessary. Then return to Local Auditing the mailing envelope, original notice from the local auditors, corrected address, and any appropriate explanation. Speed is essential - the auditors are waiting to receive correct information so they can remail the payment book, and the customer is waiting for the book so he can make his first payment properly.

EMPLOYEE LOANS

Payment Card Books are mailed to the Local Auditing Department which will forward the book to the employee.

PAYMENT CARD BOOKS NOT MAILED

When instructions on the Discount Sheet indicate that the customer has requested that the Payment Book not be mailed to him, the Payment Book is sent directly to the local auditor. A copy of the explanation for the request, as shown on the Discount Sheet, accompanies the Payment Book. The local auditor verifies the loan and makes appropriate disposition of the Payment Book.

PAYMENT CARD BOOK RE-ORDER

Payment Card Books should be re-ordered when:

1. The customer has lost the original book.
2. A name changes through marriage or divorce.
3. A change (other than a normal extension or due date change) is made in the repayment schedule.
4. A customer wishes to make payments on a direct basis after the loan had originally been set up on a monthly debit to the checking account basis. In this case, complete a Payment Schedule Change form and forward to Installment Loan Control, 3 Nelson.

Replaces Bulletins: ACCOUNTING & GENERAL OPERATIONS - PAYMENT CARD OR COUPON BOOKS, PAYMENT CARD OR COUPON BOOKS - REQUEST FOR, and PAYMENT CARD BOOKS - RETURNED AND UNUSED - Dated 8/01/65.

INSTALLMENT LOAN
PAYMENT SCHEDULE CHANGE
PAYMENT BOOK REORDER

ACCOUNT NUMBER 01 31 04172

DATE 6/3/69

CUSTOMER'S NAME JOHN M. SMITH

1ST SERIES RESCHEDULED			2ND SERIES RESCHEDULED			3RD SERIES RESCHEDULED		
NO. OF PMTS.	PAYMENT AMOUNT	DATE TO BEGIN	NO. OF PMTS.	PAYMENT AMOUNT	DATE TO BEGIN	NO. OF PMTS.	PAYMENT AMOUNT	DATE TO BEGIN
10			37			44		

NUMBER OF MONTHS TO EXTEND 61 | NEW DUE DATE (01, 08, 15, 22) 63 | REPLACE PAYMENT CARDS 65 X | CARD CODE 80 8

EXTENSION FEE COLLECTED $ _____

AUTHORIZED BY 07

IMPORTANT: DO NOT FILL IN ANYTHING IN BLOCKS 10, 27, 44, 61, 63 - WHEN ORDERING PAYMENT BOOKS.

NOTE: A reorder is no longer necessary when transferring accounts. Following the procedure outlined in LENDING GENERAL-TRANSFER OF EQUITY will cause a new payment book to be sent.

ENTIRE BOOKS MAILED IN

Occasionally customers will mail in the entire book with their payments. When this happens, a letter should go to the customer as his book is returned to him. A sample letter is shown below - this letter should be individually typed. (Be sure to show account number, as customers sometimes return this letter with a payment.)

"Thank you for the payment you sent us recently. It has been credited to your Installment Loan account and your Payment Card Book is enclosed.

When mailing future payments, please keep the Payment Card Book. Send us only your remittance and the payment card for the date your payment is due. Your cancelled check or money order stub will be your receipt. We suggest that you do not mail cash."

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT PAYMENTS

TOPIC PAYMENT CARD BOOK

 Date 8/26/70

REPLACES BULLETINS: ACCOUNTING & GENERAL OPERATIONS - PAYMENT CARD OR COUPON BOOKS, PAYMENT CARD OR COUPON BOOKS - REQUEST FOR, and PAYMENT CARD BOOKS - RETURNED AND UNUSED - Dated 8/01/65

NON-AUTOMATED INSTALLMENT LOANS

PROCEDURE FOR ORDERING A PAYMENT CARD OR COUPON BOOK

The Payment Card or Coupon Book is made up as a part of the billing procedure on each new loan from information supplied on the Discount Sheet. Whenever a Payment Card or Coupon Book is ordered after the original billing, a REQUEST FOR PAYMENT CARD OR COUPON BOOK form (19-834) must be used. When completed, this form provides all of the information necessary to make up the Payment Card or Coupon Book (normally obtained from the Discount Sheet). The completed illustration below is self-explanatory. ALL SPACES MUST BE FILLED IN BEFORE THE CENTRAL BILLING DEPARTMENT CAN MAKE UP AND ISSUE A NEW BOOK. All Coupon Books and Wallets will be mailed directly to the originating bank.

REQUEST FOR PAYMENT CARD OR COUPON BOOK

Date 8-28-70 Office Albany - N. Washington

Bank Code	Account Number	Numerical Classification	Due Date
09-01	27546	21	1 8 (15) 22 Other

Name: James J. Customer, Jr. — Unpaid Balance: $440.80

Address: 418 Main Street

City & State: Albany, Georgia 31705

Person to Insure if Different from Above: James J. Customer, Jr.

Dealer Name: Jones Appliance Company

Dealer Number: 123

Payment Schedule (remaining payments only) (Total must equal unpaid balance)

8 @ 55.10 beginning 9-15-70

@ beginning

@ beginning

@ beginning

Insurance

Disability	Life	Property	Non-File	Co-Mail
Yes	Yes	No	No	No

ALL SPACES MUST BE FILLED IN BEFORE A NEW BOOK CAN BE ISSUED

19-834 Rev. 7-65

OPERATING BULLETIN

SECTION ACCOUNTING AND GENERAL OPERATIONS

SUBJECT PAYMENTS

TOPIC SPECIAL HANDLING

 Date 9-10-70

NEW BULLETIN

Customers sometimes send payments without payment cards. Special handling is required to properly process these payments. When a payment is received without an account number or a payment card, Installment Loan Control - Atlanta (or its counterpart in other locations) must look up the account number, prepare a substitute payment card, and send it to be keypunched to be acceptable for computer processing.

To reduce this costly special handling to a minimum, we want to encourage customers to send payment cards with all remittances. Form 19-1047, Customer Request for Installment Loan Payment Card Book, will be prepared and mailed by Installment Loan Control - Atlanta for this purpose - as often as seems practical.

C&S

Thank You for your recent installment payment. We notice that a payment card did not accompany it. You can help us post to your account with speed and accuracy by always enclosing a payment card. Each card shows the amount, due date, and your account number.

If you want a payment book, just return this slip in the enclosed envelope. Thanks for your help.

Account Number

[ ]

as [X] Yes, please send me a payment book [8] as

C&S
Installment Loan Control
P. O. Box 4535
Atlanta, Georgia 30302

Form No. 19-1047

The customer need only enclose this in the return window envelope provided, stamp it, and mail it.

USE BY OTHER LOCATIONS

Certain lending locations may wish to use this form. The envelopes required are 9-311 and 19-1152.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT REBATES

TOPIC EXPLANATION

 Date 9-1-67

Replaces Bulletin: "ACCOUNTING - REBATES - EXPLANATION" Dated 8-1-55

All Installment notes and contracts include finance charges for the full term of the account. If accounts are paid in full prior to the date of the final payment, it is our policy to allow a rebate of the full unearned portion of the charge. Because most customers do not understand the principles of installment charges, it is important that everyone having contact with customers be able to explain rebates clearly.

With our policy of rebating the full unearned charges and a clear explanation of the amount being rebated, we have the opportunity to add to our reputation for fair dealing.

PRINCIPLE OF INSTALLMENT EARNINGS

On a single payment loan the borrower has the use of the full amount of the proceeds for the entire term of the loan; hence, if the note is paid in full before normal maturity, the rebate is based entirely on the time element. Consider for example, a $300 loan repayable in one amount after 12 months with a finance charge of $24.00. If the loan is repaid 6 months prior to maturity, which is 50% of the term of 12 months, the pro-rata rebate would be 50% of $24.00, or $12.00. Many customers feel that their rebate on an installment account should be figured this way.

In the case of an installment loan there are two factors to be considered. Since the customer will be making payments each month, the amount of the loan outstanding is constantly decreasing. When such a loan is paid prior to maturity, the rebate is based on the time and the amount of the money used by the customer prior to pay-off date.

EXPLANATION TO CUSTOMER

In most cases, it is sufficient to explain to the customer that our charges are based on the balance outstanding each month and that during the early months of the contract we have more money outstanding and, therefore, the charges are higher. As the balance reduces, a greater proportion of each payment represents principal, and a lesser proportion represents interest.

This can be illustrated by applying the net balance on the account to the rate chart used originally. The amount of charges on the remaining balance for the remaining months will be about the same as the rebate figured on the rebate chart.

Occasionally it may be necessary to illustrate the explanation by using a portion of the example shown under the explanation of the "78ths method."

Replaces Bulletin: "ACCOUNTING - REBATES - EXPLANATION" Dated 8-1-55

78ths METHOD

Rebates on installment loans are computed by the direct ratio method, also known as the sum-of-the-digits method, and more commonly called the 78ths method. In theory, each installment represents one "unit". On a twelve month loan there are 12 units (payments) outstanding the first month, 11 the second month, and so on down to one unit the final month. If the number of units outstanding each month are added, they total 78 (the total will vary with the term; 18 months = 171, 24 months = 300, etc.).

On this twelve months loan, since there is 12 times as much outstanding the first month as there is the final month, it is logical that the bank's earnings should also bear this same relationship. The portion of the total charge taken into earnings each month is a direct ratio of the number of units outstanding that month to the total number of units outstanding over the life of the loan. That is, 12/78ths the first month, 11/78ths the second month, and so on.

The following schedule of a $100 loan for 12 months with interest of $50.00 (5% Add-On) illustrates the application of this theory.

	TOTAL LOAN		INTEREST			PRINCIPAL	
	PAYMENT	BALANCE	EARNED UNITS	EARNED AMOUNT	UNEARNED BALANCE	PAYMENT	BALANCE
		$ 1050.00			$ 50.00		$ 1000.00
1	$ 87.50	962.50	12/78	$ 7.69	42.31	$ 79.81	920.19
2	87.50	875.00	11/78	7.05	35.26	80.45	839.74
3	87.50	787.50	10/78	6.41	28.85	81.09	758.65
4	87.50	700.00	9/78	5.77	23.08	81.73	676.92
5	87.50	612.50	8/78	5.13	17.95	82.37	594.55
6	87.50	525.00	7/78	4.49	13.46	83.01	511.54
7	87.50	437.50	6/78	3.85	9.61	83.65	427.89
8	87.50	350.00	5/78	3.21	6.40	84.29	343.60
9	87.50	262.50	4/78	2.56	3.84	84.94	258.66
10	87.50	175.00	3/78	1.92	1.92	85.58	173.08
11	87.50	87.50	2/78	1.28	.64	86.22	86.86
12	87.50	-0-	1/78	.64	-0-	86.86	-0-

If the customer wishes to repay the loan in full after 6 months, he is entitled to a refund of the unearned interest. The unearned interest is merely a direct ratio of the sum of the remaining unpaid units to the original sum of the units. There are still six months remaining, and adding up the units that would have been outstanding in each of those months - 6 plus 5 plus 4, etc. - the sum is 21. Since the original sum was 78, the unearned interest should represent 21/78ths of the original interest. Refering to the illustration, 21/78ths of $50.00 is $13.46 which is the unearned interest balance after the sixth payment. For ease of calculation, rebate charts have been prepared which convert the fractions to decimal equivalents. The decimal equivalent of 21/78 is .269, thus our standard rebate chart shows .269 as the rebate factor for a 12 month loan that has run 6 months.

Replaces Bulletin: "ACCOUNTING - REBATES - EXPLANATION" Dated 8-1-55

The net principal balance on the above loan after six months is $511.54. If the customer wished to borrow this amount for the six months remaining, at the original rate of 5%, the interest would be $12.79, which approximates the rebate of $13.46.

This example illustrates the theory of the method of calculating rebates. In actual practice, however, there are other factors which enter into the calculation of rebates. For the details refer to the bulletin "ACCOUNTING & GENERAL OPERATIONS - REBATES, INTEREST & DISCOUNT - PROCEDURES". This same theory is used in calculating rebates of dealer reserve, as explained in the bulletin "ACCOUNTING & GENERAL OPERATIONS - REBATES, DEALER RESERVE - PROCEDURES".

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT REBATES - DEALER RESERVE

TOPIC PROCEDURE

 Date 9-1-67

New Subject:

Recent legislation affecting certain types of Sales Finance contracts stipulates that when a contract is paid in full prior to maturity a rebate of the Total Finance Charge (Time Price Differential) must be granted. Therefore, in addition to our regular rebate of Interest or Discount, we must grant a rebate of the Dealer's Loss Reserve (including any reserve which might have been paid to dealer at the time the contract was discounted). This applies only to contracts dated on or after October 1, 1967 - for the types of contracts affected, refer to the bulletin "SALES FINANCE GEORGIA REGULATIONS."

REBATE CALCULATION

Use Dealer Reserve Rebate Debit Ticket, form #19-1085. This new form is very similar to the Interest and Discount Rebate form, providing a work sheet for the computation. The same rebate factor must be used on both tickets.

Line 5 "Total Dealer Participation in Finance Charge" must include any reserve paid with the contract as well as any credited to the dealer's reserve account. These two figures will be shown adjacent to each other on the ledger card, labeled "Dealer Reserve". Any "prepaid" reserve will be shown first, followed by a dash and the amount of reserve held. (For example: 75.00 - 25.00).

REBATES ON IRREGULAR OR SEASONAL LOANS

Procedures for computing rebates on irregular or seasonal loans are discussed in the bulletin "ACCOUNTING & GENERAL OPERATIONS - REBATES, INTEREST & DISCOUNT - PROCEDURES." After the Interest and Discount Rebate Ticket has been completed, divide the "Gross Rebate" (line 8) by "Net Charges" (line 6) to determine the ratio or factor. This factor should be used on line 4 of the Dealer Reserve Rebate Ticket, and when applied to the total dealer reserve will result in the amount of the dealer reserve to rebate.

For example:

Interest and Discount Rebate

(4)	Original Interest Charge	$100.00	(8)	Gross Rebate	$17.00
(5)	Acquisition Charge	15.00	(9)	Late Charges	5.00
(6)	Net Charges	85.00	(10)	Net Rebate	12.00

17.00 ÷ 85.00 = .20 (20%)

Dealer Reserve Rebate

(4)	Rebate Factor	$ .20
(5)	Total Dealer Partic.	25.00
(6)	Rebate	5.00

New Subject:

REBATES OF LESS THAN $1.00

The regulations provide that if the rebate of the total finance charge is less than $1.00, no rebate need be granted. However, if the interest rebate and the dealer reserve are each less than $1.00, but total $1.00 or more we must grant the rebate. Procedures for handling these are discussed in the bulletin "ACCOUNTING & GENERAL OPERATIONS - REBATES, INTEREST & DISCOUNT - PROCEDURES."

DISPOSITION OF TICKETS

The Dealer Reserve Rebate Debit Ticket should be prepared in duplicate. The original is the General Ledger entry, which along with the Interest & Discount Rebate and the cash or check received, offsets the credit to the loan account. The duplicate should be filed with the other entries affecting the individual dealer's reserve account. The rebates will then be itemized on the Dealer Reserve Statement and the copies mailed with the statement to the dealer.

RECORDING REBATES ON THE LEDGER CARD

Dealer Reserve Rebates should be written in the upper portion of the ledger card to the left of "Rebate" and preceded by "DR". The interest rebate will be written in the space provided.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT REBATES - INTEREST AND DISCOUNT

TOPIC PROCEDURES

 Date 12-27-71

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REBATES-INTEREST AND DISCOUNT - Dated 9/1/67

When an installment account is paid in full prior to the due date of the final payment, it is our policy to allow a rebate of the unearned portion of the finance charge as well as the unearned premium if insured. Formerly we calculated rebates using the number of payments that had matured whether or not they had been paid. When installment loans individual were automated, the rebate formula was based on the number of months elapsed since the date the loan was made. The rebate changes each month with the next anniversary date from the original date of the loan. This procedure should be used in calculating manual rebates including Business and Real Estate.

COMPUTER REBATE DEBIT TICKET

The computer rebate debit ticket (form #19-1240), should be used on all automated ILD-Individual Rebates. The interest and discount rebate is available through audio or video on all regular payment loans. Those offices that do not have access to the computer through audio or video use current status reports for rebates and payoffs. When a rebate is determined by either audio, video, or current status report, only the bank - branch - account number, rebate allowed, date rebated, customer's name, date calculated, calculated by and approved by need be completed on the form.

INSTALLMENT LOAN **DEBIT** INTEREST & DISCOUNT **REBATE**

ACCOUNT NUMBER	REBATE ALLOWED	TRAN. CODE	DATE REBATED
01 01 12345	23.83	68R	10-12-71
1 7	12	20	46

THIS SECTION MUST BE COMPLETED FOR ALL MANUALLY CALCULATED REBATES.

$ _____ TOTAL INTEREST & DISCOUNT _____ TOTAL NO. MONTHS

EXPLAIN ON REVERSE IF REBATE ALLOWED ABOVE, DOES NOT AGREE WITH REBATE AMOUNT BELOW.

— $ _____ ACQUISITION CHARGE (SEE REVERSE) _____ NO. MONTHS LOAN HAS RUN

= $ _____ NET CHARGES X _____ REBATE FACTOR = $ _____ REBATE AMOUNT

CUSTOMER NAME AB CALHOUN

DATE CALCULATED 10 12 71

CALCULATED BY COMPUTER

APPROVED BY J Jones

19-1240

If the rebate must be calculated manually, the center portion of the form is designed as a worksheet. A loan made 5-3-71 for $600 with a total charge of $67.26 (including life and disability insurance) with terms of 18 months - first payment 6-15-71 requests a payoff 10-12-71. The following example indicates manual calculation using six for the number of

months the loan has run (count any fraction of the month as a whole month). Use rebate chart factor .456. Life and disability insurance premiums having been credited to Interest & Discount (although not a part of the finance charge) are included in the rebate calculation.

INSTALLMENT LOAN — DEBIT INTEREST & DISCOUNT — REBATE

ACCOUNT NUMBER	REBATE ALLOWED	TRAN. CODE	DATE REBATED
01 01 12345	23.83	68R	10-12-71
2 7	12	20	46

THIS SECTION MUST BE COMPLETED FOR ALL MANUALLY CALCULATED REBATES

$ 67.26 TOTAL INTEREST & C.A. ACCOUNT	18 TOTAL NO. MONTHS	EXPLAIN ON REVERSE IF REBATE ALLOWED ABOVE DOES NOT AGREE WITH REBATE AMOUNT BELOW.
− $ 15.00 ACQUISITION CHARGE (SEE REVERSE)	6 NO. MONTHS LOAN HAS RUN	
= $ 52.26 NET CHARGES	x 456 REBATE FACTOR	= $ 23.83 REBATE AMOUNT

CUSTOMER NAME AB CALHOUN

DATE CALCULATED 10-12-71
CALCULATED BY ET + JJ
APPROVED BY

19-1240

REBATE DEBIT TICKET FOR INSTALLMENT LOANS NOT YET AUTOMATED

This form provides a worksheet for computing the rebate, outlining the steps to follow in proper sequence; and, when completed in duplicate, provides a General Ledger ticket with a copy for accrual purposes. Form #19-923 Rev. 9-67, is used by those offices whose General Ledger accounting is performed manually. Those offices whose General Ledger is automated use rebate tickets (form #19-925 Rev. 9-67) which are personalized and MICR encoded with separate account numbers for "Business", and "Real Estate."

COMPUTATION OF TIME

Installment loan rebates are normally based on whole months rather than days, and the rebate chart is constructed accordingly. In order to compute "number of months note has run" merely count any fraction of the month from the original date of the loan as a whole month regardless of whether paid or not.

Date of Payoff 10/12
Original Loan Date -5/ 3

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REBATES-INTEREST AND DISCOUNT - Dated 9-1-67

ACQUISITION CHARGE

Regardless of how soon an account may be paid off, we have basic acquisition costs in setting the account up on our books. This appears on the rebate tickets and is deducted from the original interest charge to arrive at the net charges. Use an acquisition charge of $25.00 on all Automobile loans (Over-the-Counter and Sales Finance) and $15.00 on all other classes of loans.

REBATE FACTOR

Use the factor obtained from the Rebate Chart (available from Retail Banking, 9 North Avenue, Atlanta). Merely insert the proper factor, and multiply the Net Charges by this factor to arrive at the Gross Rebate. Refund books which list the amount of rebate for various even dollar amounts are also available from Retail Banking.

ACCUMULATED UNPAID LATE CHARGES

Late charges are assessed because of the expense of personal handling of the account and should be collected. Late charges should be added to the balance of the loan rather than subtracted from the rebate for installment loans on the computer.

INSTALLMENT LOAN CREDIT LOAN BALANCE PAYOFF

ACCOUNT NUMBER	AMOUNT	TRAN CODE	DATE
01 01 12345	520.83	52	10-12-71

		ENTER CODE ABOVE	DESCRIPTION OF TRANSACTION
LOAN BALANCE	$ 518.98	52	REGULAR PAYOFF
+ LATE CHARGE DUE	$ 1.85	53	REPURCHASE BY DEALER
= AMOUNT OF TRANSACTION	$ 520.83	54	REFINANCE—CAS
— INT. & DISC. REBATE	$ 23.83	55	PAYOFF BY ANOTHER LENDER
— DEALER RES. REBATE	$ —	56	REPOSSESSION PROCEEDS
= NET PAYOFF AMOUNT	$ 497.00	57	PAID BY LIFE INSURANCE
		59	CHARGE-OFF

CUSTOMER'S NAME AB CALHOUN PREPARED BY JJ

If there are any unpaid late charges on loans not yet automated, these should be deducted from the Gross Rebate to arrive at the Net Rebate.

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REBATES-INTEREST AND DISCOUNT - Dated 9-1-67

DEBIT INTEREST & DISCOUNT — INSTAL. LOANS Date Rebated 10-12-71

INDIVIDUAL ☐ BUSINESS ☒ REAL ESTATE ☐ Date Computed 10-12-71

1	OFFICE CODE 1A / ACCOUNT NO. 12345 — DUE CLASS 17	NO. OF MOS. (Line 2 Minus 3) 12	CODE 1	NAME AB CALHOUN			
2	ORIGINAL LENGTH OF NOTE IN MONTHS	18	7	REBATE FACTOR FROM REBATE CHART	456	REBATE ALLOWED $21.98	
3	NUMBER OF MONTHS NOTE HAS RUN	6	8	GROSS REBATE (Line 6 Times Line 7)	2383	EXPLAIN ON REVERSE IF REBATE ALLOWED DOES NOT AGREE WITH LINE 10	
4	ORIGINAL INTEREST CHARGE	$67.26	9	ACCUMULATED UNPAID LATE CHARGES	$ 1.85		
5	ACQUISITION CHARGE (See Reverse)	$ 15.00	10	NET REBATE (Line 8 Minus Line 9)	$21.98	Computed By [illegible]	
6	NET CHARGES (Line 4 Minus Line 5)	$5226	RECEIPT ACKNOWLEDGED OF ABOVE REBATE [illegible]			Approved By [illegible]	

19-923 Rev. 8-67 ALL OF THE ABOVE SPACES MUST BE FILLED IN FOR ACCRUAL PURPOSES

REBATES OF LESS THAN $1.00

Because of the cost of handling, rebates of less than $1.00 should not be granted. When dealer reserve rebates are also computed, and the dealer reserve rebate and the interest rebate are each less than $1.00, but total $1.00 or more, it is a legal requirement to grant a rebate to the customer. Dealer Reserve Rebates are also calculated by the sum of the digits as are interest rebates.

SPECIAL REBATE

In rare cases, it may be necessary to allow a special rebate to maintain our relationship with a good customer. Such exceptions should be kept at a minimum and are subject to the approval of the officer-in-charge. Any special rebates should give us a return of at least 8% simple interest on the average cash employed for the time the contract has been on our books.

APPROVAL

All rebates should be dually approved by two parties, each of whom must see the video display, the status report, or the ledger card, or hear the audio response. The two parties should see the remittance and verify that the remittance plus the rebate (plus dealer reserve rebate where applicable) equals the balance on the account.

DISPOSITION OF TICKETS - AUTOMATED SYSTEM

The computer rebate debit, form #19-1240, is a computer entry which represents the difference between the check or cash received and the amount of the payoff ticket. After daily computer posting, the General Ledger entry is prepared in total for all rebates by each city's Installment Loan Control.

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REBATES - INTEREST AND DISCOUNT - Dated 9-1-67

DISPOSITION OF TICKETS - MANUAL SYSTEM

Those installment loans not automated use form 19-923 or 19-925. Use the original as the General Ledger entry and the duplicate should be retained in the Loan Teller's file until forwarded to Installment Loan Control in Atlanta.

The National Bank Offices and those Affiliates on a complete bank accrual basis should send in their rebate copies daily with an adding machine tape attached, the total of which must balance with the tickets and with the total of the debits posted to their General Ledger accounts "Interest and Discount - Installment Loans; Business or Real Estate."

Other banks should retain their rebate copies until the end of the month and send them to Central Billing Department along with their Earnings and Charges reports. The total of the rebates enclosed must agree with the total debits on the reports.

RECORD OF REBATE

On automated loans, the rebate will be posted on the Daily Transactions Journal, recorded on the Accrual and Exceptions Report and will appear on the Closed Loan Card. For those not automated, the rebate should be noted on the ledger card in the space provided in the upper right hand corner.

PAYMENTS PAID IN ADVANCE

There is no practical way for us to allow credit for several payments paid in advance which do not pay the entire balance in full. If such a request is received, it should be explained that if the customer continues to pay ahead, the rebate given at the time the entire account is paid in advance of final maturity will automatically include credit for all prepayment. Automated Loans which are prepaid will print the message "Rebate Available" on the Action Report when the final payment is made.

GROSS BALANCE RECEIVED WITHOUT REQUEST FOR REBATE

We do not wish to retain any unearned charges to which our customers are entitled. Any rebate due the customer (in excess of $1.00) must be refunded to comply with Regulation Z. When the gross balance is received without a request for a rebate, a check for the amount of the rebate due (if more than $1.00) should be mailed to the customer with an appropriate letter.

REBATES ON SEASONAL OR IRREGULAR PAYMENTS

Our standard rebate chart is applicable only to loans having equal monthly payments. Rebates on loans with seasonal or irregular payments must be figured by alternative methods. Since rebates on certain Sales Finance contracts must conform to Georgia regulations, the following methods are recommended.

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REBATES-INTEREST AND DISCOUNT - Dated 9-1-67

Seasonal payment loans should be defined as having payments of the same amount (or only a slight difference in amount) and with the same equal time between payments. If equal, the computer will figure rebates on regular monthly, quarterly, semi-annual, and annual payments. If not equal, the computer will respond "Irregular" indicating that it must be calculated manually. Sales Finance managers were supplied with copies of rebate charts for quarterly, semi-annual, and annual payments and these should be used when payments are irregular. Additional copies of these may be obtained from Retail Banking, 9 North Avenue, Atlanta.

Balloon payment loans are those which have a series of equal monthly payments with a final payment for a considerably larger amount. The rebate should be computed in three steps. (1) Compute the rebate on the amount of interest on the monthly portion in the standard manner, deducting the acquisition charge before applying the usual rebate factor. (2) Compute the rebate on the amount of interest in the balloon payment by the pro-rata method (divide number of months remaining by the number of original months and multiply the result by amount of interest). (3) Prepare the rebate ticket and add the amount of the two rebate calculations to determine the total rebate. The following example illustrates this procedure:

Loan with 11 payments @ 44.44 and 1 @ 590.95. Discount sheet, or original calculations in file, indicates interest on monthly portion of $33.28 and on the balloon payment of $46.51, totaling $79.79. This is a $1,000 advance with life insurance-6% add-on, plus life insurance on the monthly payments and 8% simple, plus life insurance on the balloon payment.

Rebate computed at end of 5 months:

1. Monthly portion (12 months term, run 5 months)

Total Interest	$33.28
Acquisition Charge	15.00
Net Charge	18.28
Rebate Factor	.358
Rebate	6.54

2. Balloon payment (7 months remaining)
   7/12 = .583
   $46.51 x .583 = $27.12 Rebate

3. $6.54 + $27.12 = $33.66 Total Rebate

Calculating the rebate will be much easier if the original calculations made at the time the loan is made are maintained in the file. If they are not, the method outlined for irregular payments should be used.

Irregular payment loans are those with payments of different amounts and/or varying time periods between payments. On automated loans, audio, video and current status information will be "Irregular" indicating the necessity for manual calculation. There are two ways to compute rebates on such loans. The first is to use the same rate chart used at the time of discount and re-compute what the charges would be from the time of rebate to the maturity. If several payments are involved this can be very time consuming, and is made even more difficult if the original calculations are not in the file.

The following method is recommended because it can be applied to any loan, and because it meets the requirements of the Georgia Sales Finance Acts. It requires determining the ratio of the sum of the monthly unmatured balances to the sum of the originally scheduled monthly balances for the full term. (This is the way which the rebate factors are computed for the rebate charts on regularly scheduled loans). The interest (less acquisition charge) is then multiplied by this ratio to determine the rebate. The steps to follow are illustrated below.

Consider a loan made 3-10-71 with Interest and Discount of $73.00 and Dealers' Reserve of $40.00, with a total note of $1200.00. The payment schedule is as follows:

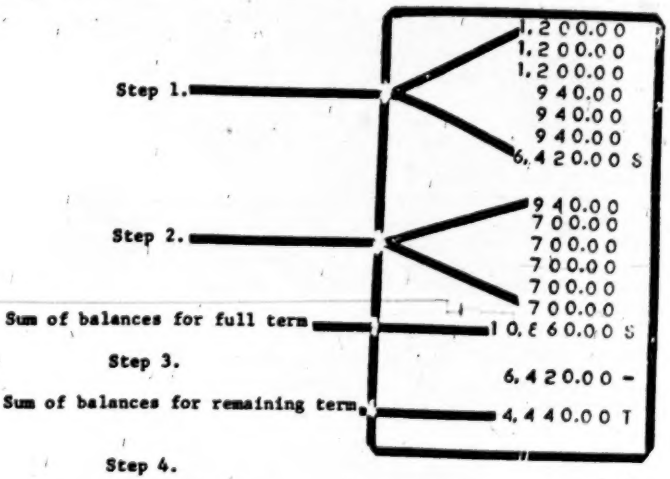
Date Due	Payment	Balance
6-8-71	260.00	1200.00
10-8-71	240.00	940.00
3-8-72	700.00	700.00

A rebate is calculated on 9-1-71. This means that, for rebate purposes, the loan has run 6 months (from 3-10-71).

1. List what the balances were scheduled to be each month during this first six months and sub-total.
2. List what the balances each month would be for the remaining six months, if it were paid as scheduled, and sub-total. This is the sum of the balances for the full term of the loan.
3. Subtract the sub-total in step 1 from the sub-total in step 2 and total. The result is the sum of the balances for the remaining term.
4. Divide the sum for the remaining term by the sum for the full term.
   NOTE - Regardless of the size of the two totals, an accurate ratio will result by rounding off and dividing by only the first 4 digits of the sum for total term. The sum of the remaining term should then be rounded off accordingly.

5. Using the ratio from step 4 as the rebate factor, complete the rebate ticket and calculations in the usual manner.

These procedures are illustrated for our example loan.



Step 4.

$\frac{4,440.00}{10,860.00} = \frac{444}{1086} = .408$ (Rebate Factor)
(Use for Interest Rebate and Dealer's Reserve Rebate)

Step 5.

Complete rebate ticket -

Original Interest	-	73.00	Rebate Factor	.408
Acquisition Charge	-	15.00	Gross Rebate	23.66
Net Charge	-	58.00		

MISCELLANEOUS ENTRIES

Miscellaneous charges formerly made to Interest & Discount - Installment Loans covering transfer fees, title and recording fees, etc., should now be charged to Miscellaneous Expense General - Other Income. Such tickets must contain a complete description of the charge and show the proper title of the General Ledger Account.

E-1068

OPERATING BULLETIN

SECTION ACCOUNTING & GEN. OPERATIONS

SUBJECT RECORD RETENTION

TOPIC

PAGE 1 of 6

1-3-62
DATE

REPLACES BULLETIN: GENERAL OPERATIONS - RECORD RETENTION, dated 12-8-58

A tremendous number of pieces of paper are necessarily handled each year in the operation of an Installment Loan Department. The manner in which files and records are kept has a direct bearing on the "ease" of doing business as well as on the greater net profit resulting from the time saved in each operation. Material retained longer than the absolute minimum time required, for either operating purposes or by law, is costly not only because of storage requirements, but even more so in the time consumed by unnecessary handling. This bulletin has been written to provide a standardized procedure for record retention. While it does not take into consideration every piece of paper and form used in our installment lending operations, it has been designed to cover those items creating the major portion of this problem. Some variance in filing requirements will be necessary in offices of different sizes, but basically, the procedure will fit all operations.

STATUTORY REGULATIONS There are no federal statutory provisions covering the period of time for retention of records by National Banks, therefore, National Banks are governed in this respect by the existing state law. For this reason, all National and State chartered Banks must comply with the State of Georgia Banks and Trust Companies Regulation #2, adopted April 1, 1953, and amended April 1, 1954, concerning retention of records. This regulation does not specifically consider the retention of installment loan records, but an opinion has been rendered by the Department of Banking of the State of Georgia. It has taken the position that, since Loan and Discount records are governed by this regulation, any installment loan record which can be compared with a similar record from the Loan and Discount Department shall be governed by the same minimum retention requirements. The regulation provides for the legal acceptance of micro-photographed reproductions of the records affected by it. Throughout this bulletin, an asterisk has been used to indicate periods of retention which are governed by statutory regulation.

CREDIT AND COLLECTION FOLDERS Credit and Collection Folders contain the greatest bulk of records and material in any one place in the Installment Loan Department. A systematic program of record retention and destruction within these files will greatly reduce costs. There are three stages in which the program should be carried out with regard to these folders.

DURING THE "PAID-IN-FULL" PROCEDURE
DURING DAILY USE
DURING THE SYSTEMATIC, PERIODIC SCREENING OF FILES

1. The greatest portion of the material in the Credit and Collection Folder can be disposed of during the "paid-in-full" procedure. At this time, the following disposition of material should be made.

   A. Retain in Folder

      Paid-Out Ledger Cards - may be filed in the Credit and Collection Folder as soon as one monthly balancing period has transpired after the date of pay out.

Applications, Credit Bureau Reports and other material needed in the future extension of credit.

B. Return to customer (unless paid by renewal) all evidences of debt on paid-out accounts and related documents.

Evidence of Debt (i.e., Agreements, Notes, Bills of Sale to Secure Debt, Insurance Premium Contracts, Transfers of Equity.)

Supporting Data (i.e., Bills of Sale, Invoices, Insurance policies other than life.)

Collateral (i.e., Life Insurance policies, Savings Passbooks, etc.)

CAUTION - DO NOT RETURN ANY SECURITY INSTRUMENTS OR COLLATERAL THAT MAY BE NEEDED TO SUPPORT ANOTHER LOAN.

C. Return to Insurance Company

Properly executed Release of Life Insurance Policy Assignments.

D. Return to Dealer

Conditional Sales Contracts and related Notes.

E. Return to Signer

Hypothecation Certificates and related collateral.

Letters of Guaranty.

Trusts Receipts.

F. Remove from folders and destroy all material not needed in future dealings. Such as:

Acknowledgment Letter (Insurance Premium Financing)

Adjustor's Copy of Ledger Card

Adjustor's Memoranda

Check Duplicates

Correspondence

Appraisal Sheet (Automobile)

Borrower's Authorization Form

Business Loan Appraisal Memorandum

Loan Appraisal Memorandum

Insurance Questionnaire (Cash Value)

Replaces Bulletin: "GENERAL OPERATIONS - RECORD RETENTION" Dated 12-8-58

Deposit Duplicates	Partial Release of Collateral
Discount Sheet (If it contains no credit information)	Physical Verification Report
Draft (Auto Bank Agent)	Property Improvement Verification
Extension Report (Farm Equipment)	Summary of Account
Insurance Premium Questionnaire	Verification (Audit Mail)

2. During daily use, for credit and collection purposes, any material not necessary for future handling should be removed from the Credit and Collection Folders. The two most frequent periods of handling which lend themselves to this procedure are when folders are out for collection purposes and/or when they are being used for reference by direct lending personnel.

3. At least once a year, credit and collection file drawers should be screened and all folders containing accounts paid out 1 year or more and having no open loans to the customer should be removed. In initiating this procedure, it will be necessary, the first year, to thumb the entire files in order to pull the 1 year and older paid-out account folders. If the following procedure is begun at the same time, it will provide for a much simpler method of removing paid-out folders after the first year's thumbing process.

   During the paid-out procedure, the tab of the Credit and Collection Folder should be stamped with the year in which the paid-out loan occured. The following year, during the periodic screening of files, those folders dated the preceding year can then be pulled without thumbing all of the files.

   During this periodic screening of files, all unfavorable information, (repossessions, unsatisfactory credit or collection information, etc.) should be retained on an indefinite basis. Folders in which no unfavorable information exists, and where the latest loan has been paid out for one year or more, should be disposed of with the exception of the paid-out ledger cards. Such Ledger Cards should be removed and microfilmed. The resulting reproduction should then be sent to Dead Storage for 14 years (total retention time after date of pay-out - 15 years).

OTHER RECORDS Records other than those found in the Credit and Collection Folder have been grouped according to use. The retention periods shown refer to the total retention time required, including storage time in both the Installment Loan Department and in Dead Storage. All offices have access to micro-photographing equipment and, wherever the retention period in Dead Storage exceeds 1 year, records should be microfilmed at the time they are to be sent to Dead Storage and the resulting reproduct[illegible] retained in Dead Storage for the balance of the retention period.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT RECORD RETENTION

TOPIC

 Date 1-3-62

Replaces Bulletin: "GENERAL OPERATIONS - RECORD RETENTION" Dated 12-8-58

RECORD Accounting Records	TOTAL RETENTION PERIOD	DISPOSITION
Control Sheet (Retail)	1 Year*	
Coupons and other retail posting media	2 Years*	Send to Dead Storage after 1 year. Do not microfilm.
Dealer Reserve Cards	1 Year	
Dealer Reserve Statements	10 Years*	Microfilm and send to Dead Storage after 1 year.
General Ledger Entries	6 Months*	
Long Proof Sheets (Balancing Tapes)	1 Year*	
Monthly Insurance Report	1 Year	
Paid-Out Ledger Cards	15 Years*	Microfilm and send to Dead Storage 1 year after loan is paid out. (See Credit & Collection Folder section.)
Proof Sheets	1 Year*	
Record of Wholesale Checking	1 Year after last Wholesale Check.	
Statement of Wholesale Curtailment	Destroy copy when paid.	
Statement of Wholesale Interest	Retain until next Comptroller's Audit.	
Wholesale Checking Report	Forward to System Consumer Credit.	
Wholesale Control Sheet	15 Years*	Microfilm and send to Dead Storage after 1 year.
Wholesale Ledger Sheets & Extensions	Retain 6 Months after payment of all items.	
Wholesale Note, Bill of Sale to Secure Debt and Invoice	Return to Dealer when paid.	
Wheeldex Card	Destroy when account is paid.	

Replaces Bulletin: "GENERAL OPERATIONS - RECORD RETENTION", Dated 12-8-58

RECORD	TOTAL RETENTION PERIOD	DISPOSITION
Accounting Records (Cont.)		
CAUTION - Retention periods are based on the assumption that accounting records are in balance. Do not destroy records until they are in balance or proper adjustments have been made.		
Charged-Off Accounts		
Uncollected		
Entire folder and Ledger card	20 Years*	Do not send to Dead Storage.
Collected		
Entire Folder	1 Year	
Ledger card	1 Year	in folder, then microfilm and store reproduction in Dead Storage 14 years - (Total retention time - 15 years* after date of final collection.)

(Follow the same procedure as for a normal paid-in-full customer account. See Credit and Collection Folder section of this bulletin.)

Dealer Files

Dealer folders should be screened each time that a review is made. Retain the entire file as long as we have a relationship with the dealer and/or we have receivables. After our relationship becomes inactive and receivables are liquidated, the file should be retained for 5 years and then sent to Dead Storage for a 5 year period (total retention time after file becomes inactive - 10 years.)

RECORD	TOTAL RETENTION PERIOD	DISPOSITION
Agreement	10 Years*	
Approval of Dealer Lines	10 Years	(Latest ADL)
Corporate Resolution	20 Years*	May be microfilmed after 10 years when balance of file is destroyed.
Correspondence That which has direct bearing on credit decisions.	1 Year	

Replaces Bulletin: "GENERAL OPERATIONS - RECORD RETENTION - Dated 12-8-58

RECORD	TOTAL RETENTION PERIOD	DISPOSITION
Dealer Files (Cont.)		
Credit Information Dun and Bradstreet Other type reports (N.A.C.M. - Retail Credit - Newspaper Clippings.) Personal Credit Information	Retain latest complete and all subsequent partial reports until file is sent to Dead Storage (5 years).	
All Unfavorable Information	10 Years	
Dealer Purchase Guide (Old Dealer Reviews)	10 Years - (Latest Guide only.)	
Dealer Credit Record	6 Months after last entry.	
Dealer Redrawal Letter	10 Years*	
Financial Statements - Fiscal Interim Personal	10 Years 3 Years 10 Years	
Comparative Spread Sheets	10 Years	
New Business Report Original Report (Yellow Copy) Current Year's Report	10 Years 1 Year (Until next report made unless it is of a credit nature and has direct bearing on the account.)	
Power of Attorney	10 Years*	
Exhibit "A" Letter (Wholesale)	10 Years*	
Miscellaneous		
Agreements (Other than Dealer's)	10 Years*	
Collection Notice Schedule	1 Year	
Credit Investigation Log	90 Days	
Foreign Claim Folders	Indefinite - Based on judgement of potential use as credit information or possible re-referral of same claim.	
Past Due List	90 Days	

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT REPORTS

TOPIC DEALER CONDITION

 Date 1-3-62

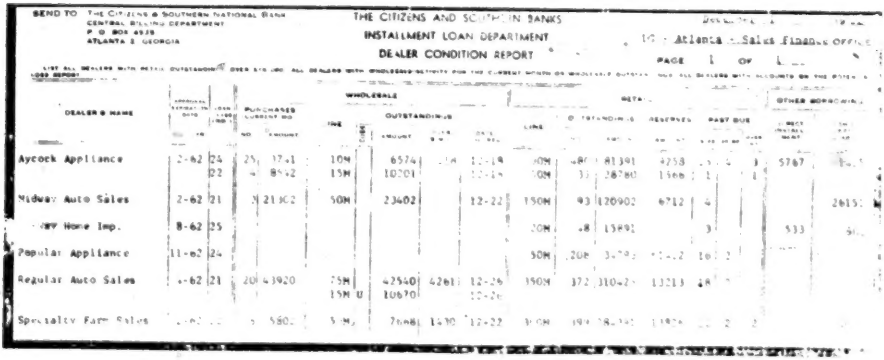
Replaces Bulletin: "GENERAL OPERATIONS - REPORTS - DEALER CONDITION" Dated 9-15-59

The Dealer Condition Report, comparable to our Debtors List on commercial loans, furnishes us with a monthly breakdown of our dealer portfolio. Current month retail volume figures are not shown on the report because that information is furnished by the IBM Dealer Credit Record.

The Dealer Condition Report should be prepared on the last working day of each month and immediately forwarded to the Central Billing Department in Atlanta. It is typed with a special multilith typewriter ribbon on preprinted multilith mats. Blank copies of the report form are available for use in drafting the report before the mat is typed.

PREPARATION OF REPORT To prepare this report, post the Dealer Purchase Guides first (the Purchase Guides will be complete except for current month volume figures and the number of poor risks purchased). As the Purchase Guides are posted, attach a paper clip to each Purchase Guide that is to be listed on Dealer Condition Report. Then, the report can be prepared using the information on those Purchase Guides with paper clips on them.

List on the report all dealers with retail outstandings over $10,000, all dealers with wholesale activity and/or wholesale outstandings, and all dealers with accounts on the Potential Loss Report. If a dealer is listed, show all of the information that applies to that dealer, regardless of the amount.



SEND TO THE CITIZENS & SOUTHERN NATIONAL BANK
CENTRAL BILLING DEPARTMENT
P. O. BOX 4935
ATLANTA 2, GEORGIA

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT
DEALER CONDITION REPORT

TO : Atlanta - Sales Finance Office

PAGE 1 OF 1

DEALER'S NAME				WHOLESALE						RETAIL				OTHER WORKING
				LINE	OUTSTANDINGS			LINE	OUTSTANDINGS	RESERVES	PAST DUE			
					NO.	AMOUNT	DATE		NO.	AMOUNT	NO.	AMOUNT	DIRECT LOANS	
Aycock Appliance	2-62	24	25	10M		6574	12-18	50M	480	81391	4258	3	5767	
		22	4	15M		10201	12-14	50M	33	28780	1566	1		
Midway Auto Sales	2-62	21	3	50M		23402	12-22	150M	93	120902	6712	4		2615
CBW Home Imp.	8-62	25						20M	48	15891		3	533	
Popular Appliance	11-62	24						50M	208	31793	1622	16		
Regular Auto Sales	1-62	21	20	75M		42540	12-26	150M	372	310423	13213	48		
				15M U		10670	12-26							
Specialty Farm Sales	1-62		5	5M		7088	12-22	30M	194	58342	1187	2		

Replaces Bulletin: "GENERAL OPERATIONS - REPORT - DEALER CONDITION" Dated 9-15-59

WHOLESALE Wholesale information covers both volume (current month purchases) and outstandings. If a dealer has wholesale outstandings on more than one class of business, list the wholesale separately on the same line with the retail outstandings for the class of business involved (see illustration on page 1).

If a dealer has "used" wholesale, it should be identified in the column labeled CODE by the letter "U". Unless so identified, outstandings will be presumed to be new merchandise. To simplify the reporting of this information, separate controls should be carried in your wholesale ledger if you have more than one category of wholesale.

ORDERING THE REPORT Preprinted Dealer Condition Report mats, special multilith typewriter ribbons, and blank copies of the report form may be ordered directly from the Central Billing Department, Atlanta.

RELATED BULLETINS SALES FINANCE - DEALER CREDIT - APPROVAL OF DEALER LINES
SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE
SALES FINANCE - DEALER CREDIT - DEALER CREDIT RECORD

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT REPORTS

TOPIC INDIRECT COLLECTION ACCOUNTS

 Date 1-3-62

Replaces Bulletin: "GENERAL OPERATIONS - REPORTS - INDIRECT COLLECTION ACCOUNTS" Dated 7-20-55

The Report of Indirect Collection Accounts was designed to show all of the accounts outstanding that were purchased in bulk under an indirect collection agreement.

PREPARATION AND SUBMISSION The report is prepared as of the last day of each month. It is typed with a special multilith typewriter ribbon on a preprinted multilith mat so that a copy of the report may be included with each set of month-end reports. Blank copies of the report form are available for use in drafting the report before the mat is typed. The report is mailed along with other month-end reports to the Central Billing Department in Atlanta.

The report shown below illustrates typical situations and should be self-explanatory. The settlement sheets used in all cases should have provisions for showing the volume that applies to the portfolio of paper being purchased. If you are participating in a total control on a percentage basis, the seller should furnish the total volume going into that control. Your volume on the Indirect Collection Accounts Report will be the same percentage of the total volume as your outstandings are of the total outstandings in the control.

THE CITIZENS AND SOUTHERN BANKS

INSTALLMENT LOAN DEPARTMENT

REPORT OF INDIRECT COLLECTION ACCOUNTS — December 31, (Month) — 1A - Marietta Street (Office)

PAPER ORIGINATING FROM	PURCHASED FROM	TYPE OF MDSE.	VOLUME	OUTSTANDING	RESERVE BALANCE	INTEREST RATE	INTEREST COLLECTED THIS MONTH
ATLANTIC DISCOUNT CO. (Contracts purchased direct from originating customer.)	DIRECT	AUTO	273,602	1,064,747	164,520	5	3,190
ABC HOME APPL. (Contracts of a specific customer purchased on a participation basis from another C & S Office.)	C & S - ALBANY	DOM APPL.	1,965	11,490	-----	6	66
GABARDS LIMITED (Contracts of a specific dealer purchased on a participation basis from a correspondent bank.)	CON'L BANK & TR. CRIPPIN FARM EQUIP.		13,500	64,680	28,030	5½	141
TOTAL CONTROL (Contracts of a total portfolio purchased on a participation basis from a correspondent bank.)	FARM & MERCH - MANCHESTER PERS. LOANS		7,825	47,217	1,410	6	196
TOTALS			297,002	1,188,334	190,566		3,687

ORDERING THE REPORT Preprinted Indirect Collection Account mats, blank report forms, and special multilith typewriter ribbons may be ordered from the Central Billing Department in Atlanta.

OPERATING BULLETIN

SECTION ACCOUNTING & GEN. OPERAT'
SUBJECT REPORTS
TOPIC POTENTIAL LOSS
PAGE 1 of 4
1-3-62 DATE

REPLACES BULLETIN: GENERAL OPERATIONS - REPORTS - POTENTIAL LOSS, dated 8-25-54

The Potential Loss Report is a synopsis of past-due Installment Loan accounts as of the end of each month. It provides management, both local and staff level, with a detailed list of accounts that requires special handling or on which a loss is anticipated. The Officer-in-Charge of each department should use his copy of this report daily to follow the progress being made in the collection of accounts in this category.

PREPARATION AND SUBMISSION This report is prepared on a monthly basis by each office. It is typed with a special multilith typewriter ribbon on preprinted multilith mats and must be mailed to the Central Billing Department in Atlanta on the last day of each month. Blank copies of the report form are available for use in drafting the report before the mats are typed.

ACCOUNTS TO BE LISTED

1. All Sales Finance - Domestic accounts over 90 days past due.
2. All other accounts over 60 days past due.
3. All known repossessions - Bank or Dealer Liability - regardless of length of time past due.
4. All accounts on which a charge-off is expected - regardless of length of time past due.
5. All wholesale repossessions.

ORDER OF LISTING List accounts by classification in the same order that the classifications appear on the Statistical Summary Report. Under each Sales Finance classification, list accounts by dealers.

NAME, DEALER, ENDORSER, COLLATERAL The name of the customer, dealer, or endorser should be indicated for each account listed. All collateraliy secured loans must have the collateral at least partially described.

REMARKS In all cases, the remarks should show the reason for non-payment, when payment is expected, and anything else that has a material bearing on the condition of the collateral or liquidation of the account.

REPOSSESSIONS

Statistics covering Bank Liability Repossessions are accumulated centrally from this report. Be sure that all repossessions are properly described in the remarks space using the term Guaranteed for full recourse, Repurchase if you are operating un-

repurchase of merchandise agreement, or Bank Liability if the Bank is to sell the merchandise. Any accounts originally purchased as Guaranteed or Repurchase should be shown as Bank Liability if the dealer is out of business or unable to perform his obligations (including any merchandise in our possession or under our control at a place other than that of the selling dealer).

REPOSSESSIONS SOLD It is not necessary to make a separate report of repossessions sold because you will usually have a loss and a History Sheet (19-905) will be prepared on it. However, if any repossession is sold without a loss, be sure to prepare a History Sheet on it also so that we can clear our repossession log.

TEMPORARY REPOSSESSIONS Occasionally, you will place a car in storage for a customer with the understanding that it is to be released when the account is brought up to date or paid in full. If you have such items in your possession, describe them as "TEMPORARY REPOSSESSION" so that we will not be looking for History Sheets on the accounts. If it develops that a customer cannot retain the car, indicate on subsequent reports that it is a permanent repossession.

WHOLESALE REPOSSESSIONS All repossessed merchandise originally financed on wholesale should be listed at the end of the report. If there are no wholesale repossessions, indicate that fact as follows:

WHOLESALE REPOSSESSIONS

None

NEGATIVE REPORTS If your office has no accounts to be listed on the Potential Loss Report, do not submit a report. In lieu of submitting a report, make the following notation in the upper left-hand corner of the Statistical Summary.

"POTENTIAL LOSS REPORT - NEGATIVE"

ILLUSTRATION OF POTENTIAL LOSS REPORT The report shown on pages 3 and 4 was prepared to illustrate the pattern of listing accounts and to show as many different situations as possible. Each account listed is there for a purpose. Please use the illustrations as a guide in checking your reports and training employees to prepare the report.

ORDERING POTENTIAL LOSS REPORT FORMS Preprinted Potential Loss Report mats, special multilith typewriter ribbon, and blank copies of the report form may be ordered from the Central Billing Department in Atlanta.

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT
POTENTIAL LOSS REPORT

December 31, 19 61

3A - Macon - Cherry Street OFFICE

PAGE 1 OF 1

NAME & DEALER ENDORSER COLLATERAL	PAYMENTS: DATE LAST PAID	PAYMENTS: AMOUNT	BALANCE: DATE LAST KNOWN	BALANCE: ORIGINAL	BALANCE: PRESENT	AMOUNT OF ANTICIPATED CHARGE OFF	REMARKS (GIVE REASON FOR NON PAYMENT AND PROPOSED METHOD OF LIQUIDATING ACCOUNT)
				OVER-THE-COUNTER			
AUTO							
John B. Arnold (60 Buick 4D)	11-61	49	11-61	1,165	680	200	Bank Liability. Repossessed 11-26. Stored ABC Garage. High bid $680.00.
Mrs. Betty B. Sewell	9-61	18	9-61	225	18	0	Unemployed. Auto sold. Claim under MRI Policy filed 12-15-61.
COLLATERAL							
Elsie Givens (2 Singer Sewing Mach.)	10-61	57	12-61	862	115	0	Bankrupt. Paying $10.00 per month. To be resumed and reworked 1-15-62.
Leonard C. Hopkins (Life Ins. Policy -- C.V. $200)	9-61	37	11-61	450	111	0	Paying in full when sells home, within 10 days. Excessively indebted.
ENDORSER							
Mrs. Robert Allen (Robert Allen)	8-61	11	8-61	133	66	0	Overseas in Army. Promised payment monthly by allotment commencing 1-1-62. To be extended when allotment begins.
J. H. Hannah (G. H. Tyner)	8-61	46	11-61	533	266	0	Maker unemployed. Endorser to pay payment on 1st and 15th each month until caught up.
P.I.							
Starks H. Slaughter	9-61	29	12-61	1,045	606	0	Vacancy in apartment cut down income. Will pay 2 payments per month until up to date.
SIGNATURE							
W. V. Britton	9-61	16	11-61	196	65	65	In hospital. Not eligible for disability insurance. No immediate prospects of payment. Will charge-off in January and handle as salvage.
Sgt. E. J. Grubbs	10-61	48	12-61	289	104	0	In Army. Paying $35.00 each month.

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT
POTENTIAL LOSS REPORT

December 31, 19 61

3A - Macon - Cherry Street OFFICE

PAGE 2 OF 3

NAME & DEALER ENDORSER COLLATERAL	PAYMENTS: DATE LAST PAID	PAYMENTS: AMOUNT	BALANCE: DATE LAST KNOWN	BALANCE: ORIGINAL	BALANCE: PRESENT	AMOUNT OF ANTICIPATED CHARGE OFF	REMARKS (GIVE REASON FOR NON PAYMENT AND PROPOSED METHOD OF LIQUIDATING ACCOUNT)
				OVER-THE-COUNTER (cont'd.)			
FARM CREDIT							
Mortons Dairy Farm (B/S Inventory & Equip.	10-61	1,492	12-61	20,871	2,053	0	Will catch up payments during January. Refinancing in part with additional security.
L. Lynes Morris (John Deere Tractor)	9-61	619	12-61	1,038	938	0	Will pay by 1-15-62. Expects payment for crop.
AUTO				DEALER FINANCE			
Southern Motor Company C. W. Coleman (57 Oldsmobile 2D)	9-61	45	10-61	534	400	0	Was unemployed - now working. Will be brought up to date by 1-22-62.
W. L. Durant (56 Plymouth 4D)	9-61 10-61	10 35	10-61	351	281	0	Repurchase. Repossessed 12-28-61. Dealer will pay by 1-10-62.
Black Motor Company U. A. Hall (59 Dodge 2D)	1-62	45	12-61	817	277	0	Repurchase, repossessed 11-10-61. Dealer unable to pay in full until resold but has paid 3 past-due payments. Protected by Dealer Reserve.
FHA							
Royce Terminix Co. Edward L. Simpson	10-61	37	10-61	819	745	0	Dissatisfied with work performed. Negotiating with dealer on account. Payment promised by 1-15-62.
FARM							
Farmers Tractor Co. Leroy L. Tanner (Allis Chalmers Trac.)	10-61	1,000	10-60	2,000	1,000	0	Will pay in January from sale of crop.

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT
POTENTIAL LOSS REPORT

December 31, 19 61

14 - Macon - Cherry Street OFFICE

PAGE 3 OF 3

NAME & DEALER, ENDORSER, COLLATERAL	PAYMENTS: DATE (LOANS PAST DUE, NO. OF)	PAYMENTS: AMOUNT	PAYMENTS: DATE LAST MADE NO. OF	BALANCE: ORIGINAL	BALANCE: PRESENT	AMOUNT OF ANTICIPATED CHARGE OFF	REMARKS (GIVE REASON FOR NON PAYMENT AND PROPOSED METHOD OF LIQUIDATING ACCOUNT)
DOMESTIC				**SALES FINANCE (contd.)**			
Community Gas							
Chas. E. Bennett (Propane System)	9-61	9	10-61	218	27	0	Equipment destroyed by fire. Insurance settlement promised by 1-15-62.
APC Appliance Company							
Charles Corr	8-61	2					
(Dumont TV)	9-61	18	10-61	451	266	0	Bank Liability - repossessed 11-10-61. Dealer reserve sufficient to cover anticipated loss of $150 in resale. Merchandise stored at bank and competitive bids being obtained.
COMMERCIAL							
Foster Machinery Co.							
Butler Lumber Co. (Caterpiller Power Unit)	10-61	239	11-61	2,874	718	0	Purchaser insolvent. Dealer requested to repurchase contract.
P.I.							
Southern Gas Corp.							
Wm. F. Foster	10-61	10					
	11-61	19	12-61	718	446	0	Illness in family - Paying $10.00 twice a month.
				WHOLESALE REPOSSESSIONS			
A.R.C. Appliance Co.							
Philco Refrig. 113716	(1)			181	181	0	Dealer insolvent. Merchandise repossessed 12-20-61 and stored at terminal warehouse. Items marked (1) to be picked up and paid off under distributor repurchase agreement. Items marked (2) to be sold by bank. Reserve believed adequate to cover loss on these items and liquidation of retail.
Philco Range 592548	(1)			163	147	0	
Philco TV 803533	(1)			151	136	0	
Maytag Washer 40056	(2)			163	163	0	
Maytag Washer 65409	(2)			86	77	0	

OPERATING BULLETIN

SECTION ACCOUNTING & GEN. OPERATIONS

SUBJECT REPORTS

TOPIC STATISTICAL SUMMARY - INDIVIDUAL

 Date 2-19-69

Replaces Bulletin: ACCOUNTING & GENERAL OPERATIONS - REPORTS - STATISTICAL SUMMARY Dated 1-3-62

The Statistical Summary Report is a summary presentation of volume, outstandings, and past dues, by class of business as of the end of each month. It is compiled on a monthly basis by each office. This bulletin was revised to include minor changes in the procedure for preparing the report.

PREPARATION OF REPORT

The report shown below indicates the spaces that each office is to complete on a blank copy of the report and mail to the Central Billing Department on the last day of the month. The Central Billing Department compiles the reports from the various offices and reproduces the complete summary for distribution.

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN — INDIVIDUAL
STATISTICAL SUMMARY

January 31, 69
09-01 Albany - Washington Square

	VOLUME		OUTSTANDINGS					PAST DUE AMOUNTS			
	NUMBER	AMOUNT	NUMBER	AMOUNT	PER CENT TOTAL	15-29 DAYS NUMBER	15-29 DAYS PERCENT	30-59 DAYS NUMBER	30-59 DAYS PERCENT	60 DAYS & OVER NUMBER	60 DAYS & OVER PERCENT
CURRENT MODEL											
PREVIOUS TWO YEARS											
OLD MODEL											
TOTAL AUTOMOBILE			1,126	1,585,917		55		4		1	
COLLATERAL			992	[illegible]		27					
ENDORSEMENT			162	[illegible]							
SIGNATURE			521	[illegible]		12		1			
PROPERTY IMPROV'S			174	199,251		4		2			
OTHER PASSENGER			2,375	3,142,935		133		9		1	
AUTOMOBILE			1,276	3,201,021		336		9		2	
PROPERTY IMPROVE			139	[illegible]		[illegible]					
FARM			375	[illegible]		28		2		1	
DOMESTIC			4,016	[illegible]		[illegible]		14		8	
ENDORSE			329	[illegible]		29					
SALES FINANCE			6,905	6,003,259		1,012		25		12	
TOTAL REPAIR			9,280	9,185,874		1,365		34		13	
TRUST SOLD				1,365,846		[illegible]					
NET REPAIR				7,820,249		[illegible]					
TRUST PURCHASED				6,350,000		[illegible]					
OTHERWISE	90	347,139	669	1,451,251		[illegible]					
NET REPAIR			187	1,715,665		[illegible]					29,910
PARTICIPATIONS SOLD TO:				AMOUNT		WHOLESALE - BEFORE BALANCE					
CAB Nat'l Bank, Atlanta				1,365,846		YIELD					
PARTICIPATIONS PURCHASED FROM:				AMOUNT		SERVICE CHARGE COLLECTED					
CAB Nat'l Bank, Atlanta				6,350,000		DEALER RESERVE BALANCE					287,592

INFORMATION SUPPLIED BY EACH OFFICE

1. Number and Amount of Retail Outstandings. This is the gross amount, including any participations that might be sold. Figures should be

rounded off to the nearest dollar; i.e., omit cents. The figures should be taken from the Retail Control Card as of the last day of the month, except where posting is on a delayed basis and it is not possible to post the last day's work and get the report in the mail on the last day of the month. If it is not possible to post the last day's collections, the control figures for the next to the last day may be used. If this is done, also omit the last day's volume.

2. Past-Due Accounts. Count all past dues in each category.

   15-30 ---------Oldest past-due payment maturing from the 1st through the 15th of the current month.

   30-59 ---------Oldest past-due payment maturing in the previous month.

   60 & Over -----Oldest past-due payment maturing prior to the previous month.

   Each account is counted only once in the proper category, depending on the oldest past-due payment. Any shortages of more than one dollar are included in the count just as though the entire payment were past due. Accounts must be considered past due unless payments have actually gone through the teller's cage and will be posted as of the month being reported.

3. Participation Sold. This is the total amount of all Installment Loan - Individual participations sold. The amount of each participation sold and to whom sold should be shown in the space provided.

4. Net Retail. This figure is completed by deducting the participation sold from the total gross retail.

5. Participations Purchased. This is the total amount of all Installment Loan - Individual participations purchased. The amount of each participation purchased and from whom purchased should be shown in the space provided.

6. Wholesale. Using information on your wholesale control, show the number of notes (not items) and the amount of volume and outstandings.

7. Real Estate. Using information on your retail control, show the number and amount of real estate loans outstanding.

8. Earnings - Participations Purchased. Enter the total interest received during the month for Installment - Individual participations purchased.

9. Dealer Reserve. The total dealer reserve (both loss and contingent) should be entered here.

ORDERING STATISTICAL SUMMARY FORM This form may be ordered from the Central Billing Department, Atlanta.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT WHOLESALE

TOPIC CURTAILMENT BILLING

 Date 9-30-66

New Bulletin

The Statement of Wholesale Curtailment, form #19-957, has been redesigned to simplify the billing and follow-up procedures on curtailments. It is a four-part snap-out form and is illustrated below.

THE CITIZENS & SOUTHERN BANKS

Your Floorplan Note # 2010 Is Due 9-25-66

Present Balance 9-15 1966 Is $ 2378.55

This Note Is Due For Payment:

In Full ☐

Can Be Renewed ☒

For 90 Days Upon Receipt Of:

JOHN JONES APPLIANCES
123 MAIN STREET
ANYTOWN, GEORGIA

10 % Curtailment $ 238.00

Charge $ 59.45

Total $ 297.45

19-957 Rev. 3-66

PLEASE HANDLE PROMPTLY. RETURN THIS NOTICE WITH YOUR CHECK

BILLING PROCEDURES The billing form is to be prepared 10 days prior to the due date of the note. The four parts of the form are to be used as follows:

1. The original (white) is sent to the dealer as a reminder 10 days before the note is due and the three copies are filed for follow-up in 10 days.

2. If the amount billed is not paid on or before the due date, the yellow copy is given to the person responsible for handling the dealer's business for personal follow-up. The two remaining copies are filed for follow-up 10 days later.

3. If the amount billed is not paid within 10 days after the due date, the pink copy is given to the officer-in-charge for conclusive action.

4. The green copy is retained by the wholesale clerk for use as a posting medium.

Note that the form provides for billing charges and interest in advance. Since we do not bill certain types of dealers for charges in advance, the use of the form varies with the type of dealer. These variations are outlined below:

1. Charges and Interest billed in advance - On dealers where charges and interest are billed in advance, the form should be prepared showing the amount of curtailments due and any charges and interest applicable. This would apply to appliance dealers, piano dealers, etc.

New Bulletin

2. Charges and Interest NOT billed in advance - On dealers where charges and interest are not billed in advance, the form should be prepared showing only the amount of curtailments due. Interest and charges on these dealers are to be billed on form #19-958, "Statement of Interest on Wholesale" and the interest is to be computed on the average daily balance method. See Bulletin: "ACCOUNTING & GENERAL OPERATIONS - WHOLESALE - INTEREST BILLING."

A follow-up card should be prepared when the original invoice is floorplanned and should be filed for follow-up 10 days prior to the due date of the note. If the note is renewed, the date on the follow-up card should be changed to a date 10 days prior to the new date of the note.

COMPUTATION OF CURTAILMENTS It is important for the dealer to know the amount of curtailment that will be billed on each individual item floorplanned. However, since our wholesale notes can include more than one item, and since curtailments are billed by note rather than by individual item, the dealer must be furnished with a method of determining the curtailment amount for each item. In order to do this, the curtailment amount for each item is to be computed at the time the Wholesale Ledger Sheet is prepared. The amount is then entered in the shaded block under the "Due Date" heading on the Ledger Sheet. This amount will also appear on the dealer copy of the Ledger Sheet and will give him the exact amount each item is to be curtailed. When it is time to bill the dealer for curtailment, it will be a simple matter to add the curtailment amounts for all items which are unpaid. As individual items are paid off, the curtailment amount shown on the Ledger Sheet for that item should be marked through so that it will not be picked up the next time curtailments are billed.

ORDERING SUPPLIES Your requirements of the Statement of Wholesale Curtailment, form #19-957, may be ordered in the customary manner from the Purchasing Department, Atlanta.

OPERATING BULLETIN

SECTION ACCOUNTING & GENERAL OPERATIONS

SUBJECT WHOLESALE

TOPIC INTEREST BILLING

 Date 12-8-58

Replaces Bulletin: "ACCOUNTING - WHOLESALE - INTEREST BILLING" Dated 2-27-56

The Statement of Interest On Wholesale (19-958) has been revised so that it fits properly in our standard small window envelope (9-333). Guide lines have also been provided to facilitate the folding of the Statement, thus assuring proper alignment with the envelope window.

Wholesale interest should be billed through the 25th of each month using the following procedure.

PROCEDURE

Prepare in duplicate the Statement of Interest on Wholesale, form #19-958, revised 8-58.

1. Bring all control posting up to date through the 25 th of the current month.

2. Type the borrower's complete name and address within the four corner window positioning marks.

3. Type the current month and date in the space provided for "date".

4. Place the form in a wide carriage adding mactine and, from the dealer's control sheet, enter the amounts outstanding each day opposite the appropriate date beginning on the left hand side below the name and address of the dealer listing through the 16th of the month. By moving the carriage to the left and rotating the platen in reverse until the space for the 17th is aligned for printing, the form may be completed. (A comparision of the revised form reproduced on the reverse of this bulletin and the old form will indicate that the method of completing each is exactly the same.)

5. Total these outstanding balances on the line opposite "Total Daily Balance".

6. Divide this total by 30 and enter the result opposite "Average Daily Balance". Regardless of the number of days in the month or the number of days the loan was outstanding, always divide by 30.

7. Multiply the Average Daily Balance by the interest factor applicable. The monthly interest factors for our most common wholesale rates are:

4%	-	.00333
5%	-	.00417
6%	-	.00500

For any other rate, multiply the Average Daily Balance by the rate and divide by 12. Enter the result opposite "Interest Due" and show the rate charged in the space provided.

OPERATING BULLETIN

SECTION ACCOUNTING & GEN. OPERATIONS **Page** 2 of 3

SUBJECT WHOLESALE

TOPIC INTEREST BILLING **Date** 12-8-58

E-1087

Replaces Bulletin: "ACCOUNTING - WHOLESALE - INTEREST BILLING" Dated 2-27-56

8. Show in the next two blank lines any flat charges or insurance charges for which the dealer has not been billed.

9. Enter the total amount due in the space at the bottom of the Statement.

10. Enter the Total Amount Due and the date of billing on the dealer's control sheet in the column headed "Interest". When the interest is paid, credit "Interest and Discount - Wholesale" and show the date of receipt on the control sheet.

11. Mail the original statement to the dealer using our standard small window envelope (9-333).

12. Hold the duplicate statement in suspense for follow-up until interest is received from each dealer. After interest is paid, file the duplicate until the next Comptroller's Audit.

Reproduced on Page 2 of this bulletin is a completed sample of the Wholesale Interest Statement. The "Daily Balances" are those that appear on the sample Wholesale Control Sheet on Page 8 of "ACCOUNTING & GEN. OPERATIONS - WHOLESALE - NEW LOANS".

ORDERING SUPPLIES Your requirements of both the Statement of Interest on Wholesale and the standard window envelope may be ordered in the customary manner from the Purchasing Department, Atlanta.

OPERATING BULLETIN

SECTION ACCOUNTING & GEN. OPERATIONS

SUBJECT WHOLESALE

TOPIC NEW LOANS

 Date 8-24-61

Replaces Bulletin: "ACCOUNTING - WHOLESALE - NEW LOANS" Dated 3-11-60

For some time we have shown notations of discrepancies or irregularities on Wholesale Checking Reports on the right hand side of the bank's copy of the Wholesale Ledger Sheet. This has made the posting of curtailments in this area of the form very difficult. The Wholesale Ledger Sheet (19-868) now provides adequate space for wholesale checking notations. The boxes in the upper portion of this form which previously referred to "Follow-up Dates" have been changed to indicate:

1. The "DUE DATE" of the Note.
2. The first "RENEWAL DATE".
3. The remaining seven boxes (for subsequent renewal dates) have been left blank so as not to create the impression with the dealer that we invite prolonged renewals.

The entire right hand column (on the bank's copy only) now provides specific space for wholesale checking comments for each item on the Note. (SEE ILLUSTRATION ON PAGE 2.) This change has reduced the number of spaces provided for the posting of curtailments from 8 to 5. Since it is possible for a dealer to maintain any item on floorplan for a total of ten months, additional space for posting curtailments has been provided on the - Extension Wholesale Ledger Sheet (19-877). Whenever any item must be curtailed for the sixth time, the description of the item should be entered on the Extension Ledger Sheet in the same position as on the original Ledger Sheet. (SEE ILLUSTRATION ON PAGE 4.) The Extension Ledger Sheet should then be stapled to the original Ledger Sheet (holes on left will line up when stapled properly) and the curtailment posted in the same manner as on the original Ledger Sheet.

APPROVALS Space is provided on the reverse of the dealer's individual Wholesale Control Sheet (19-867) for notations of wholesale approvals. Indicate the date of approval, name of distributor, number of items, kind of merchandise (range, refrigerator, TV, etc.) and the dollar amount approved. As the corresponding new Notes are posted to the Control Sheet, a line should be drawn through the appropriate approval notation. A completed illustration of the approval side of the Control Sheet is reproduced on Page 10 of this bulletin.

WHOLESALE DISCOUNTING PROCEDURE After approval, wholesale transactions are generally received in the form of an invoice which is to be paid to the distributor or dealer, or the invoice may be enclosed in a draft. Upon receipt of the invoice, the steps for handling are as follows:

1. Compute on the invoice the cash discount, the down-payment and the amount to finance on each item, and the total flat charges per the dealer's approved plan of operation.

   If there is more than one item on an invoice, run an adding machine tape to prove out the total down-payment and the amount

DEALER COPY
INSTALLMENT LOAN DEPARTMENT
WHOLESALE LEDGER SHEET
Show the actual date of your note (the date funds were disbursed)
Number your ledger sheets consecutively (each sheet is one "Page" of a "Paper"... "Page 2 of 3 Pages", etc.
Show the total amount of the note - invoice less down payment
Show the total down payment on this invoice
Show the total dollar amount of the invoice - or the amount disbursed if cash discounts are allowed by the distributor
Use the right hand column to note any discrepancies or irregularities as reported from the wholesale checking report.
Show the dealer's complete name and address if necessary
Show the name of the distributor from whom the merchandise was purchased
In the space for "DUE DATE" insert the date of the initial maturity, or the date on which accounting is to collect finance charges and/or curtailment. The date in the "FINAL DATE" should not be shown until the note is paid in full. It will then be entered for audit. The use of the ledger sheets, you will have a quick reference to those dealers who have unpaid charges or payments.
Show a complete description of each item as it appears on the invoice.
Show the original amount financed below the description of each item, adjacent to the shaded area
Curtailments will start at the left side of the sheet
The balance due on a particular item will always be the last figure to the right
The Dealer's Copy of the Ledger Sheet is the second page of the set, and provides him with a breakdown on each note so that he will know the exact amount due on each item at it is sold
The Note, Security Agreement, & the last page in the set. After each set is typed, it will be necessary to separate the carbon before completing the reverse side. Every Note - Security Agreement must be completed on the reverse side. Filing of a financing statement to perfect the security interest is necessary. However, only one need be filed for a continuing commercial relationship. (For more complete details see Operating Bulletin: "SALES FINANCE - WHOLESALE - COMMERCIAL CODE")

E-1090

to finance. The total amount financed will be the amount of the Note.

2. Prepare the snap-out form, combination Ledger Sheet and Note-Security Agreement (19-868). Reproduced on Page 2 is a sample of the completed Ledger Sheet with explanations of the various spaces. Reproduced on Page 6 is a completed sample of the Note - Security Agreement.

3. Execute the papers.

   A. If the bank has power of attorney, sign the Note - Security Agreement. Send the dealer his copy of the Ledger Sheet and request his check for the down-payment and/or the flat charges.

   B. If the bank does not have power of attorney, send the Note - Security Agreement with the copy of the Ledger Sheet to the dealer. Request that he sign the papers immediately and return them to you with his check for the down-payment and/or the flat charges.

NOTE - Whenever possible, arrangements should be made to charge the dealer's checking account for down-payment and flat charges in order to facilitate the handling of floorplan. Copies of the charge tickets should be sent to the dealer.

4. From the invoice, disburse the funds.

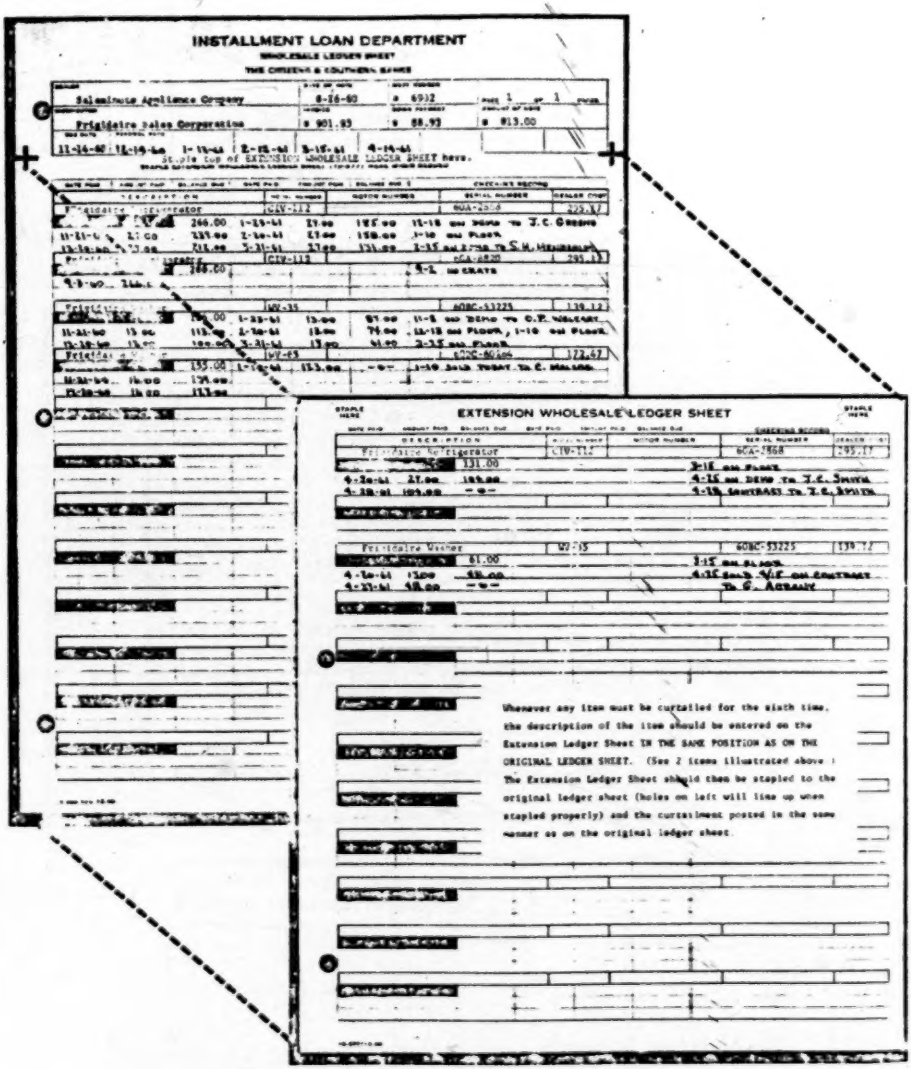
   A. By deposit to the account of the dealer or distributor.

   B. By check to the dealer or distributor.

   C. By an interior transfer to pay for the draft.
      (If items are being financed under a Free Floorplan Agreement whereby the distributor pays the charges in advance, the charges should be deducted from the proceeds.)

5. Prepare entries to the General Ledger using the information on the Ledger Sheet.

   A. If papers have been executed through Power of Attorney,
      Debit "Wholesale" for the amount of the Note.
      Debit "Cash Items, Installment Loans" or the dealer's checking account for the down-payment and/or the flat charges.


INSTALLMENT LOAN DEPARTMENT
WHOLESALE LEDGER SHEET
THE CITIZENS & SOUTHERN BANK
Salesmans Appliance Company
8-26-60
6932
Frigidaire Sales Corporation
$ 901.93
$ 88.93
$ 813.00
11-16-60
12-19-60
1-19-61
2-15-61
3-15-61
4-19-61
Staple top of EXTENSION WHOLESALE LEDGER SHEET here.
EXTENSION WHOLESALE LEDGER SHEET
Frigidaire Refrigerator
CAV-112
GCA-2818
295.17
Frigidaire Washer
W7-15
60BC-53225
139.72
81.00
Whenever any item must be curtailed for the sixth time, the description of the item should be entered on the Extension Ledger Sheet IN THE SAME POSITION AS ON THE ORIGINAL LEDGER SHEET. (See 2 items illustrated above.) The Extension Ledger Sheet should then be stapled to the original ledger sheet (holes on left will line up when stapled properly) and the curtailment posted in the same manner as on the original ledger sheet.

Credit "Interest and Discount - Wholesale" for the charges.

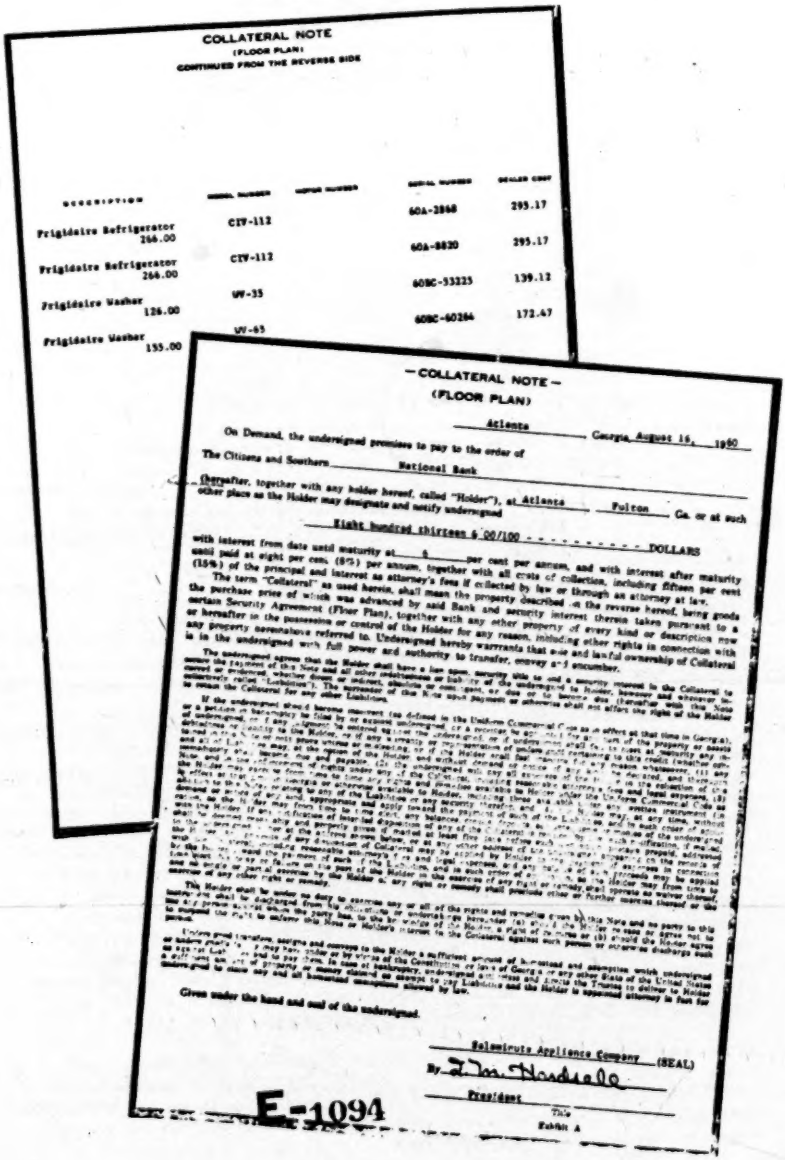
B. If papers have not been executed,
Debit "Cash Items, Installment Loans" for the amount of the Note, down-payment and/or flat charges or Debit "Cash Items, Installment Loans" for the amount of the Note and charge the dealer's checking account for the down-payment and/or the flat charges.
Credit "Interest and Discount - Wholesale" for the flat charges.
Debits to "Cash Items" should be prepared in duplicate using a single debit ticket, with a third copy on a single credit ticket. The debit copy may then be used as a posting media. The credit copy may be used as a follow-up and when the dealer's check is received, may be used as an off-setting entry.

6. Post the Wholesale Control Sheet (19-867) from copies of the General Ledger entries and the Ledger Sheet. Reproduced on Page 8 is a completed sample of the Control Sheet. If "Wholesale" was debited for the amount of Note, enter the amount on both the individual dealer's control and the total "Wholesale" control.

A column has been added to the "Debit" section of "Notes Receivable" so that the "NUMBER OF ITEMS" covered by each Note may be posted. Post this information only on the individual dealer controls. This will, in turn, facilitate the posting of wholesale information to the Experience Record of the Dealer Purchase Guide at the end of each month.

Two "date" columns have been provided on the Control Sheet to enable you to bill interest from the date of disbursement, rather than from the date of your General Ledger entry. On the individual control, show the date in both columns, but in the "General Ledger" column only on the total control. Show the amount of flat charges collected and the date on the individual control. If "Cash Items" was debited, post the amount of the Note on the individual dealer's control only and show the date in the "Note" column.

7. After each entry has been posted to the controls, file the Ledger Sheet behind all the others in the dealer's section of your wholesale book. File the Note - Security Agreement and invoice in the Wholesale Note File. If the papers have been sent to the dealer to be signed, file the invoice in the Note File.



COLLATERAL NOTE
(FLOOR PLAN)
CONTINUED FROM THE REVERSE SIDE

DESCRIPTION	MODEL NUMBER	SERIAL NUMBER	DEALER COST
Frigidaire Refrigerator 266.00	CIV-112	60A-2868	295.17
Frigidaire Refrigerator 266.00	CIV-112	60A-8820	295.17
Frigidaire Washer 126.00	UW-35	60BC-53225	139.12
Frigidaire Washer 155.00	UW-65	60BC-60264	172.47

— COLLATERAL NOTE —
(FLOOR PLAN)

Atlanta, Georgia, August 16, 1960

On Demand, the undersigned promises to pay to the order of

The Citizens and Southern National Bank

(hereafter, together with any holder hereof, called "Holder"), at Atlanta Fulton Ga. or at such other place as the Holder may designate and notify undersigned

Eight hundred thirteen & 00/100 - - - - - - - - - - - DOLLARS

with interest from date until maturity at 6 per cent per annum, and with interest after maturity until paid at eight per cent. (8%) per annum, together with all costs of collection, including fifteen per cent (15%) of the principal and interest as attorney's fees if collected by law or through an attorney at law.

The term "Collateral" as used herein, shall mean the property described on the reverse hereof, being goods the purchase price of which was advanced by said Bank and security interest therein taken pursuant to a certain Security Agreement (Floor Plan), together with any other property of every kind or description now or hereafter in the possession or control of the Holder for any reason, including other rights in connection with any property hereinabove referred to. Undersigned hereby warrants that sole and lawful ownership of Collateral is in the undersigned with full power and authority to transfer, convey a free encumbrance.

The undersigned agrees that the Holder shall have a lien upon, security title to and a security interest in the Collateral to secure the payment of this Note and all other indebtedness or liability of the undersigned to Holder, however and whenever the same shall arise or be incurred, whether direct or indirect, absolute or contingent, or due or to become due (hereafter with this note collectively called "Liabilities"). The surrender of this Note upon payment or otherwise shall not affect the right of the Holder to retain the Collateral for any other Liabilities.

If the undersigned should become insolvent (as defined in the Uniform Commercial Code as in effect at that time in Georgia), or a petition in bankruptcy be filed by or against undersigned, or if a receiver be appointed for any part of the property or assets of undersigned, or if any judgment be entered against the undersigned, or if default be made in the payment of any sums payable hereunder when due, or if default be made in the performance or observance of any agreement or covenant of undersigned contained herein or in any other instrument or agreement executed by undersigned in connection herewith, or if any warranty or representation of undersigned herein or in connection herewith shall be false in any material respect, or if undersigned shall fail to pay any taxes, assessments or insurance premiums when due, or if undersigned shall fail to keep the Collateral free from all claims, liens and encumbrances of every kind, nature and description, except the lien of this Note and the security interest granted herein, or if undersigned shall sell, transfer, assign, encumber or dispose of any of the Collateral without the prior written consent of Holder, or if undersigned shall fail to keep the Collateral insured against such risks, in such manner and for such amounts as Holder may require, or if undersigned shall fail to deliver to Holder any insurance policy or certificate thereof required by Holder, or if undersigned shall fail to keep the Collateral free from all taxes, liens, security interests, encumbrances and claims, or if undersigned shall fail to perform any of the Liabilities, or if any of the Collateral shall be lost, stolen, destroyed, damaged or substantially decreased in value, or if Holder shall in good faith deem the prospect of payment of any of the Liabilities impaired, or if any of the Collateral shall be seized or taken by any governmental authority, or if undersigned shall die or cease to do business as a going concern, then, in any such event, all of the Liabilities shall, at the option of the Holder and without demand, notice or advertisement of any kind to undersigned, immediately become due and payable, and undersigned hereby authorizes and empowers Holder to sell, assign and deliver the whole or any part of the Collateral (after demanding performance or otherwise exercising all rights and remedies available to Holder under the Uniform Commercial Code as in effect at that time in Georgia or otherwise available to Holder by law or agreement) at any public or private sale, with or without advertisement, for cash, on credit or for future delivery, at such time or times, at such place or places, and upon such terms as Holder may deem commercially reasonable, irrevocably waives any and all demands whatsoever, and hereby authorizes Holder or anyone acting for it to purchase or become the purchaser at any such sale, free from any right of redemption, which right is hereby expressly waived and released by undersigned, and undersigned hereby further authorizes and empowers Holder to apply the proceeds of any such sale, after deducting all costs and charges, including reasonable attorneys' fees and legal expenses, incurred by Holder in connection with the sale, collection or other realization upon the Collateral, and all costs and charges incurred by Holder in connection with the protection of the Collateral, to the payment of the Liabilities in such manner and order as Holder may from time to time elect, whether or not all of the Liabilities are then due and payable, and undersigned shall remain liable to Holder for any deficiency remaining unpaid after such application, and undersigned hereby authorizes and empowers Holder to apply any balances, credits, deposits, accounts or moneys of undersigned in the possession of Holder to the payment of the Liabilities, whether or not then due, and undersigned hereby grants to Holder a lien and security interest in all such balances, credits, deposits, accounts and moneys for the purposes aforesaid. Undersigned agrees that Holder may from time to time, without notice to undersigned, extend or renew this Note for a period or periods of time, whether longer or shorter than the original period of this Note, or grant other indulgences to undersigned in respect thereof, or modify or amend the terms of payment or any of the terms and conditions of this Note, or grant releases, compromises or indulgences with respect to any Collateral for the Liabilities to any endorsers, guarantors or sureties, or release any of the Collateral, all without notice to any endorsers, guarantors or sureties and without affecting the liability of undersigned or any endorsers, guarantors or sureties for the Liabilities, except to the extent that the Liabilities may be lessened thereby. Undersigned agrees that Holder may from time to time, without notice to undersigned, apply any payments received by Holder to any of the Liabilities, whether or not then due, in such manner and order as Holder may determine, and undersigned agrees that Holder may, at any time, without notice to undersigned, apply any and all balances, credits, deposits, accounts or moneys of undersigned in the possession of Holder to the payment of the Liabilities, whether or not then due, and undersigned hereby grants to Holder a lien and security interest in all such balances, credits, deposits, accounts and moneys for the purposes aforesaid.

This Note shall be under no duty to exercise any or all of the rights and remedies given by this Note and no party to this Note shall be deemed to be a party to any waiver or undertaking unless the same shall be in writing and signed by the party so waiving or undertaking. No waiver by Holder (a) of any right or remedy on any occasion shall be a bar to the exercise of the same or any other right or remedy on any future occasion, or (b) of any breach shall constitute or be deemed a waiver of any subsequent breach whether of the same or of a different provision of this Note, and no failure to exercise, or delay in exercising, any right or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by the Holder of any right or remedy preclude other or further exercise thereof or the exercise of any other right or remedy.

Undersigned agrees and convenes to the Holder a sufficient amount of homestead and exemption which undersigned or any part of Land is entitled to claim or by virtue of the Constitution or laws of Georgia or any other State of the United States or any part of Land is entitled to claim or by virtue of the Constitution or laws of Georgia or any other State of the United States in case any part of Land shall be levied upon by reason of bankruptcy, undersigned or any other party liable for the Liabilities hereby waives all claim against Holder for damages caused by such levy and all homestead exemptions allowed by law.

Given under the hand and seal of the undersigned.

Palmetrute Appliance Company (SEAL)

By J. M. Woodall

President

Title

Exhibit A

E-1094

8. When the check is received from the dealer for the down-payment and/or the flat charges, use the credit to "Cash Items", prepared in step 5, as your off-setting entry.

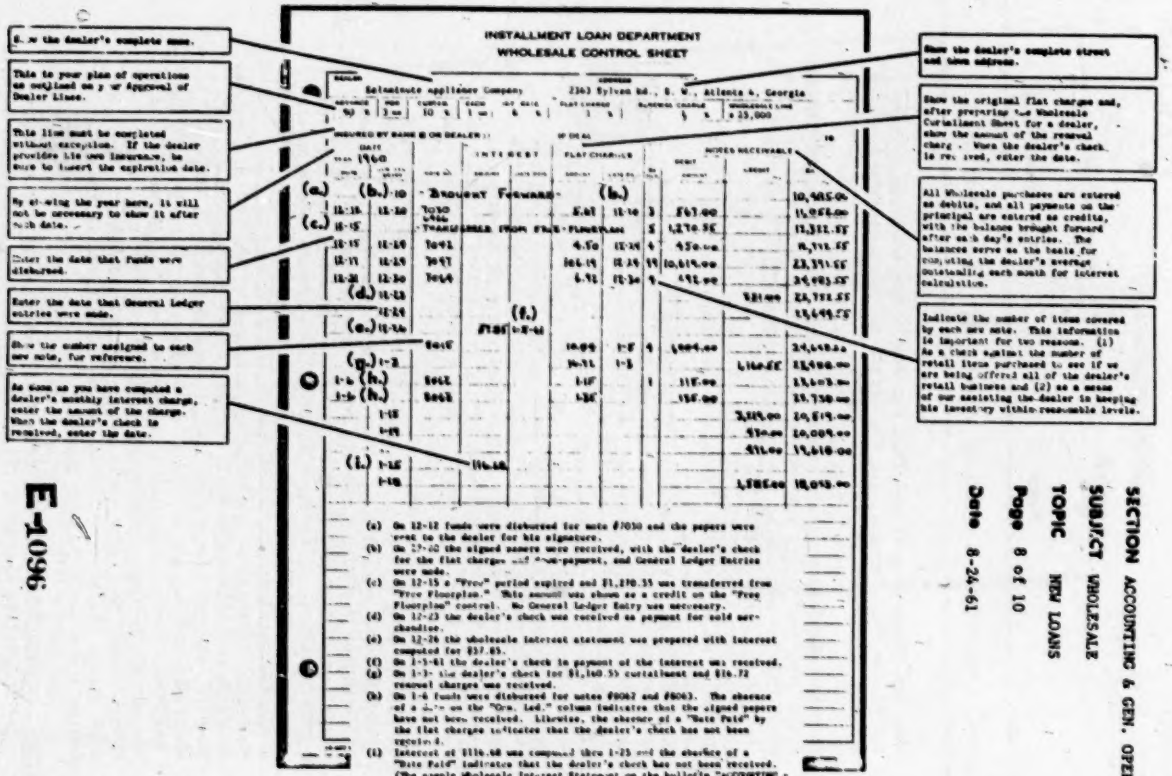
9. When the signed papers are returned by the dealer with his check, debit "Wholesale" for the amount of the Note. This debit and the check will be off-set by the credit to "Cash Items". At this time, post the amount of the Note to the total control and also show the date in the "General Ledger" column on the individual control. File the Note - Security Agreement with the invoice.

10. Free floorplan Notes are handled in the same basic manner as other wholesale Notes. However, all debits and credits should be marked "Free Floorplan" to facilitate accurate control posting. A separate Control Sheet should be set up for each dealer with free floorplan and all Ledger Sheets should be marked "Free Floorplan" in the upper right hand corner. At the end of the "free" period, these Ledger Sheets should be transferred to the dealer's regular wholesale section. The balance on the transferred Ledger Sheets should be shown as a debit to the dealer's "regular" control, and as a credit to his "free" control. No General Ledger entry will be necessary.

11. If a dealer has "used" wholesale, all such merchandise should be floorplanned on separate Notes and Ledger Sheets from those covering "new" merchandise. Such Notes are handled in the same basic manner as other wholesale Notes, but all debits and credits should be marked "used floorplan" to facilitate accurate control posting. A separate control sheet should be set up for each dealer with "used" floorplan and all Ledger Sheets should be marked "used floorplan" in the upper right hand corner. Wholesale postings to the Experience Record of the Dealer Purchase Guide should be for the total of both "new" and "used" wholesale. However, when completing the monthly Dealer Condition Report, wholesale information on those few dealers having both "new" and "used" wholesale (they will be apparent from the Approved Lines section of the Experience Record side of the Dealer Purchase Guide) should be listed separately as "new" and "used". In such cases, the information should be taken directly from the dealer's Wholesale Control Sheets.

RELATED BULLETINS ACCOUNTING & GENERAL OPERATIONS - GENERAL LEDGER ACCOUNTS
ACCOUNTING & GENERAL OPERATIONS - WHOLESALE - INTEREST BILLING
ACCOUNTING & GENERAL OPERATIONS - REPORTS - DEALER CONDITION
SALES FINANCE - BOAT AND MOTOR FINANCING

E-1096



INSTALLMENT LOAN DEPARTMENT
WHOLESALE CONTROL SHEET

Enter the dealer's complete name.

This is your plan of operations as outlined on your approval of Dealer Lines.

This line must be completed without exception. If the dealer provides his own insurance, be sure to insert the expiration date.

By entering the year here, it will not be necessary to show it after each date.

Enter the date that funds were disbursed.

Enter the date that General Ledger entries were made.

Show the number assigned to each new note, for reference.

As soon as you have computed a dealer's monthly interest charge, enter the amount of the charge. When the dealer's check is received, enter the date.

Show the dealer's complete street and town address.

Show the original flat charges and, after preparing the Wholesale Curtailment Sheet for a dealer, show the amount of the renewal charge. When the dealer's check is received, enter the date.

All Wholesale purchases are entered as debits, and all payments on the principal are entered as credits, with the balance brought forward after each day's entries. The balances serve as the basis for computing the dealer's average outstanding each month for interest calculation.

Indicate the number of items covered by each new note. This information is important for two reasons. (1) As a check against the number of retail items purchased to see if we are being offered all of the dealer's retail business and (2) as a means of our assisting the dealer in keeping his inventory within reasonable levels.

(a) On 12-12 funds were disbursed for note #7030 and the papers were sent to the dealer for his signature.
(b) On 12-20 the signed papers were received, with the dealer's check for the flat charges and down-payment, and General Ledger Entries were made.
(c) On 12-15 a "Free" period expired and $1,270.35 was transferred from "Free Floorplan." This amount was shown as a credit on the "Free Floorplan" control. No General Ledger Entry was necessary.
(d) On 12-23 the dealer's check was received as payment for sold merchandise.
(e) On 12-26 the wholesale interest statement was prepared with interest computed for $37.85.
(f) On 1-3-61 the dealer's check in payment of the interest was received.
(g) On 1-3- the dealer's check for $1,140.55 curtailment and $16.72 renewal charges was received.
(h) On 1-4 funds were disbursed for notes #8062 and #8063. The absence of a date on the "Ore. Ind." column indicates that the signed papers have not been received. Likewise, the absence of a "Date Paid" by the flat charges indicates that the dealer's check has not been received.
(i) Interest of $116.48 was computed thru 1-25 and the absence of a "Date Paid" indicates that the dealer's check has not been received. (The sample Wholesale Interest Statement on the bulletin "ACCOUNTING - WHOLESALE - INTEREST BILLING," shows how the $116.48 was computed, using the balances on this Control Sheet.)

The total of the balances on each dealer's Ledger Sheets should agree with the balance on his Control Sheet.

To reconcile the balances on the individual dealer controls with the Total Control, list the balances and debit any notes which are not dated to the "Ore. Ind." column. (See "a" above.)

Replaces Bulletin: "ACCOUNTING - WHOLESALE - NEW LOANS" Dated 3-11-60

RELATED BULLETINS (cont'd.)

SALES FINANCE - APPLIANCE FINANCING - WHOLESALE
SALES FINANCE - DEALER CREDIT - DEALER CREDIT RECORD
SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE
SALES FINANCE - FARM EQUIPMENT FINANCING - WHOLESALE
SALES FINANCE - UNIFORM COMMERCIAL CODE - WHOLESALE
SALES FINANCE - WHOLESALE

Indicate **DROP SHIPMENTS** as shown. Occasionally a distributor will make one or more partial shipments on a large approved order, invoicing as shipments are made. Reduce the amount of the approval accordingly by the invoices as they are discounted.

Fill-in completely when an approval is made.

Draw a line through the approval when the corresponding new note is posted to the Control Sheet.

WHOLESALE APPROVALS

DATE OF APPROVAL	NAME OF DISTRIBUTOR	NO. OF UNITS	MERCHANDISE	AMOUNT
11-16-61	Bone Distributing Co	4	TVs	600
11-15-	Bone Distributing Co	10	Ranges	1735
		15	Washers	3165
		10	TVs	6000
		4	Ranges	700
11-17-61	Frigidaire Sales	4	Ranges	952
		3	Washers	765
11-16-61	Frigidaire Sales	4	Refrigerators	1145

Decisions of approvals are necessary so that a dealer's wholesale line is not inadvertently reduced by closing the control sheet with a balance of (for example) one washer, approved can, as SEE Line, know the amount of a dealer's wholesale line which is in use, and close the unused portion (when making additional approvals).

E-1098

CONSUMER CREDIT OPERATING BULLETIN INDEX*

COLLECTIONS III 3-01-72

APPLIES TO	SUBJECT	TOPIC	DATE
OTC,SF,CAS	BANKRUPTCY & CHAPTER XIII		8-28-70
OTC,SF	COLLECTION CARD		10-01-70
OTC,SF	COLLECTIONS	COLLECTION SUMMARY SHEET	12-26-69
OTC,SF,CAS	CONSUMER CREDIT COUNSELING SERVICE	(See Lending General)	
OTC,SF,CAS	CREDIT BUREAUS	NOTIFICATION SERVICE	7-18-68
OTC,SF,CAS	EMPLOYERS	RIGHT TO CONTACT	12-18-61
OTC,SF	EXTENSIONS		12-27-67
OTC,SF,CAS	FOREIGN CLAIMS	REFERRED BY OTHER BANKS	5-07-70
OTC,SF,CAS	FOREIGN CLAIMS	REFERRAL TO OTHER BANKS,AGENCIES	5-06-70
OTC,SF	LATE CHARGES		6-29-70
OTC,SF,CAS	LOSSES	CHARGE OFF POLICY	6-22-70
OTC,SF,CAS	LOSSES	CHARGE OFFS - PROCEDURE & HISTORY SHEET PREPARATION	3-27-69
OTC,SF,CAS	MILITARY PERSONNEL	SOLDIERS'AND SAILORS' CIVIL RELIEF ACT	3-31-69
OTC,SF	NOTICES		6-15-70
OTC,SF	NOTICES	ADJUSTORS CALL	6-12-70
SF	OUTSIDE ADJUSTOR'S DAILY PERFORMANCE REPORTS		10-30-56
SF	OUTSIDE ADJUSTOR	REPORT OF ADJUSTMENT	10-20-61
OTC,SF	PAST DUE LIST		7-09-70
OTC,SF	REPOSSESSIONS	BILL OF SALE	4-19-68
OTC,SF	REPOSSESSIONS	INSURING OF	9-08-64
OTC,SF	REPOSSESSIONS	RECEIPT FOR MORTGAGED PROPERTY	9-06-57
OTC,SF	REPOSSESSIONS	SALE OF	1-12-68
OTC,SF	REPOSSESSIONS - SALES FIN.	DEFICIENCY CLAIMS	9-01-67
OTC,SF	REVISION AGREEMENT		8-09-69
OTC,SF	REWORKING FOR COLLECTION PURPOSES		2-24-67
OTC,SF,CAS	RIGHT OF SET-OFF		1-24-69
OTC,SF,CAS	SKIPS	LIST OF MOTOR VEHICLE REGISTRATION OFFICES	3-12-68
OTC,SF,CAS	SKIPS (P.768 Rev. 1/18/71)	LOCATION OF	11-18-69

*Information on how to use guide, indexes, and bulletins is on the pink page in Section I.

Replaces Bulletin: COLLECTIONS - BANKRUPTCY & CHAPTER XIII **Dated** 2-12-68

The number of personal bankruptcies continues to increase. This increase is caused by deficiency judgments, collection pressure, poor money management, decrease in income, marital difficulty, and poor credit control, due to over-lending and incomplete investigation. Bankruptcies require special handling to be certain that all collection possibilities are considered. This bulletin does not attempt to cover all of the complexities of Bankruptcy law, but is intended to give a basic understanding of procedures that will help in assisting our attorney and in salvaging our loan wherever possible.

DEFINITION

Bankruptcy is a legal proceeding, whereby an insolvent person, partnership, or corporation may file a petition or a petition may be filed by creditors in U. S. Court, asking the Court to take all pledged assets and distribute to secured creditors and distribute the remaining eligible unpledged assets among all creditors and discharge the debtor from his obligations. The debtor is restricted to bankruptcy once every six years. Insolvency in bankruptcy is defined from a balance sheet concept, namely that the debtor's liabilities exceed assets, and not that the bankrupt must be totally without assets.

TYPES OF PETITIONS

I. The voluntary petition is filed by the debtor and includes the following items:

   A. Petition filed with the clerk of the District Court.

   B. A complete schedule of all debts and assets.

   C. Filing of a "Statement of Affairs", which asks a series of questions answered by the bankrupt under oath relative to his past financial operations.

   D. The Court probably will issue an order restraining any further creditors' action against the bankrupt. Whether such an order is issued or not, the debtor's property is subject to control by the Bankruptcy Court, and we will have to deal with the Court or its appointed trustee at the outset. This applies to all creditors.

   E. On filing the petition, the debtor is adjudicated a bankrupt. Adjudicated in this sense is a technical legal term, and does not mean the final determination of the issue since the debtor is not discharged from bankruptcy until a creditor's meeting is held. The matter is then turned over to the referee in bankruptcy, a special officer of the court. This process is almost automatic, since the referee has no discretion to decide whether or not a bankruptcy is necessary, equitable, or the best solution to the debtor's financial difficulties.

II. The other type of bankruptcy petition is the involuntary petition. This petition may be filed by one or more creditors, usually facilitated by some action of the debtor which enables the creditors to file the petition, such as:

A. Concealment of property, for example by a fraudulent transfer to another.

B. Preferring a creditor.

C. Attachment of property by another creditor.

D. General assignment for the benefit of the creditors.

E. Permitting a receiver to be appointed.

F. Admission of inability to pay debts.

NOTIFICATION

We usually learn of a bankruptcy in one of three ways: (1) the customer advises us of his action, (2) through trade reports, or (3) from the Referee in Bankruptcy sending a notice of bankruptcy and first meeting of creditors. ANY FORM OF NOTICE TO THE CREDITOR IS SUFFICIENT LEGAL NOTICE.

CUSTOMER CONTACT

Page 3 shows a copy of the restraining order that accompanies a notice of bankruptcy. Paragraphs 3 and 5 make clear that harassment by telephone violates this order. Our position is that a simple telephone contact, conducted with courtesy, for the sole purpose of asking the customer if he intends to reassume, is not harassment. Under no circumstances are we allowed to try to collect the debt or badger the bankrupt in any way. If the customer has any objection at all, we must terminate the conversation, and make no further direct contacts. If the bankrupt refers us to his attorney, we should contact his attorney and carry on any further conversation prior to the first meeting of creditors with that attorney. Many of our customers actually do reassume their obligations with us, and they don't mind expressing this intention. This is all we need to know to guide our actions. This has been our policy over the years - we do not feel it violates the intent of the law, and we have had no serious problems to arise from such handling.

Contacts with the bankrupt prior to the first meeting of creditors should not be made in writing. Remember that each day's delay lessens the chances that our customer will agree to reassume.

Always indicate in the collection folder the results of contacts with the bankrupt which will assist the Recovery Officer in the event of charge-off.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

IN THE MATTER OF: THE BANKRUPT, AND THE BANKRUPTCY NAMED IN THE ENCLOSED NOTICE:

It appearing that the above named has been adjudged a bankrupt and that his bankruptcy proceeding is now pending and that it is necessary to preserve the present status of said bankruptcy with respect to all of his creditors and as to the property and other assets of the bankrupt until the first Meeting of Creditors is held, it is accordingly

CONSIDERED AND ORDERED that until further order of this Court all creditors and other parties hereto are temporarily restrained and enjoined from the institution and prosecution of foreclosure actions, suits, seizures and legal actions of any kind against the bankrupt herein, or against any property owned by or in the possession of said bankrupt including the institution and prosecution of garnishment proceedings and the receipt by any creditor of any sums of money impounded or withheld in any garnishment proceeding, except as allowed by an order of this Court.

All creditors and other parties hereto are further restrained from harassing the bankrupt or any member of his family by contacting the bankrupt personally, by telephone or otherwise and from contacting the employer of the bankrupt with respect to any debt owing by the bankrupt to any creditor until the First Meeting of Creditors has been held herein.

FURTHER ORDERED that the bankrupt herein is hereby restrained and enjoined from transferring, secreting or encumbering any of his property or other assets and from reassuming any obligations until the first meeting of creditors in this proceeding has been held and it is

FURTHER ORDERED that the parties restrained hereby show cause before this Court at the time and place of the First Meeting of Creditors herein why a temporary injunction should not issue restraining all creditors and other parties from harassing the bankrupt or any member of his family by telephone, personally or otherwise, and from contacting the employer of the bankrupt with respect to any debt owing by the bankrupt to any creditor during the pendency of this proceeding. It is

FURTHER ORDERED that the creditors of the bankrupt show cause before this Court at the time and place of the First Meeting of Creditors why an Order should not be entered staying the institution or prosecution of civil actions of any kind or nature against the bankrupt until such time as a discharge has been granted or denied to the bankrupt.

Dated at Atlanta, Georgia, as of the date of accompanying notice.

REFEREE IN BANKRUPTCY

Replaces Bulletin: COLLECTIONS - BANKRUPTCY & CHAPTER XIII Dated 2-12-68

CREDITORS' MEETING

After the filing of the bankruptcy petition, a meeting of creditors is held to afford creditors' attorneys an opportunity to question the bankrupt concerning his assets. If this is an asset case, the referee appoints a trustee to dispose of the assets.

As a practical matter, most personal bankruptcies are "no asset" cases. This is because most of the property the bankrupt holds is either pledged under Conditional Sales Contract, or chattel mortgage with the remaining personal property set off as exempt under state law, such as the Georgia Homestead Exemption is to protect a portion of the debtor's personal property from any attachment by creditors. Thus, the debtor is not made a complete pauper.

PROCEDURES

UPON NOTICE OF FILING OF BANKRUPTCY, THE FOLLOWING THREE STEPS SHOULD ALWAYS BE TAKEN: (These three steps are the same for any type of bankruptcy).

I. Verify that the customer is actually bankrupt unless we have received a notice from the court. Verification should be made by contacting the customer's attorney, or phoning the office of the Referee in Bankruptcy.

II. Gather all the documents and memoranda relative to the bankrupt's debt. This includes calling CIF, and all locations necessary to get the complete debt picture.

III. In Atlanta, call the Recovery Officer, unless the notice was sent from Recovery Department. This will be apparent if Central Recovery's stamp appears on the copy of the notice. Outside Atlanta, Call the Senior Consumer Credit Officer in your city.

STRAIGHT BANKRUPTCY

WHERE UNSECURED CREDIT ON A STRAIGHT BANKRUPT IS INVOLVED, THE FOLLOWING ADDITIONAL STEPS SHOULD BE TAKEN:

I. Contact the customer to ask about his intention to reassume. In all unsecured cases, we should ascertain whether the customer intends to reassume our debt.
   A. If he is uncertain about the matter, follow-up may be made at a later time agreed by both parties.
   B. If customer agrees to reassume, secure a signed reassumption note.
   C. If customer does not wish to reassume, (1) contact Recovery Officer to determine value of filing claim, (2) submit for charge-off.

WHERE SECURED CREDIT ON A STRAIGHT BANKRUPT IN INVOLVED, THE FOLLOWING ADDITIONAL STEPS SHOULD BE TAKEN:

I. Call the Recovery Officer.
II. Determine in this conversation whether we want a reassumption or recovery of the collateral.

Replaces Bulletin: COLLECTIONS - BANKRUPTCY & CHAPTER XIII **Dated** 2-12-68

NOTE: Prior to the first meeting of creditors, the bankrupt may voluntarily release the collateral to us. Remember that we should always obtain a receipt for mortgaged property.

At the first meeting of creditors, the bankrupt has one of two choices concerning collateral. Either the bankrupt may publicly declare that he reassumes his debt, or the creditor is allowed to petition the court for a reclamation and release of the collateral. If the value of the collateral exceeds our debt, the trustee may wish to retain the collateral for sale and liquidate our debt from the sale of the collateral.

III. Arrange for collateral to be recovered or reassumption notes to be signed IMMEDIATELY AFTER THE HEARING AT THE CREDITORS MEETING, if this was predetermined as our desired course of action.

If for any reason the bankrupt refuses to release the collateral, other action is available to us. Discuss this situation with your Recovery Officer.

CHAPTER XIII - "WAGE EARNERS"

Since 1938, a less drastic form of bankruptcy has been available to the financially embarrassed debtor. Chapter XIII, also known as the Wage Earners Plan, may be filed by any person whose principal income is derived from wages or salaries. The purpose of this plan is to effect a compromise reduction in debt and/or extension of time for payment of debts, out of future earnings or wages for a period of thirty-six months. Upon confirmation of the plan by all secured creditors and a majority of unsecured creditors, it becomes binding on all parties.

Upon acceptance of the plan by the requisite number of creditors, the court confirms the plan and appoints a trustee to administer the funds. The trustee actually takes jurisdiction of the debtor's future earnings until he is discharged. If the debtor then pays money to creditors outside of the Wage Earners Plan, the trustee can demand that the money be paid to him for equal distribution to other creditors. If the trustee ceases to remit funds, the status of our loan should be determined by contacting the trustee.

The debtor is ordered not to incur further debt so long as he is in this plan. This should keep the overload from getting even worse.

UNSECURED CREDIT

It is our policy to accept a Wage Earner Plan for all unsecured debt. After taking the three steps common to all bankrupt account procedures outlined on page 4, these steps should be taken on an unsecured Wage Earner Plan:

I. File a written proof of the claim to serve as our acceptance of the plan.
II. Place a copy of the proof of claim in the customer's folder.
III. Submit for charge-off.

Replaces Bulletin: COLLECTIONS - BANKRUPTCY & CHAPTER XIII - Dated 2/12/68

SECURED CREDIT

It is our policy to accept all Wage Earners Plans for secured obligations where the amount of repayment is sufficient to offset depreciation of the collateral. In cases where payments are too small to offset depreciation, confer with the Recovery Officer as to course of action. We will recover the collateral in most of these instances.

There will be some cases, however, where the recovery of collateral (resulting in a deficiency balance)will be secondary to the advisability of going along with the plan to receive the full amount of the debt. If a Chapter XIII is not confirmed, the case generally goes into straight bankruptcy and our position should be judged accordingly. To accept (confirm) the Plan for secured debt, take the three steps common to all bankrupt account procedures outlined on page 4, and:

I. File a written proof of claim to serve as our acceptance of the Plan.
II. Place a copy of the proof of claim in the customer's folder.
III. Free extend so the next payment will be due five months after the date of first meeting of creditors.

DEALER LIABILITY

Certain Sales Finance and CAS accounts are on recourse to dealers. Generally, upon notification of bankruptcy, these accounts should be charged back immediately to the dealer, with the bankruptcy notice accompanying the "charge-back" letter. Because of widely varying dealer agreements and considerations, however, this should not be done automatically, but only after departmental management's review and concurrence.

TRUSTEE'S RIGHTS

The trustee may set aside liens obtained within four months of the petition in bankruptcy, provided that at the time the bankrupt was insolvent. In addition, the trustee has a duty to set aside any security interest which is vulnerable to attack for reasons such as fraud, lack of value, or failure to file. Unless the bank filing policy dictates otherwise, we must always perfect our lien as required by the Uniform Commercial Code. Again, the security taken should be fully and accurately described in the filing statement to avoid all possibility of another lienholder or the trustee taking precedence to the property.

EMPLOYMENT OF ATTORNEY

Bankruptcy is a highly technical legal subject. Despite the fact that an attorney is often needed, many questions occur in bankruptcy proceedings which can be handled by our Recovery Officer, or by the senior consumer loan officer in the area. These men should be consulted first, rather than automatically involving an attorney.

Here are some situations where employment of an attorney is advisable:

A. Only attorneys may question the bankrupt at the first meeting of creditors. Thus, a bank representative attending the first creditors' meeting would get

very little information with the exception of learning who is appointed trustee, if one is appointed, and gathering information from listening to other creditors' attorneys examination of the bankrupt. However, if fraud is suspected, an attorney should be used to question the bankrupt at the hearing.

B. An attorney should be employed where there is a trustee's action to set aside a bank claim to its security.

C. An attorney should be employed where the bankrupt attempts to resist our right to reclaim collateral.

It is not suggested that anyone act as his own attorney. After consultation with your Recovery Officer, or senior consumer credit officer, if we determine that it is in the bank's interest to raise an issue about the bankruptcy, then consult an attorney. This is often a matter of judgment, depending on the individual fact situation.

RIGHT OF SET-OFF

Normally, our notes give us a right of set-off of bank accounts, or other property in the hands of the bank, when in existence prior to the date of the petition in bankruptcy. Where that right exists, we may do the following:

A. Set off bank balances on deposits for any portion of the debt which can be set off. This applies to any unsecured debt which we may have.

B. Set off unsecured debt against any secured transactions in which we have collateral in excess of the note amount. For example, suppose a customer bankrupts against a $500 automobile loan secured by an auto worth $750, and has a CAS balance of $300. We should set off the $250 coverage in the value of our collateral against the unsecured CAS line. In any instances where the value of our collateral exceeds the amount of our loan, the trustee in bankruptcy has a right to reclaim the collateral for any of the excess amount.

DEBT COUNSELING SERVICE

Bankruptcies represent a small portion of our collection problems. However, it is necessary to be able to deal with the problem effectively as it occurs. In counseling with a debtor considering this step, we should always recommend a Debt Counseling Service, if available. Otherwise, it would be better from our standpoint if the debtor considers Chapter XIII, rather than straight bankruptcy, since we may be able to recover all or a part of our debt under this method. See LENDING GENERAL-CONSUMER CREDIT COUNSELING SERVICE.

CHARGE-OFFS

Bankrupts and Chapter XIII Wage Earner Plan accounts will be charged off at the earliest practical date after the first meeting of creditors. Bankruptcy claims should be filed prior to charge-off, and a copy of the claim should be placed in the customer's file. There will be some instances in which we will continue

carrying an account after bankruptcy has been filed. These will be where we are well secured, and a proper reassumption has been made, and where the proposed payment schedule very nearly approximates the existing terms.

REASSUMPTION

A bankrupt may reassume liability for his debts. Occasionally a customer who is bankrupt against a specific debt feels morally obligated to the bank to repay. After the adjudication date, the debt may be reassumed as shown:

SITUATION	METHOD OF REASSUMPTION
No change in terms or collateral:	Get Reassumption Agreement (19-2010) signed. This allows us to retain our lien priority.
Change in terms or collateral:	Sign a new note. In addition to signing the new note, the borrower should sign the following statement typed on the bank of the new note. "This note reaffirms and reassumes my debt of like amount with the Citizens and Southern National Bank as listed in my bankruptcy petition number _____ dated _____. WITNESS: _____ _____ Signature DATE _____
Charge Account Service:	Either of above methods, although the signing of a note is preferred.

REASSUMPTION AGREEMENT (19-2010)

This agreement can be used for any Retail Banking indebtedness on which reassumption is desired. Complete it in duplicate and give the carbon copy to the customer. Attach the original to the original note. A completed example is shown on page 9.

PROOF OF CLAIM

Creditors may prove their claims of indebtedness by filing a "proof of claim", which lists the basis of the debt, and any security involved. It is not necessary to employ an attorney to complete a proof of claim. The last two pages of this bulletin show completed proof of claim forms that accurately describe the type

security interest involved. While we have a legal right to file a written proof of claim within six months after the first meeting of creditors, referees normally expect claims to be filed within two months after the first meeting of creditors. The claim should be filed along with a copy of the note signed by the customer. A copy of this claim should be placed in the customer's file.

REASSUMPTION AGREEMENT

WHEREAS, I, George Beatnot, have filed my petition in bankruptcy in the United States District Court for the Northern District of Georgia, Atlanta, Ga. the same being Case No. 23598.

WHEREAS, I listed Citizens and Southern Financial Corp., as a creditor. the evidence of debt being a Cond.Sale Contract executed on February 8, 19 70, and having an outstanding balance thereon of $1440.00.

This note reaffirms and reassumes my debt of like amount with Citizens and Southern Financial Corp. as listed in my bankruptcy petition number 23598 dated July 10, 1970.

WITNESS: [signature] [signature] Signature

DATE: August 3, 1970

E- 1108

19-2010

Note: Handwriting is for emphasis only. Use Typewriter.

PROOF OF CLAIM AND POWER OF ATTORNEY IN BANKRUPTCY. No. 78 [illegible]

In the District Court of the United States

FOR THE Northern DISTRICT OF Georgia

In the matter of

John Slow Doe
Debtor or Bankrupt.

In Bankruptcy No. 30837

State of Georgia County of Fulton

Sam Leader of No. 206 Mitchell Street,

in said County of Fulton and State aforesaid, being duly sworn, deposes and says:

If individual use this paragraph and ignore paragraph 2, 3, 4.

(1) That _____, the above named bankrupt, was at and before the filing by (or against) him of the petition for adjudication of bankruptcy, and still is, justly and truly indebted (or liable) to said deponent in the sum of _____ Dollars.

If a corporation use this paragraph and ignore paragraph 1, 3, 4.

(2) That he is the Banking Officer Citizens & Southern Nat'l Bank, a corporation organized and existing under the laws of the State of Georgia and carrying on business at No. 206 Mitchell Street, in Atlanta County of Fulton State of Georgia and is duly authorized to make this proof of claim on its behalf.

If a partnership use this paragraph and ignore paragraph 1, 2, 4.

3. That he is a member of _____, a copartnership composed of deponent and _____ of _____ in the County of _____ State of _____ and carrying on business at No. _____ Street, in _____ County of _____ State of _____

If an attorney or agent use this paragraph and ignore paragraph 2, 3.

(4) That he is the attorney (or agent) of _____ of No. _____ Street, in _____ County of _____ State of _____; that deponent is duly authorized by said _____ to make this proof of claim in his behalf; and that said proof cannot be made by said _____ in person because _____

That John Slow Doe, the above named bankrupt, was at and before the filing by (or against) him of the petition for adjudication of bankruptcy, and still is, justly and truly indebted (or liable) to said Citizens & Southern National Bank in the sum of Two Thousand ---- ($2,000.00) ---- Dollars.

That the consideration of said debt (or liability) is as follows: Note dated May 22, 1970.

E- 1109

That no part of said debt (or liability) has been paid, except _____

_____

_____

That there are no set-offs or counterclaims to said debt (or liability) except _____

_____

_____

That deponent does not hold, and has not, nor has any person by his order, or to his knowledge or belief, for his use, had or received, any security or securities for said debt (or liability) except _____

_____

(If the debt or liability is founded upon an instrument of writing) That the instrument upon which said debt (or liability) is founded is attached hereto (or is lost or destroyed, as set forth in the affidavit attached hereto).

(If the debt is founded upon an open account) That the said debt was (or will become) due on _____

_____ or that the average due date thereof is _____

_____); that no note or other negotiable instrument has been received for such account or any part thereof (or that the said debt is evidenced by a note (or other negotiable instrument, which is attached hereto); and that no judgment has been rendered thereon, except _____

_____

The Citizens & Southern National Bank

Aug. 24, 1970 _____ Creditor

Banking Officer

Subscribed and sworn to before me this _____ day of _____, 19____

_____

(Official Character)

POWER OF ATTORNEY

To _____ and _____

I, _____ of _____, in the County of _____, State of _____, do hereby authorize you, or any one of you, with full power of substitution, to attend all meetings of creditors of the bankrupt aforesaid, and all adjournments thereof, at the places and times appointed by the court, and for me and in my name to vote for or against any proposal or resolution that may be then submitted under the Act of Congress relating to bankruptcy, to vote for a trustee or trustees of the estate of the said bankrupt and for a committee of creditors, to accept any arrangement or wage-earner's plan proposed by said bankrupt in satisfaction of his debts, and to receive payment of dividends, and payment or delivery of money or of other consideration due me under such arrangement or wage-earner's plan, and for any other purpose in my interest whatsoever; and with like powers to attend and vote at any other meeting or meetings of creditors, or sitting or sittings of the court, which may be held therein for any of the purposes aforesaid.

In witness whereof, I have hereunto signed my name and affixed my seal this _____ day of _____, 19____

Signed, sealed and delivered in the presence of _____ (L. S.)

Acknowledged before me this _____ day of _____, 19____

_____

_____

(Official Character)

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT COLLECTION SUMMARY SHEET

TOPIC

Page 1 of 1 **Date** 12/26/69

NEW BULLETIN

The purpose of this bulletin is to introduce the Collection Summary Sheet as a new collection tool. It will help improve efficiency by providing a more organized and systematic basis for recording the details of personal followup. A copy is shown below.

It should be used in conjunction with the ledger card, or computer collection card when that card is not retained in the credit file. It should also be used to supplement the computer collection card when more space is needed. The form, 19-1450, may be ordered from the Purchasing Department in the usual manner.

COLLECTION SUMMARY SHEET Page 1

(To be kept in credit folder)

Account Name Arthur Schwartz Employment United Linen Supply

Address _____ Bus. Phone 599-2233

_____ Res. Phone 653-8114

Nearby Phone _____

Date Worked	Instl	Work Effort	Follow Up Date
12/19/9	WEM	Phoned cust. at FOE 624-1181. PP prmt + I.C.	
		ON 12/23 to Ms Att (New Employee Clives	
		Linens, Inc.)	12/31

19-1450

E-1111

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT COLLECTION CARD

TOPIC

 Date 10-1-70

Replaces Bulletin: COLLECTIONS - COLLECTION CARD - Dated 6/15/70

The purpose of the Collection Card is to provide an individual summary of each past due loan, to be used in collection follow-up. As past due loans enter the personal follow-up stage, Collection Cards are prepared and forwarded to the branches and sales finance departments. Collection Cards are prepared four times during the month. (Around the 1st and on the 10th, 17th and 24th of the month.) Once a Collection Card has been prepared for a loan, another card will not be prepared until after the loan becomes current, then again past due.

Collection Cards are prepared under the conditions listed below:

1. In most instances the Past Due Notice is prepared on the 10th day of delinquency. If a loan remains past due, the Collection Card is prepared when the loan becomes 17 days past due.

2. A Past Due Notice is not prepared when any of the NOTICE EXCEPTIONS exist. For these loans, the Collection Card is prepared on the 10th day of delinquency. (See COLLECTIONS-NOTICES.)

3. When a loan becomes one day or more past due because of a debit to the balance, a Collection Card is prepared when Collection Cards are next produced.

COLLECTION CARD

MR JOHN DOE
1234 EASY STREET
ATLANTA GEORGIA

DEALER NAME: JOHN SMITH CO.

N 69 CHEV

FOLLOW UP DATE

LIFE	D&S	MED	L&S
N	N	N	N

34

CRD	SAL	CAS	
1	1	1	0

ACCOUNT NUMBER: 52 01 13412 | BRANCH | CLASS | DEALER | SEQ: 2 4 10 810 1

DATE OF LOAN	NOTE AMOUNT	TERM MOS	NO PMTS	EXTENDED	EXPERIENCE	TIMES NSF	LATE CHARGE PAID	PYMT SERIES	D.C.	NO PMTS	AMOUNT	DATE TO BEGIN
3-27-70	312000	30	30	0		0		1st	1	30	10400	5-08-70
								2nd	0			
								3rd	0			
								4th	0			

TIMES MOS AMOUNT 1-29 30+ HOME PHONES

EMPLOYER BUSINESS

LOAN BALANCE	DATE CHG DUE/PAID		DATE DUE	SCHEDULED PYMT	PAST DUE AMT DUE	DATE PAID
312000	500	1	5-08-70	10400		
		2	6-08-70	10400		
		3	7-08-70	10400		

LAST TRANSACTION: DATE 3-31-70 | CODE | AMOUNT

USE THIS SPACE FOR OTHER BANK LOANS REFERRED TO, ETC

E- 1112

Replaces Bulletin: COLLECTIONS - COLLECTION CARD - Dated 6/15/70

VERIFICATION OF COLLECTION CARDS

All Collection Cards on loans past due 30 days or more should be checked against the Past Due List monthly to insure that a card exists for these 30-day and over month-end delinquencies.

COLLECTION CARD FILE

Each man handling past-due accounts should have a collection card file with 1-31 day dividers. As followup dates are determined, cards are filed under the date on which the next action is to be taken.

USE OF FOLDERS

To work accounts effectively, the collection man must know the background of each account (original application and investigation)--nature of past collection efforts. Both the collection card and the folder are needed for the desired quality of action. The collection steno should use the incoming new collection cards and the "set-up" collection cards to pull the related folders. Folders and collection cards should be kept in the same order to expedite handling by the collection man. After followup, folders should be refiled promptly.

LOANS REFERRED TO OTHER BANKS

When a loan is referred to an out of town bank for collection assistance, the name of the bank should be entered in the lower right portion of the Collection Card, along with the date. An early follow-up date should be set to insure that we will inform the bank of any payments received on the loan.

REPOSSESSIONS

When collateral is repossessed, it should be so noted on the Collection Card, along with the date. The loan should also be coded "Repossession." This is done on a Master Record Change.

LOANS ASSIGNED TO OUTSIDE ADJUSTERS (SALES FINANCE)

If a copying machine is available, a copy of the Collection Card should be made and given to the adjuster. If this is not possible, prepare copies manually.

Replaces Bulletin: COLLECTIONS - COLLECTION CARDS - Dated 6/15/70

UPDATING CARDS

Each day the Collection Cards set for follow-up that day should be checked for change of status before the customers are contacted. Try to avoid updating between 9:00 A.M. and 2:00 P.M., when large numbers of "immediate priority" inquiries are made.

Use the Audio system for updating. Two inquiry codes may be used - 208 and 209. OUTSIDE ATLANTA, UPDATING IS DONE ON VIDEO.
Code 208 is the "Balance - Late Charge" inquiry. The information given, in sequence, is Account Number, Balance, and Late Charge Due.

Code 209 is the "Status" inquiry. The information given, in sequence, is Account Number, Due Date, Payment Amount, Partial Amount Due, and Last Entry Date.

Here is an example of the response to Inquiry Code 208, "Balance-Late Charge". The numbers in parentheses refer to the instructions for updating the Collection Card which follow the example.

INQUIRY CODE 208 RESPONSE

(1)	ACCOUNT NUMBER	01 06 00027
(2)	BALANCE	2 543.20
(3)	LATE CHARGE DUE	3.74

(1) Listen carefully to the account number as it is given to verify that it is identical to the account number on the Collection Card.

(2) As the balance is given, compare it with the balance shown on the Collection Card. If the balance is the same, nothing is written at this point. If different, write in the new figure below the old balance figure. Here is an example of a balance change:

"BALANCE two four six eight dollars four zero cents"

~~2 543 20~~	3 74	3	10-08-70	74 80	
2 468 40		4	11-08-70	74 80	
		5	12-08-70	74 80	

E1114

Replaces Bulletin: COLLECTIONS - COLLECTION CARDS - Dated 6/15/70

(3) As the late charge is given, compare it with the late charge due shown on the Collection Card. If no change, make no change. If different, write in the new figure below the old figure, as shown:

"LATE CHARGE DUE seven dollars four eight cents"

LOAN BALANCE	LATE CHG. INCLUDED		DATE DUE	SCHEDULED PMT	PARTIAL AMT DUE	DATE PAID
~~2 543 20~~	~~3 74~~	3	10-08-70	74 80		
2 468 40	7 48	4	11-08-70	74 80		
		5	12-08-70	74 80		

If the balance has not changed, and the late charge amount is correct, all remaining information on the Collection Card is still correct and ready for collection followup. It will not be necessary to use another Inquiry Code.

If the balance has changed, you can sometimes determine at a glance whether the change was sufficient to pay up to date, thereby removing it from personal follow-up status. If the change did accomplish this, the Collection Card can be destroyed unless it contains collection followup information that should be filed in the customer's credit folder. EXCEPTION: If another payment will mature in 5 days or less, the account should normally be contacted by letter, acknowledging the payment received and reminding the customer of the payment coming due and any late charges remaining due; then the card may be destroyed.

If the balance has changed, and you need more information, use Inquiry Code 209, Status. The information given, in sequence, is Account Number, Due Date, Payment Amount, Partial Amount Due, and Last Entry Date.

Here is an example of the response to Inquiry Code 209, Status. The numbers in parentheses refer to the instructions for updating the Collection Card which follow the example:

INQUIRY CODE 209 RESPONSE

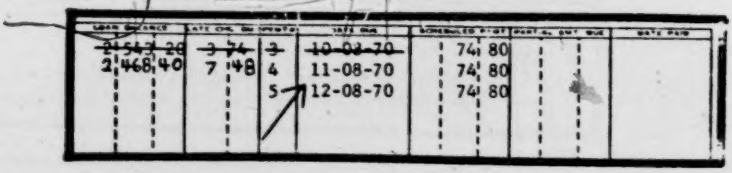
(1)	ACCOUNT NUMBER	01 06 00027
(2)	DUE DATE	11-08-70
(3)	PAYMENT AMOUNT	74.80
(4)	LAST ENTRY DATE	11-05-70

Replaces Bulletin: COLLECTIONS - COLLECTION CARDS - Dated 6/15/70

(1) Listen carefully to the account number as it is given to verify that it is identical to the account number on the Collection Card.

(2) As the due date is given, compare it with the due date shown on the Collection Card. Change it to the new due date, or if due date hasn't changed, leave it alone. Here is an example:

"DUE DATE one one eight seven zero"



~~2 54 7 20~~	~~3 74~~	~~3~~	~~10-08-70~~	74	80	
2 468 40	7 48	4	11-08-70	74	80	
		5	12-08-70	74	80	

(3) The payment amount should be identical to your Collection Card payment amount.

(4) Record this date in the Date Paid column.

IMPORTANT

IF THE DATE OF THE LAST ENTRY SHOWS THAT ANOTHER PAYMENT CAME DUE BEFORE THE PREVIOUS PAYMENT WAS POSTED, THE LOAN REMAINS PAST DUE. WHEN THIS IS THE CASE, THE COLLECTION CARD MUST BE RETAINED SINCE ANOTHER COLLECTION CARD WILL NOT BE PREPARED FOR THIS LOAN UNTIL IT IS PAID UP TO DATE AND AGAIN BECOMES PAST DUE. REMEMBER, IF A PAYMENT IS POSTED ON THE DUE DATE OR AFTER THE DUE DATE OF A SECOND PAST DUE PAYMENT, THE LOAN IS CONSIDERED STILL PAST DUE.

If necessary at this point, you can refer to the Daily Transactions Journal of the same date as Last Entry Date to get more information.

FOLLOWUP

After all Collection Cards have been checked and updated, they should be separated into two groups:

1. Those which remain past due.
2. Those which are now current.

Replaces Bulletin: COLLECTIONS - COLLECTION CARD - Dated 6/15/70

The Collection Cards which remain past due are the customers to be contacted today. As the customers are contacted, new follow-up dates are assigned and the cards filed by follow-up date.

Those loans which are now current, but have a payment maturing in 5 days or less, should normally be contacted by letter (including standard form letters) acknowledging the payment received and reminding the customer of the payment coming due and any late charge remaining due. After this is done, the Collection Cards representing loans which are now current may be thrown away, unless pertinent information has been recorded on a card. When this is the case, the card may be filed in the customer's credit folder.

After each contact with a customer the follow-up date for the next contact should be entered in pencil in the blank in the upper right corner of the Collection Card, and the card filed by follow-up date. Promises for payment should normally be followed one day after the day that the payment is to reach the bank. If a specific date was not determined (for example, a letter was sent to the customer) no more than 5 to 7 days should elapse before the next contact. In assigning follow-up dates, consideration should be given to the seriousness of the delinquency and the number of loans scheduled to be contacted on that day.

RELATED BULLETIN: COLLECTIONS - NOTICES

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT CREDIT BUREAUS

TOPIC NOTIFICATION SERVICE

NEW BULLETIN

Nearly all credit bureaus provide a multi-purpose service to their members - at a nominal cost - that should be exploited fully. The Credit Bureau of Atlanta calls it Notification Service. Other locations may call it Notice of Change, Derogatory Information Service, Locater Service, or some similar name.

The only cost to us is our time spent in filling out the form, unless new address or employment information is secured by the credit bureau. In that case, we are charged the price of a file report. Two advantages stand out clearly:

1. More effective collection results from locating skips will result in fewer skip losses.

2. Money will be collected on some of these several years after charge-off, since many skips "retrace" their steps over a period of time. These notification slips remain in credit bureau files for several years.

After prescribed skip-tracing routines are followed without success, this service should be used. (See COLLECTIONS - SKIPS - LOCATION OF).

The form shown below should be completed in duplicate - the original goes to the credit bureau, and the copy goes in the customer's file.

NOTIFICATION Service

7-19-68 SEND IMMEDIATELY TO *The Credit Bureau of Atlanta*

Submitted by: 6717 (Name or Account #)

Name: Wall (Last name) James (First name) Elbert (Middle Name) husband Name of wife: Martha

Present Address: Unknown Former Add.: 1360 Linden - Jonesboro

Occupation: Self-emp. plumber Business Add.: Unknown

DATE OPENED	DATE LAST PAY	HIGHEST CREDIT	TERMS	BALANCE	PAYING RECORD
1-25-68	6-3-68	720-	24X30	630-	Slow

Check one —

RETURNED CHECK ☐, REPOSSESSED ☐, ATTY. ☐, SLOW PAY ☐, DECLINED ☐, DECEASED ☐, P&L ☐

TO THE CREDIT BUREAU: The above member desires the additional information checked below. If developed, notify this member at once and charge the regular file rate:

☒ NEW ADDRESS ☐ DEROGATORY INFORMATION

☒ NEW EMPLOYMENT ☐ OTHER _____

Form 2106—8-68 U.S.A.

Use of this or a similar form and procedure should become standard practice for reporting repossessions, attorney accounts, and P&L's, and for requesting new address and/or new

NEW BULLETIN

employment. Uses for other reasons are optional, but are not as likely to help us directly. The forms can be obtained from credit bureaus.

NOTE: In Atlanta, this form will continue to be initiated on P&L's only by the Recovery Department.

RELATED BULLETIN - COLLECTIONS - SKIPS - LOCATION OF

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT EMPLOYERS

TOPIC RIGHT TO CONTACT

 Date 12-18-61

Replaces Bulletin: "COLLECTIONS - EMPLOYERS" Dated 6-7-57

In a decision by the State Supreme Court, the right to contact a debtor's employer by a creditor was restored. This was a reversal of a previous decision in the case of Zerbst vs Taber - Reference (Ga. 96 Appeals 48). This ruling gives us a collection tool that can be most effective if properly used.

WHEN TO CONTACT THE EMPLOYER Care and tact must be exercised when it becomes necessary to contact an employer. We do not want to make a nuisance of ourselves, and we must preserve the good will of the employer.

Before contacting an employer, we should be fully aware of the reason for the delinquency for in many instances our customers do have valid reasons for being past due. To contact a debtor's employer without knowing why he is past due could prevent a satisfactory adjustment and possibly create a chronic collection problem.

If the account cannot be adjusted on a direct basis with the customer then his employer should be contacted. When an account falls in the categories listed below it indicates a need for calling the employer:

1. Unable to contact customer.
   a. No response is received to telephone calls.
   b. He fails to answer collection letters.
   c. Notices and letters are returned unclaimed.
   d. He has moved and his new address is unknown.
   e. The Outside Adjustor is unable to locate him.
   (Personnel files possibly contain names of relatives through whom a skip could be traced, see Bulletin: COLLECTIONS - SKIPS - LOCATION OF.)

2. Failure to fulfill promises.
   (Information from employer will help evaluate and appraise statements made by customers.)

3. Indifference - the customer has the means to pay but deliberately refuses to do so.

4. Chronic past dues.

APPROACH TO THE EMPLOYER A brief statement as to the purpose of the contact and the need for the employer's assistance is the best approach. In this statement we should emphasize the bank's desire to help his employee adjust the account on a friendly and practical basis. You should also point out that with his cooperation mutual benefits will be received by all concerned. We solve a collection problem and his employee being free of worry about the account should be able to give better work performance.

Most employers are interested in the welfare of their employees and will cooperate with the bank.

Replaces Bulletin: "COLLECTIONS - EMPLOYERS" Dated 6-7-57

WHOM TO CONTACT Our effectiveness will depend upon our talking or corresponding with the proper parties responsible for personnel. Normally, larger firms and all government agencies will have personnel managers. All contacts should be made with them for best results.

In smaller firms, the manager or owner should be contacted. With military personnel, collection correspondence should be directed to the customer's Commanding Officer. Information on handling military personnel is contained in the Bulletin: COLLECTIONS - MILITARY PERSONNEL - SOLDIERS' AND SAILORS' CIVIL RELIEF ACT, dated 10-27-61.

FOLLOWUP Once the initial contact with the employer is made, we must continue to keep him informed as to the status of the account. Copies of correspondence, along with any pertinent information developed during the course of handling, should go to him. Our failure to keep the employer informed could lead to an embarrassing situation if it becomes necessary to contact him on future installments that go past due.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT EXTENSIONS

TOPIC

 Date 12-27-67

Replaces Bulletin: COLLECTIONS - EXTENSIONS Dated 5-11-62

For many years we have stressed that the key to successful adjustment of past-due accounts is contingent upon a complete understanding of the delinquent customer's problems and his reasons for being past-due. Frequently a customer is temporarily past-due because of circumstances beyond his control. In such cases, it is our responsibility to analyze completely the customer's problem and be willing to grant an extension of the loan if curcumstances justify such action.

Extensions are not always used in conjunction with a past-due account. Rather, there are any number of occasions when an extension plays a vital part in meeting the full financial needs of the customer. For example, the customer may be current and find that due to unexpected expenses or other financial difficulties he cannot pay his next installment. To grant an extension in such cases not only helps the customer overcome his current financial difficulties, but also solves what could represent a potential collection problem.

At times the extension may be the means for providing the customer with needed funds rather than requiring him to seek an additional loan or rework his present note. While this does not actually entail advancing new money, it does permit the customer use of the normal monthly payment(s). Extensions of this type may be rare; nevertheless, they should be considered in an effort to provide maximum service to the customer.

Our basic policy, therefore, is to make extensions whenever conditions warrant, whether the account is past-due or not. Extensions should never be made for the sole purpose of removing the loan from a past-due category. Extensions must always be made as an attempted solution to a customer's problem.

CREDIT REQUIREMENT

Before an extension can be granted, it must be established by an analysis of the account that the financial difficulties experienced by the customer are of a temporary nature and that time will prove to be the solution to the problem. Some degree of re-investigation may be necessary. The individual making the decision to grant the extension must take into consideration the following factors.

1. Customer's sufficiency of income to meet payments on the new terms.
2. Customer's willingness to pay in accordance with the terms of the proposed extension.
3. On secured transactions - the amount of equity and availability of the collateral.

A request for an extension in the very early stages of a contract is a red flag. In the majority of cases, we expect the customer to have paid enough payments on the account to establish a paying pattern. This serves as a partial basis for our decision to allow the extension.

Replaces Bulletin: COLLECTIONS - EXTENSIONS Dated 5-11-62

CHANGE OF DUE DATE

It is permissible to adjust the due date for the customer's convenience, up to 15 days without charging a fee. This is not an extension. You may find it practical to change a due date several days in conjunction with an extension. The most critical payment after an extension is the first one, so the due date must be closely related to the customer's payday, and followup should be accelerated - the same as if it were the first payment on a loan.

EXTENSION FEES

Original interest charges on installment loans are predicated on a predetermined repayment schedule. Therefore, when granting an extension, the customer receives the benefits of the funds for a longer period of time than that for which he was originally charged. To compensate for the use of these funds during the periods of extension, it is necessary to charge the customer a fee. The normal charge is 1% of the unpaid balance, at the time of the extension, for each 30 days extended - with a minimum charge of $2.00 on loans to individuals.

NO EXTENSION SHOULD BE MADE UNLESS AND UNTIL THE EXTENSION FEE IS COLLECTED. ANY LATE CHARGES DUE SHOULD BE COLLECTED AT THIS TIME ALSO. Payment on the account should be obtained if the extension is for more than one month. One good guideline is, "The more an account is delinquent, the more important it is that some reduction of the balance be made."

On Small Business transactions, the fees are to be computed in the same manner except in those cases where the original charges were based on simple interest factors. On these transactions the charge is determined by applying the original interest factor to the unpaid balance for each 30 days to be extended. On seasonal farm paper, the extension fee should be computed on the appropriate seasonal rate chart. It is also necessary to add to this charge on seasonal farm contracts the cost for additional coverage where needed (See Bulletin: INSURANCE - FARM EQUIPMENT).

CREDITING FEES TO THE GENERAL LEDGER

All extension fees are credited to the General Ledger account Interest and Discount, Installment Loans - Individual or Small Business, as the case may be. The credit ticket shows the customer's name, account number, and the number of months the loan has been extended. A double credit ticket is used, the original copy being run into the block (used by the teller in balancing at the end of the day) and the second copy going to the Central Billing Department for accrual pruposes. (See Bulletin: ACCOUNTING & GENERAL OPERATIONS - GENERAL LEDGER ACCOUNT.)

EFFECT ON INSURANCE

An extension has no effect on any credit life, disability, and property (fire and theft) insurance placed on the loan at inception. No additional charge need be collected and no additional accounting is necessary. (Exception - Seasonal farm

Replaces Page 3 of Bulletin: COLLECTIONS - EXTENSIONS Dated 12-27-69

In any transaction in which an insurance policy has been secured and placed in the customer's file, such as on an automobile, an extension may cause the term of the contract to be longer than the term of the insurance. While in most such instances, this could result in our being unprotected for only the final month or two of the contract, the lending officer should be aware that the situation exists. Then, related to the risk factors involved, a decision can be made regarding further followup for insurance coverage.

BALLOON NOTES AND IRREGULAR PAYMENT CONTRACTS

Irregular payment arrangements and balloon notes present special problems. An extension could represent a significant strerching of terms. Instead of our exposure of, say, one or two regular payments of a 36-month contract, a two month extension of a balloon note contract might result in a $1,200 "balloon" that is uninsured for two months if we fail to take steps to remain insured. More than usual care must be taken when considering extensions on "unusual terms" contracts. A rework may well be a better solution than an extension in many of these cases.

INDORSERS AND COMAKERS

Generally, indorsers and comakers should be contacted to discuss the proposed extension and to secure their approval.

RECOURSE

Although our dealer agreements allow us the right to extend and/or revise contract terms without affecting dealer liability, we should advise the dealer of unusually long extensions.

CHANGES ON LEDGER CARD

In order to show that a loan has been extended on the ledger card, the due dates are changed to reflect the additional months the loan is to run. This is done by marking (with ink) through the repayment dates shown on the ledger card and inserting the new dates for payment.

On the reverse side of the ledger card spaces are provided for recording the extension fees, number of additional months the loan will run, and initials of the approving officer. The date the front of the ledger card is changed is to be entered in the "date made" column and the date the extension fee is collected is to be entered in the "date paid" column.

A written memorandum relating the facts concerning the adjustment should be prepared for the customer file. Such information is required in the event further follow-up becomes necessary.

CHANGES IN COUPON BOOK

It is not always possible to make changes in the customer's coupon book to show the extension. However, if the customer does have his coupon book with him at the time the loan is extended, the individual making the extension should

Replaces Page 4 of Bulletin: COLLECTIONS - EXTENSIONS Dated 12-27-67

coupons to reflect the same dates as shown on the ledger card. If the customer does not have the coupon book with him or if the extension is made by mail, you may advise him to make the necessary changes himself.

NOTICE OF EXTENSION

N E W Federal law (Regulation Z) requires us to give the customer a notice of the extension. Form 19-1400 is to be used for this purpose. The original is for the customer. (A copy of the Notice of Extension need be sent only to a primary customer). The file copy has additional space on it for entry of reason, date made, date paid, and approval initials.. This is to be retained in the customer's file for two years. Sample is shown below.

C&S

Notice of Extension

Your account has been extended as requested. Details are shown below. Date

Reason
Date Made
Date Paid
Approved by

Account Number
Amount Extended
Extension Fee
Months Extended
New Due Date

Bank Copy

Please make all payments promptly

CHECKPOINTS

Proper attention to the following questions should result in successful extensions:

1. Why hasn't he paid?
2. Has he had extensions and/or due date changes before?
3. Can he pay under terms of the extension?
4. Is due date change needed?

Addition to Bulletin: COLLECTIONS - EXTENSIONS Dated 12-27-67

5. Is some payment on account needed?
6. Are late charges being collected?
7. Is insurance affected?
8. Is the account on seasonal or irregular terms (including balloon note)?
9. Is dealer liability involved?
10. Is there an indorser?

N 11. Has he received a copy of the Notice of Extension?

ORDERING FORMS

Forms may be ordered from Purchasing Department, Atlanta, in the usual manner. Specify form number 19-1400.

RELATED BULLETINS

INSURANCE - FARM EQUIPMENT
ACCOUNTING & GENERAL OPERATIONS - GENERAL LEDGER ACCOUNTS

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT FOREIGN CLAIMS

TOPIC REFERRED BY OTHER BANKS

 Date 5/7/70

Replaces Bulletin: COLLECTIONS-SKIPS-REFERRED BY OTHER BANKS-Dated 8-29-57

Collection cases referred to C&S by other banks, under the reciprocal arrangement described in our bulletin - COLLECTIONS-FOREIGN CLAIMS-REFERRAL TO OTHER BANKS - should receive priority in handling. In addition to giving the best possible collection service, other factors are involved in handling "Foreign Claims" (including other C&S offices).

ACKNOWLEDGMENT

All claims should be acknowledged the same day received, telling the originating bank how soon they may expect a report. If the claim can be worked the same day and a report given - so much the better - but do acknowledge promptly.

_____ Customer's Name

Your request for collection assistance on the above named customer's account has been received by this department today. Immediate attention will be given to this request and you will be notified as quickly as possible of any and all progress.

Citizens & Southern National Bank
P. O. Box 4899
Atlanta, Georgia 30302

Recovery Department

_____
Manager

Date: _____

BEFORE ATTEMPTING COLLECTION

1. Check your files for possible experience (in Atlanta, check CIF). Frequently we find information already in file that will be helpful in collecting.
2. Prepare a folder in the same manner as folders are prepared on rejections. After your handling is concluded, file foreign claim folders in your regular files.

Replaces Bulletin: COLLECTIONS-SKIPS-REFERRED BY OTHER BANKS-Dated 8-29-57

3. Enter on "Foreign Claim Log." As a means of control of service and to know how many claims are handled each month, each office should maintain a log showing, (1) name of debtor, (2) originating bank, (3) date received and (4) date concluded.

REPORT ALL COLLECTION EFFORTS

Report all collection efforts to the originating bank as you go along. In the absence of word from you, the originating bank will assume that you are doing nothing even though you may be doing a good job for them.

If an account has been brought up-to-date or you have taken all possible action, RETURN THE FILE. Let the originating bank know that your file is "closed" and you will be glad to handle again if needed.

CHARGES - EXPENSES

In line with our listing in the Installment Lending Directory, we accept the standard $10 fee for handling foreign claims plus out-of-pocket expenses. If situations develop involving unusual expense, such as paying a large repair bill to get possession of a car, clear with the originating bank first.

HOLD HARMLESS AGREEMENT

Before attempting a repossession, be certain to obtain a "Hold Harmless Agreement" from the bank making the referral to you. A sample of such an agreement is found in the lower left hand corner of our Summary of Account form (19-987). In instances where you receive the referral by phone and immediate repossession is requested, ask the bank to mail you written instructions and a "Hold Harmless Agreement". While there is never any question as to the integrity of the referring bank, legal complications could arise at the point of repossession which could require our having such an agreement for our own protection.

REPOSSESSIONS

If you repossess merchandise under instructions of another bank, report the condition together with bids received (time limit of each bid - if any) and your opinion whether the merchandise can be returned to the other bank economically. Do not dispose of such repossessions except on complete instructions from the bank and be sure that the costs and net balances are understood.

ACCOUNTING

Transmittal fees received should be credited to the General Ledger Account "OTHER INCOME".

RELATED BULLETIN COLLECTIONS-FOREIGN CLAIMS-REFERRAL TO OTHER BANKS, AGENCIES

OPERATING BULLETIN

SECTION	COLLECTIONS
SUBJECT	FOREIGN CLAIMS
TOPIC	REFERRALS TO OTHER BANKS, AGENCIES
Page	1 of 2
Date	5/6/70

Replaces Bulletin: COLLECTIONS - SKIPS - REFERRALS TO OTHER BANKS, AGENCIES Dated 11-8-54

N The Installment Credit Committee of the American Bankers Association
N publishes the Installment Lending Directory every two years. C&S orders them centrally and sends them to each office. Participating banks are listed in the directory alphabetically by states and cities. Also shown are codings of the various types of loans handled and the extent of collection facilities available to requesting banks. Before referring claims to banks listed in the Directory, read the preface carefully and select banks whose coded symbols indicate that they have the facilities to help you.

N An important change is that a $10.00 "transmittal fee" must now accompany each account that is referred. Any out-of-pocket expenses should also be charged to the referring bank, as in the past. The fee should help to equalize costs, and should discourage referral of small balance accounts, charge-offs accounts, and "fishing expeditions".

WHEN TO REFER

When the following conditions exist, you should generally refer an account for work:

1. Recent collection notices, letters, and long-distance phone calls have been unsuccessful, and
2. The Installment Lending Directory shows a bank that provides the type collection service you need, and
3. The account balance and likelihood of collection appear to justify the immediate $10 transmittal fee plus possible other out-of-pocket expenses.

Of course, any time an account is in an unusual risk situation that requires immediate personal contact, referral should be made.

CORRESPONDENT BANKS

In using the Installment Lending Directory, our Correspondent Bank relationships should be protected at all times. In referring claims in the southeastern area, the Officer-In-Charge of each Installment Loan Department is responsible for knowing the Correspondent Bank relationship involved before claims are referred. In any town where we have a correspondent bank, claims should be sent to that bank regardless of listing in the Installment Lending Directory.

CAS ACCOUNTS

A credit card item is considered to be an appropriate item to submit for collection under the reciprocal program. Please be certain that the bank you select has a credit card plan.

Replaces Bulletin: COLLECTIONS - SKIPS - REFERRALS TO OTHER BANKS, AGENCIES - Dated 11-8-54

REFERRALS TO OTHER BANKS

Use the Summary of Account form (19-879) with the following letter:

"Mr. John Doe, who is now living in your community, has with us a delinquent account, details of which are outlined in the enclosed Summary of Account. We would appreciate your handling this account on the basis set out in the American Bankers Association Installment Lending Directory. The prescribed $10 transmittal fee is enclosed."

N

"We feel that our customer will cooperate with you. If you find that collection is impossible without referral to an attorney or collection agency, please write us your recommendation prior to taking such action."

"If at any time in the future you should have a collection problem in our area, we shall be glad to reciprocate."

C&S BANKS

The procedure is EXACTLY the same as in the preceding paragraph "REFERRALS TO OTHER BANKS," EXCEPT, don't pay the $10 fee.

ATLANTA AREA

All accounts in the metropolitan Atlanta area should be directed to:

Central Recovery Department (Telephone: 588-3188)
North Avenue - 9th Floor

OUTSIDE COLLECTION AGENCIES

Occasions may arise where you are unable to get collections handled in a given area. When this occurs, contact your Recovery Officer or Central Recovery Department, Atlanta, for the names of outside collection agencies, collection attorneys, finance adjustors, Automobile Recovery Bureaus, etc.

Generally accounts should be sent to attorneys for collection purposes only where the bank to which you have referred your account is unable to assist you and recommends a particular attorney to handle the collection service.

ACCOUNTING

Transmittal fees paid should be debited to the General Ledger Account "PROFESSIONAL SERVICES-OTHER".

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT LATE CHARGES

TOPIC

 Date 6/29/70

Replaces Bulletin: COLLECTIONS - LATE CHARGES - Dated 8-23-67
Also includes : Material from INSTALLMENT LOAN AUTOMATION MANUAL

Legislation covering most Sales Finance transactions limits the maximum late charge we may collect. For uniformity, we have elected to standardize our present late charge schedule on all consumer installment transactions to conform to the maximum permitted by the Sales Finance legislation. This is consistent with the charge now being made by most installment lenders.

Although late charges will not eliminate past-due accounts, effective collection of late charges will reduce the number of those accounts by encouraging prompt payments and will partially offset the additional expenses incurred in collection follow-up.

CUSTOMER EDUCATION AND NOTIFICATION

Customer education regarding prompt payments and the necessity for late charges on late payments is the foundation of a PREVENTIVE program on past-due accounts. This is a continual process extending from the initial interview in which the customer requests a loan until the loan has been completely repaid. The loan interviewer should orient customers to the need for prompt payments and the nature of late charges. All our note and contract forms show the late charge assessment method in bold-face type, as required by Regulation Z. In addition, the customer's payment card book contains a note that states the advance notice nature of the payment cards, the advantages of making payments promptly, and the necessity for late charges.

Customer notification about paying late charges is positive and automatic. The computer automatically assesses late charges at the ten-day delinquency point, when the first notice is sent, showing it on the notice. It should be reflected in any later follow-up activity (mail, telephone, or personal contact) on the account. The amounts of late charge paid and amounts remaining due are accumulated on the record of each loan and can be determined by video or audio inquiry. In addition, these amounts are shown in the Transactions Journal, the Collection Card, the Closed Loan Card and the Past Due List.

LATE CHARGE COMPUTATION - RETAIL LOANS

Late Charge is calculated on the basis of 5% of the past due payment amount (or past due shortage), with a maximum charge of $5.00. For example; the scheduled payment amount is $80.00, but only a portion of this payment, $50.00, remains unpaid. The late charge on the tenth day of delinquency (due date plus 10 days) is $2.50, (5% of $50.00). If the next payment also becomes past due ten days, an additional late charge of $4.00 will be added (5% of $80.00).

LATE CHARGE COMPUTATION - BUSINESS LOANS

Term Credit loans will be assessed according to the example shown on page 2.

Replaces Bulletin: COLLECTIONS - LATE CHARGES - Dated 8-23-67
Also includes : Material from Installment Loan Automation Manual

PAYMENT AMOUNT	LATE CHARGE
Under $100	5%
$100 and over	(1) $5.00, OR, (2) 8% simple interest on the payment amount for each day past due, WHICHEVER IS GREATER Example: Payment of $1000 past due 10 days, 8% = $2.22, so, assess $5.00 minimum late charge. On 23rd day, 8% = $5.11, so that is the amount to charge. Once you have determined the daily interest (22¢ in this case), note it in the credit file, or write it on top of the ledger card (where cards are still used).

OUTSIDE CONTACTS

Past-due accounts that require outside follow-up contacts are very expensive to collect. Therefore, our late charges must be collected without exception. Any out-of-pocket expense incurred should be collected from the customer.

COLLECTION OF LATE CHARGES

It is important that both our customers and our own personnel understand that late charges are as much a part of our rate structure as the original interest. If we FAIL to collect late charges, our customer educational program on prompt payment is weakened; our additional collection expenses are not compensated for; and our practices are not consistent with our rights as specified in our loan agreements.

Obviously, a positive approach is essential to the collection of late charges. The collection of late charges is the responsibility of each person servicing the account to see that the total amount due (past due payment(s) and appropriate late charges) is collected.

All officers in charge of installment lending should vigorously support the collection of late charges. Active operational supervision and employee counseling on late charges will assist in accomplishing the desired results.

Replaces Bulletin: COLLECTIONS - LATE CHARGES - Dated 8-23-67
Also includes : Material from INSTALLMENT LOAN AUTOMATION MANUAL

Determine the effectiveness of the collection activity by reviewing the collection letters and outside adjustor's performance reports; by comparing on a monthly basis late charges collected in your office to those collected in offices of similar size, and by listening to telephone and face-to-face conversations with customers. If these sources of information indicate that the collection of late charges is deficient, corrective action should be taken immediately.

Inside and outside adjustors should not consider past-due payments and late charges as separate sums due on an account. They should solicit the gross amount due from customers. In addition to collecting late charges on the presently past-due payment(s), outside adjustors are expected to collect any and all late charges which have been previously billed and remain unpaid. If an account that has late charges outstanding is to be paid out before the scheduled date, deduct the amount of the unpaid late charges from the rebate due on the old note. If the rebate is not sufficient to cover the accrued late charges and the account is being reworked, add the remainder of the late charges to the principal on the new note or collect them in cash. If an extension is to be made on an account, be sure to collect the accrued late charges, as well as the regular extension fee.

If the late charges outstanding on a paid-in-full account are less than $5.00, return the note to the customer, as usual. If it has been paid in full, except for late charges of $5.00 or more, retain the note in the customer's file until payment has been received for those late charges. Send one letter to the customer informing him that his note will be returned to him upon his payment of the outstanding late charges. The letter may be worded as illustrated below.

> Thank you for your final payment on your account.
>
> This payment completes your scheduled installments; however, $ _____ has accrued as late charges because of late payments. When this amount is received, we will be happy to return your note marked "Paid".
>
> Your final settlement of this account will be appreciated so that we may close your bank loan satisfactorily.

SPECIAL INSTRUCTIONS FOR TELLERS

All tellers should be familiar with our policy on late charges. They should determine the status of the account from the customer's coupon book.

1. If the payment coupon shows a due date that is current or less than 10 days past due, collect the payment amount.

Replaces Bulletin: COLLECTIONS - LATE CHARGES - Dated 8-25-67
Also includes : Material from INSTALLMENT LOAN AUTOMATION MANUAL

2. If the payment book shows a due date that is over 10 days and less than 25 days past due, collect the payment and the 5% late charge due on that payment. EXCEPTION: If this is the first payment, refer the customer to an installment loan officer.

3. If the payment book shows a due date that is 25 or more days past due, call and find out the exact status of the account. Then, if it does not fall into either (1) or (2), refer the customer to an installment loan officer.

WAIVERS ON LATE CHARGES

Late charges may be waived on a loan if it is in the best interest of the bank. This practice should be held to a minimum. If the late charge is to be waived, a Miscellaneous Change (19-1205) should be prepared to change the amount of the late charge due. In the example shown below, the late charge was $20.00. The new LATE CHARGE DUE amount is being changed to $5.00. (If all of the late charge is being waived, enter "00000.") Miscellaneous Changes are shown on the File Maintenance report.

INSTALLMENT LOAN
MISCELLANEOUS CHANGE

ACCOUNT NUMBER	ENTER CODE FOR CHANGE FROM TABLE BELOW →	CODE	DATA TO BE ENTERED	CARD CODE
01 20 0[illegible]9		31	005C0	9
1		10	12	

CODE	DATA TO BE CHANGED	NO. CHARS.
02	ZIP CODE	5
03	PURPOSE	1
04	MODEL CODE	1
05	TYPE-DEALER-CLASS	6 (1-3-2)
06	SPEC. INS.-CKG. A/C #	9 (1-8)
07	MANUFACTURER NO.	3
08	EXPIRATION DATE	6
09	AGE OF BORROWER	2
10	PERCENT DOWN	2

CODE	DATA TO BE CHANGED	NO. CHARS.
11	OVER-ADVANCE	3
12	BANK SERVICES	3
13	SOC. SEC. NO.	10
14	INITIALS OF LENDER	3
15	PHONE NO., HOME	7
16	PHONE NO., BUSINESS	7
25	SOURCE CODE	1
26	DATE OF LOAN	6
27	TERM (NO. MOS.)	3

CODE	DATA TO BE CHANGED	NO. CHARS.
28	PAYMENT RECORD	6 (2-2-2)
29	TIMES NSF	1
30	TIMES EXTENDED	1
31	UNPD. LATE CHARGES	5
32	COLLATERAL DESCR	15
33	INSURANCE CODES	2
34	CREDIT PROFILE	4
35	FLAG CODE	1

John Doe — 6/30/70 — RK
CUSTOMER'S NAME — DATE — AUTHORIZED BY

GENERAL LEDGER ENTRIES

Late charges that are collected are credited to the General Ledger Account - "SERVICE CHARGES - INSTALLMENT LOANS." This procedure is also used on late charges and past due interest collected on Small Business Loans. Extension fees and other miscellaneous

EST AND DISCOUNT - INSTALLMENT LOAN - INDIVIDUALS" (or BUSINESS, as the case may be) or [illegible] accounts.

[illegible]ATED BULLETINS: COLLECTIONS-NOTICES [illegible]

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT LOSSES

TOPIC CHARGE-OFF POLICY

 Date 6/22/70

REPLACES BULLETIN: COLLECTIONS-LOSSES-CHARGE-OFF POLICY-Dated 2-1-68

This bulletin describes the categories of accounts that must be charged off, tells when to charge off, and states basic C&S policy on related points. Clear, consistent, and honest statement of good assets demands adherence to a realistic charge-off policy.

Charging off an account does not mean that we diminish our collection efforts, but does mean that we recognize a questionable asset. The transfer to a salvage officer in each city for specialized handling accomplishes collections on these accounts in a more practical, economical, and professional way than is otherwise possible.

REVIEW OF POTENTIAL LOSS REPORTS

Each month, senior management should review the Potential Loss Reports for Installment Loans and CAS to stimulate the collection of these accounts and to be sure that salvage does not remain in current receivables beyond prescribed limits.

WHAT AND WHEN TO CHARGE OFF

It is our policy to charge off as follows:

1. Any installment loan (including CAS accounts that have been put in the liquidating section on installment terms) that is four payments past due will be charged off by the end of the following calendar month.
2. CAS accounts with no payment activity for four past-due billings will be charged off by the end of the following calendar month.

IT IS IMPORTANT TO RECOGNIZE THAT A CAS ACCOUNT IS NOT PAST-DUE UNTIL THE SECOND BILLING WITHOUT PAYMENT, OR, IN THE CASE OF PARTIAL PAYMENTS, WHEN TWO MINIMUM PAYMENT AMOUNTS ARE DUE.

3. CAS accounts that are 6 months past-due on the minimum payment schedule will be charged off by the end of the following calendar month.
4. Any account that represents a known loss will be charged off at the next regular charge-off time.
5. Any account that represents an extended period of salvage will be charged off at the next regular charge-off time, regardless of past due status.

NOTE: Several factors will bear on this decision. Estimated collection cost versus probable results must be weighed. The question of best alternative use of collection time must be answered honestly. Whether the account has been worked in a timely manner and by seasoned people must be considered. Realistic judgment must be given to these questions to be able to make a good decision.

Replaces Bulletin: COLLECTIONS-LOSSES-CHARGE-OFF POLICY - Dated 2-1-68

Management has the discretionary authority to depart from any of these policies for good cause, which should be indicated on the Potential Loss Report.

CAS RESCHEDULES

Care must be exercised not to consider a reschedule of credit (where no payment was made) as a payment with respect to compliance with charge-off policy and procedure. All credits (not payments) to accounts will have to be considered individually to determine if they should be treated as payments with respect to charge-off policy compliance.

WHEN TO CHARGE OFF A REPOSSESSION

A repossession will be charged off:

1. After sale, ordinarily.
2. Prior to sale, when the probable amount of sale proceeds will not be a significant amount in relation to the balance.
3. When requested by examining authorities.

WHEN TO CHARGE OFF A BANKRUPT

Bankrupts and Chapter XIII Wage Earner Plan accounts will be charged off at the earliest practical date after the first meeting of creditors. Bankruptcy claims should be filed prior to charge-off, and a copy of the claim should be placed in the customer's file. There will be some instances in which we will continue carrying an account after bankruptcy has been filed. (See: COLLECTIONS - BANKRUPTCY & CHAPTER XIII, Page 3).

WHEN TO CHARGE OFF A DEBT COUNSELING ACCOUNT

An account placed in a debt counseling program is a questionable asset and must be charged off at the next regular charge-off time. While this will increase the dollar amount of losses, recovery is expected to offset this so that net losses will not be affected. Having Recovery Officers coordinate the paperwork on these accounts places this responsibility in more specialized hands and frees the operating locations' collection personnel for more fruitful work.

There will be a rare instance in which it may be permissible to avoid charging off such an account (except CAS locations, who must charge off to keep from billing further service charges). This will occur when we are well secured and the revised payment schedule very nearly approximates the existing terms.

ANALYSIS

The statistics and resume of collection effort on the History Sheet should allow a thorough analysis to be made. Many times a credit or collection mistake can be written up so that, constructively used, it can be an excellent training aid for preventing similar losses in the future.

RELATED BULLETINS:

COLLECTIONS-LOSSES-CHARGE-OFFS-PROCEDURE AND HISTORY SHEET PREPARATION
COLLECTIONS-BANKRUPTCY - CHAPTER XIII

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT LOSSES

TOPIC CHARGE-OFFS - PROCEDURE & HISTORY SHEET PREPARATION

 Date 3-27-69

Replaces Bulletin: COLLECTIONS - LOSSES - CHARGE-OFFS - PROCEDURE & HISTORY SHEET PREPARATION Dated 11-8-63

The Charge-Off History Sheet provides for complete and comprehensive analysis of the factors leading to charge-off. This bulletin explains preparation and routing of the Charge-Off History Sheet and accounting procedures required to charge off a loan.

CHARGE-OFF HISTORY SHEET (19-905 Rev. 11-68)

The History Sheet is designed so that it will serve for the analysis of loans to be charged-off in several areas of the bank: Loan and Discount, Sales Finance, CAS, Installment Loan, and others. It is also designed so that it will reflect multiple indebtedness within these areas, both prior to and at the time of charge-off. While the instructions and illustrations in this bulletin depict use of the History Sheet for installment charge-offs, the same general application should be made for the other departments using the form.

There are any number of factors which may contribute to a given loss. Basically these factors break down into two groups: Those prevalent at the inception of the loan and those subsequently influential during the servicing of the account. The format of the History Sheet is designed to highlight these factors and to provide for their analysis in a brief but clear and concise manner. From a practical standpoint, the History Sheet will not achieve satisfactory results if it is used merely to record the charging-off of an account for statistical purposes. However, on the other hand, if it highlights the factors which led to the loss in a clear and comprehensive manner so that we can learn from the charge-off experience, then it will have achieved its principal purpose. It is obvious, therefore, that to serve in this capacity, it is necessary that it be filled out completely, accurately, and in detail with adequate thought and care given to its completion.

PREPARING THE HISTORY SHEET

In the illustration of a completed History Sheet, appearing on pages 7 and 8, the account information is designed to illustrate a normal installment automobile loan being charged-off. Since each charge-off will have individual characteristics, the History Sheet must be completed in keeping with the loan information itself. Use of the History Sheet by CAS, Small Business or L&D will call for a somewhat different completion. However, the basic example illustrated can be followed in general concept.

All spaces in the upper half of the face side must be completed regardless of the type or source of loan. If a given space does not apply, it should be so indicated.

The lower portion of the face side is to be used for all loans which were extended for business purposes, regardless of which department of the bank originated the loan.

The reverse side is to be used for all personal loans, regardless of origin, and should be completed in detail following the instructions in the illustration on page 8.

Please refer to the illustration in this bulletin when preparing the Charge-Off History Sheets.

The original and all copies of the History Sheet must be initialed by the branch or department manager.

APPROVAL BY BOARD OF DIRECTORS

Accounts to be charged-off must have prior approval of the Board of Directors.

CHARGE-OFF PROCEDURE

ALL OUT-OF-ATLANTA OFFICES

1. Complete an original and four copies of the History Sheet. All copies must be initialed by the branch manager or department manager. One copy should be kept in the originating office installment loan department for balancing and control while Board approval is being obtained.

Procedures for obtaining Board approval vary between different cities and banks. Many executive officers review each account before it is submitted to the Board. The file, ledger card and note in addition to the History Sheet are often required. Follow the procedure as established in your bank or city. Use the original and two copies of the History Sheet to secure local Board approval.

2. When the original history sheet approved by the board is received by the originating office, prepare a debit entry on snap-out form #19-836 - Rev. 4-60 (see illustration on page 3).

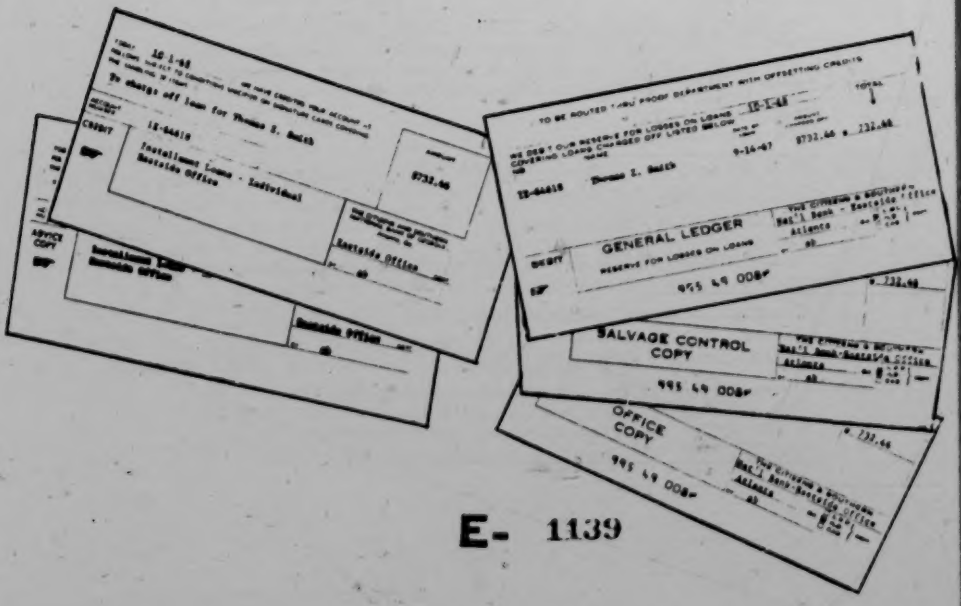
3. Use the original for your General Ledger entry.

4. Prepare a double credit to "Installment Loans - Individual (or Business) and use the original to offset your debit entry (see Illustration on page 3).

5. Use the copy of the credit ticket to post the charge-off from the appropriate installment controls. (DO NOT POST THE LEDGER CARD).

6. After board approval is secured, the original History Sheet should be filed chronologically in the permanent History Sheet file and a copy should be sent to the local salvage and recovery office.

7. Send the first copy of the debit ticket together with the second copy only (which contains board approval) of the History Sheet to System Consumer Credit, Atlanta.



NOTE: The charge-off debit ticket copy must always accompany every History Sheet sent to System Consumer Credit. It is no longer necessary to send the customer folder, but Board approval must be obtained before sending History Sheet to System Consumer Credit.

8. Pull the note (do not mark paid), and mark the wheeldex card "charge-off" or "P&L".

9. Send note, ledger card, folder and salvage control copy of the debit ticket to the Salvage and Recovery Officer for your bank or city.

10. All losses reflecting on the credit of the customer should be reported to local Credit Bureaus and C.I.F.

11. System Consumer Credit will order P&L ledger cards, folders and wheeldex from Central Billing for offices outside the Atlanta area. Central Billing will mail these records directly to the local Officer-in-Charge for proper distribution.

ATLANTA NATIONAL BANK

Variances in CAS and Sales Finance history sheet distribution make it impractical to outline a common routine at this time. This procedure applies to branches, and CAS and Sales Finance will be able to determine their own equivalents needed.

1. Complete an original and 4 copies of the History Sheet. Have all copies initialed by the branch manager.

2. Send the customer file and original and 4 copies of the History Sheet to Branch Supervision.

3. One copy of the History Sheet will be retained in Branch Supervision and one copy sent to System Consumer Credit. A picture of the History Sheet will be sent to the lending officer at his present location within the bank.

4. After review and comments, Branch Supervision will forward the customer file to Central Recovery Department and the original and two copies of the History Sheet to the Board for approval.

5. After Board approval, the original History Sheet will be sent back to the originating office, an approved copy will be sent to the Central Recovery Department, and the third copy will go into the credit file at Main Office Credit Department.

6. When the original History Sheet approved by the Board is received by the originating office, prepare a debit entry on snap-out form #19-836 - Rev. 4-60 (see illustration on page 3).

7. Use the original for your General Ledger entry.

8. Prepare a double credit to "Installment Loans - Individual (or Business)" and use the original to offset your debit entry (see illustration on page 3).

9. Use the copy of the credit ticket to post the charge-off from the appropriate installment controls.

10. Pull the note (do not mark paid), and mark the wheeldex card "charge-off" or "P&L".

11. Send the note, salvage control copy of the debit, and ledger card to the Central Recovery Department.

12. Central Recovery will report all losses reflecting on customer's credit to the local Credit Bureau (even though you may have previously reported it as past-due) and C.I.F. and will order the necessary P&L records for its own use from Central Billing.

ATLANTA AFFILIATE BANKS

1. Complete an original and 4 copies of the History Sheet and secure your own Board approval.

2. Send the Customer file, and original and 4 copies of the History Sheet to Branch Supervision.

3. Branch Supervision will review and comment.

4. Branch Supervision will then forward the customer file and one copy of the history sheet to Central Recovery, forward one copy to System Consumer Credit, forward the original to the originating office, and a copy to the Credit Files at Main Office, and send a picture of the History Sheet to the lending officer.

5. When the original History Sheet approved by the Board is received by the originating office, prepare a debit entry on snap-out form #19-836 - Rev. 4-60 (see illustration on page 3).

6. Use the original for your General Ledger entry.

7. Prepare a double credit to "Installment Loans - Individual (or Business)" and use the original to offset your debit entry (see illustration on page 3).

8. Use the copy of the credit ticket to post the charge-off from the appropriate installment controls.

9. Pull the note (do not mark paid), and mark the wheeldex card "charge-off" or "P&L".

10. Send the note, salvage control copy of the debit and ledger card to the Central Recovery Department.

11. Central Recovery will report all losses reflecting on customer's credit to the local Credit Bureau and C.I.F. and will order the necessary P&L records for its own use from Central Billing.

ORDERING FORMS

Charge-Off History Sheets (19-905) and Debit Tickets (19-836) may be requisitioned from the Purchasing Department, Atlanta, in the normal manner.

RELATED BULLETIN:

COLLECTIONS - LOSSES - CHARGE-OFF POLICY

Show all expenses incurred in handling the loss or repossession. All such items are to be charged to the appropriate expense account and not to the loss reserve. Show the total amount of the sale of collateral even if expenses are deducted before remittance.

HISTORY SHEET
CHARGE-OFFS and REPOSSESSIONS

Bastelde — 12-64618 — Thomas Z. Smith

☑ Installment Loan ☐ Charge Account ☐ Loan & Discount ☐ Sales Finance

☑ Charge to Reserve for Losses on Loans
☐ Charge to other Losses (Chargeoff, and Recoveries)
☐ Representation - Bank Liability With No Bank Loss

1781 S. Main Street
Jacksonville 11, Florida

None

None

PURPOSE OF LOAN: ☐ Business ☑ Personal

LOAN DATE OR CAR LINE DATE: 9-14-67

Automobile

Original Balance of Note Being Charged-Off: $2,371.50

Balance Unpaid by Borrower: 1,818.15

Credits: Sale of Collateral $ 400.00; Refund of Insurance Premiums $ 38.45; Rebate of Unearned Interest $ 147.24; Excess Reserve Applied $

Amount To Be Charged-Off: $ 732.46

List all collateral - originally on loan. List collateral sold, name and address of purchaser, date and amount of sale and amount of sales tax collected. Mention replacement paper on hand, and replacement only.

1962 Chevrolet Impala, 4 door Sedan
Sold to: Jones Motors, 2611 Thomas Avenue, Jacksonville, Florida on August 26, 1968 for $900.00

Expenses to Be Collected from Borrower:
Repairs and Storage $ 25.00
Repossession Costs $ 25.00
Legal Fees $
Other $

THE FACE OF THIS FORM IS TO BE USED IN ANALYZING LOSSES ON LOANS WHICH WERE EXTENDED FOR BUSINESS PURPOSE WHETHER ORIGINATING IN LOAN AND DISCOUNT OR INSTALLMENT LOANS. THE REVERSE SIDE IS TO BE USED IN ANALYZING PERSONAL LOSSES ORIGINATING IN CHARGE ACCOUNT SERVICE, INSTALLMENT LOAN OR LOAN AND DISCOUNT.

REMARKS: (1) Basis for granting the loan (2) Collection efforts (3) Reason for Delinquency and loss (4) Status of other relations with C & S and recommendations to Salvage Department as to future handling

This area to be used for loans which were extended for business purposes regardless of originating department. (LAD, Insta.Ioan, etc.)

Analysis should be brief but complete and should answer items (1) through (4) in every case. (See items (1) through (4) on reverse of history sheet).

Further follow-up recommended? Yes ☐ No ☐

BRANCH APPROVAL — By ABC — Date 9/12/68

SYSTEM APPROVAL — By STH — Date 9/16/68

BOARD OF DIRECTORS APPROVAL — Yes ☑ No ☐ — By JJH — Date 9/20/68

All information in these top sections applies to factors at inception of loan being charged-off.

ALL APPLICABLE SPACES BELOW MUST BE COMPLETED ON PERSONAL LOSSES

SOURCE OF OBLIGATION	INCOME	STABILITY	CREDIT INVESTIGATION	GRADING AT INCEPTION (Circle One)
( ) First Loan	Monthly 340.00	Occupation	Checked CIF	ILD / CAS
(X) Repeat Loan	Semi-mo $	Sales	Yes (X) No ( )	Good / Prompt
Renewal of	Weekly $	6 years	Credit Bureau	(Fair) / Slow
( ) ILD ( ) L&D ( ) CAS	Other Income	2 mos	Have File Yes (X) No ( )	Poor / Interest
( ) Additional Money	Amt. $ None	Home Owner	Is File Recent 6/68	Bad / Slow
( ) Revise Terms	Source	Yes (X) No ( )	Date Last Revised 7/66	None / Poor
( ) Collection				

CAS	Date	Amount
Original Line	5-67	$ 303.00
High Credit	11-67	189.00
Last Re-evel by	-	None
Placed in L & A cycle	-	None
Last Amount Rec'd	5-2-68	20.00
Oldest Past Due Pmt	4-68	17.00

Card Use Ins. Money ( ) Purchases ( ) Both (X)
Card(s) Repossessed Yes (X) No ( )
If not, explain in "3" below.

OTHER LOANS	Date	Amount
Original Debt	9-14-67	$ 2371.50
Add. Money		-
Renewal or Renewals $		-
Last Renewal or Re-vol.		-
Last Amount Rec'd.		-
Oldest Past Due Pmt. or Maturity Date		7-67
Number of Extensions		None

1. Analysis of factors contributing to this loss. (Check one or more where appropriate):

LOAN INCEPTION	SUBSEQUENT TO APPROVAL
( ) Incomplete investigation	( ) Loss of or reduced income
( ) Insufficient Income	( ) Unemployment
( ) Instability in employment and/or residence	(X) Excessive indebtedness
( ) Excessive indebtedness	( ) Excessive medical expense
( ) Questionable paying habits	( ) Sickness (Ineligible for disability ins.)
( ) Evidence of debt pyramiding—either bank or outside source	( ) Death (Ineligible for credit life ins.)
( ) Age—limited credit experience	( ) Skip
( ) Insufficient Collateral	(X) Marital difficulties
( ) Other	( ) Wage Earners Plan
	(X) Bankruptcy
	( ) Collateral Damaged and Uninsured
	( ) Fraud
	( ) Other

2. Resume of Collection effort.
Smith became delinquent on the June, 1968 installment which was paid 30 days late. CAS was checked and a delinquent account was discovered there also. In 7/68 an up-to-date report was obtained revealing heavy indebtedness. Our Bill of Sale was sent for recording and personal contact was attempted immediately. We found that Smith had skipped two days before and neighbors and employer did not know his location. Contact was made with a relative shown on the discount sheet who gave his address in Jacksonville, Florida. Third National, on our instructions to collect balance or repossess, picked up the car which Smith had seriously abused. Shortly after, Smith filed bankruptcy and has refused to re-pay the deficiency. Assets were $370.00 - Liabilities $4,375.00

3. Other loan accounts with bank.

Location	Balance	Collateral	Status & Remarks
CAS - Atlanta	$174.00		To be charged off this month.

4. $ 0 Amount of this loss attributable to Interbank.

5. ( ) Collectible (Recommendation for future handling) (X) Non-Collectible Bankruptcy

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT MILITARY PERSONNEL

TOPIC SOLDIERS' AND SAILORS' CIVIL RELIEF ACT

 Date 3/31/69

Replaces Bulletin: COLLECTIONS - MILITARY PERSONNEL - SOLDIERS' AND SAILORS' CIVIL RELIEF ACT Dated 10-27-61

A special kind of problem arises when men go into military service. While some problems will be incurred during adjustment period for the man whose salary will be reduced, our past experience shows such cases to be few. Most men are able to continue payments on their obligations with the Bank and do not take advantage of the Soldiers' and Sailors' Relief Act.

We feel that our experience was good because our collection approach was one of understanding and willingness to help the serviceman solve his problem.

GENERAL GUIDE LINES

The Soldiers' and Sailors' Civil Relief Act passed during World War II is still in force. A resume of the Act is reproduced on page 8. You will note that the Act does not provide for a general moratorium on debts, but provides for relief where the ability of the debtor to perform his obligations is materially affected by his military service.

The Act applies to obligations incurred prior to receipt of orders to enter service.

The Selective Service Act makes the Civil Relief Act applicable to "all persons in the armed forces of the United States including all persons inducted into the armed forces, the Coast Guard, or the Public Health Service". Because each account will vary in its circumstances, complete facts must be obtained from the man or from a member of his immediate family. A full discussion of the account will generally reveal that payments can be made as agreed, in one way or another. Wherever possible, encourage payment in full.

Personal loans generally will involve smaller balances and smaller monthly payments than other classes of loans. Revision of terms where necessary will aid in working out these accounts.

Endorsed loans should be handled along the same lines as personal loans. Show your willingness to work along with the endorser, but keep in mind that you obtained an endorser because of the credit position of the maker.

(IF an endorser is taken against the possibility of a borrower's entering military service, have the endorser execute a waiver, a copy of which appears on page 2. The endorser's waiver becomes void in the event the endorser is called into active service).

WAIVER OF BENEFITS OF SOLDIERS' AND SAILORS' CIVIL RELIEF ACT OF 1940, AS AMENDED, BY ACCOMMODATION MAKER, SURETY, ENDORSER, OR GUARANTOR

WHEREAS, the undersigned is an accommodation maker, surety, endorser or guarantor upon a certain debt owing to the C & S National Bank (or dealer, if Sales Finance) which debt is evidenced by the promissory note of Jefferson De Barker (maker) dated August 16, 1965 in the principal amount of $150.00 payable in 12 equal installments of $14.25 each on the 15th day of each month hereafter, together with interest at the highest legal rate after maturity until paid with attorney fees.

The undersigned does hereby waive the benefits afforded to him by subsections (1) and (2) of Section 103 of the Soldiers' and Sailors' Civil Relief Act of 1940 as amended in 1942 (Public Law 732, 77th Congress, Chapter 581 - 2nd Session, approved October 6, 1942) in respect to his liability on said note and debt and does hereby agree that:

1. Whenever, pursuant to any of the provisions of the Soldiers' and Sailors' Civil Relief Act of 1940 as amended, the enforcement of the debt or note above described, the prosecution of any suit or proceeding, the entry or enforcement of any order, writ, judgment or decree, or the performance of any other act in respect to such debt or note or related thereto may be stayed, postponed, or suspended, such stay, postponement or suspension shall not be granted to or for the benefit of the undersigned, and

2. If a judgment or decree upon or in respect to said debt or note is vacated or set aside, in whole or in part, as provided in said Soldiers' and Sailors' Civil Relief Act of 1940 as amended, such judgment or decree shall not be set aside or vacated as to the undersigned, and

3. That this waiver is for the benefit of the payee of said note, any subsequent holder thereof, the owner of said debt and any assignee thereof.

Dated at Atlanta Georgia this 20th day of October, 19 65

Jim L. Wehrg

Charge Account Service accounts will normally require the same type of handling as personal Installment Loans. Although the Act prohibits a creditor from charging a rate of more than 6% add-on indebtedness incurred before the customer entered military service, this restriction is effective only if the serviceman makes a request for relief under the Act and if his entry into the service has adversely affected his ability to pay. Thus, you should continue to charge the regular CAS service charge until such request is made or until it is apparent that the reduction of income requires a modification of the normal terms. If the normal terms are to be modified, execute an installment note using a 6% rate chart.

Automobile loans should be kept on their original payment schedule or liquidated in full. It is to the advantage of the men to dispose of their cars if income is insufficient to keep up the payments, because a car set up on blocks will deteriorate.

Home appliances will continue to be used by the family and regular monthly payments should be maintained. If the home is closed up, the purchaser should be urged to return the appliance to the dealer. The dealer is liable for repurchase of uncollectible accounts under this agreement with us. Before calling on him, however, be sure that the accounts have had thorough handling. Work closely with your dealers on these accounts.

Multiple accounts (CAS, ILD, and L&D) should be considered together as total indebtedness to the bank. If circumstances deem it advisable, these separate accounts should be combined for better servicing, and terms should be adjusted to accomplish the orderly liquidation of the indebtedness.

Repossessions may be made if merchandise is returned voluntarily after the man has entered the service. A RECEIPT FOR MORTGAGED PROPERTY (19-858 Rev. 1-64) SHOULD BE OBTAINED IF AT ALL POSSIBLE. Court decisions have upheld banks and other financial institutions on repossessions, particularly automobiles, since the collateral continues to depreciate in value whether it is used or placed in storage. The courts have held that prompt disposition of collateral (when no repayment is being made) is essential to preserve the equities of all concerned. Remember, in making a repossession on indebtedness created prior to entry into service, the serviceman cannot be held accountable for any deficiency remaining after the application of the proceeds of the sale of collateral to the loan.

Allotments of pay may be made to banks. Such an allotment will keep payments coming in regularly even if the man's pay is held up through transfer of station or other reasons. Several weeks will probably pass before the allotment is processed and payments start. In many cases, an extension will be appropriate.

Service serial numbers should be obtained when possible and used in all correspondence to insure prompt forwarding of mail.

Mark ledger cards of all these accounts with the words "Military Service" as you learn of the makers' entry into military service, so that the accounts will get special handling if they become past due.

Charge-off accounts that reach the normal charge-off period and continue to follow them as salvage items.

Credit life insurance continues in force as long as the accounts are in current receivables and not subject to charge-off under normal charge-off procedure.

WRITING THE CUSTOMER

Our past experience has proven that we have been able to do a good collection job where the borrower has been interviewed prior to his entry into service. Whenever you are aware that a man is about to enter the service, every effort should be made to achieve personal contact with him. This is the ideal time to secure a waiver of rights under the Soldiers' and Sailors' Relief Act if he is a reservist or an inductee who has received orders to report. (Benefits cannot be waived until the customer has been ordered to active duty). The major difficulty has been experienced where:

1. The man has fallen down on promises after entering the service.
2. The man failed to contact us prior to going in the service.

Assuming that you have exhausted your collection efforts with the wife or other relatives under condition 1 above, a letter should go immediately to the man at his station, reminding him of the promises made and trying to learn the reason for failure to pay as promised. The same procedure should be followed in the case of condition 2 above; however, the approach is different. The sample letter shown on page 5 has proved to be effective. The simple expedient of sending a carbon copy of this letter to the man's Commanding Officer, and so indicating on the letter, can be effective.

September 25, 1968

Pvt. Joseph C. Bellworth, US 768 50729
167 Signal Photo Company
Fort Gordon, Georgia

Dear Pvt. Bellworth:

We have been informed of your entry (reentry) into the Armed Forces. Accept our best wishes on your new assignment.

Your unsecured loan dated August 10, 1968 for $600.00, repayable in twelve monthly installments of $57.00 is past due since September 15, 1968. We realize that four or five weeks is required for readjustment and to establish an allotment to your wife or family. We want to work with you during this transition period and desire that you write to us if there is any information you require concerning your account with this Bank.

As you probably know, you are entitled to relief under the Soldiers' and Sailors' Relief Act under certain conditions; however, it is to your advantage to maintain your monthly installments while you are in the service if it is at all possible. Postponement of payments will create a hardship when you return from service. It may be easier for you to establish an allotment payable to The Citizens and Southern National Bank for the amount of your monthly installments. When the first allotment check is received, it will be applied to your account and the loan will be revised to bring it into current status.

Please write us in detail giving your plans for repaying this loan.

Yours truly,

G. C. Hodmith
Assistant Cashier

cc: Commanding Officer
167 Signal Photo Company
Fort Gordon, Georgia

WRITING THE COMMANDING OFFICER

If the man does not respond to the previously mentioned letter, we should communicate directly with his Commanding Officer. (We have already alerted him to the potential problem via the carbon copy). Here is a sample letter.

October 22, 1968

Commanding Officer
167 Signal Photo Company
Fort McPherson, Georgia 30330

RE: Indebtedness of Pvt. Joseph C. Bellworth, US 76850729

Dear Sir,

The above named member of your command has an account with us that is delinquent. He has not responded to our latest communication (copy attached).

The loan, unsecured, was made August 10, 1968, for a note total of $684.00 ($600.00 advanced). Purpose was to pay for flying lessons. Terms are 12 at $57.00 each, now past due for the September 10 and October 10 payments.

We realize that the Army cannot act as a collection agency for creditors. However, we also know that each man is expected to pay his just obligations to the best of his ability. We ask your assistance in urging Pvt. Bellworth to get in touch with us to work out a solution to this problem.

Very truly yours,

I. M. Determined
Assistant Cashier

cc: Pvt. Bellworth

SECURING A NEW ADDRESS

When a military customer becomes a skip, his new military address is available upon request including a fee of $1.50 made payable to:

Military Personnel Record Center
9700 Page Boulevard
St. Louis, Missouri 63132

Sample Letter:

> Dear Sir:
>
> Enclosed is a check for $1.50. Please send the correct Air Force/Army/Navy address of _____
> whose service number is _____,
> and whose home address was _____.
>
> Very truly yours,

You may expect response in 20-40 days.

"LAST RESORT ASSISTANCE"

After reasonable efforts fail to produce results through the commanding officer, then a final request can be made to the top officer or top legal officer of that particular branch of the service. They are:

The Judge Advocate General
Department of the Army
Washington, D. C. 20310

Department of the Navy
Office of the Judge Advocate General
Washington, D. C. 20350

Commandant, Marine Corps
Department of the Navy
Washington, D. C. 20350

Headquarters, USAF
Attention: J. A.
Washington, D. C. 20333

This is action of the LAST RESORT.

Replaces Bulletin: COLLECTIONS - MILITARY PERSONNEL - SOLDIERS' AND SAILORS' CIVIL RELIEF ACT Dated 10-27-61

SOLDIERS' AND SAILORS' CIVIL RELIEF ACT

The Selective Service Act of 1948 continues the act in force until repealed or otherwise terminated by Congress. Some of the provisions of the Civil Relief Act are as follows:

Persons entitled to relief are members of the Army, Navy, Marine Corps, Coast Guard, Women's Army Auxiliary Corps and officers of the Public Health Service assigned to duty with the Army or Navy. Benefits are also extended to persons ordered to report for induction and to members of the Enlisted Reserve Corps ordered to report for military service during the period beginning on the date of receipt of the order.

Section 206 provides that interest, which includes "service charges, renewal charges, fees, or any other charges (except bona fide insurance)", shall not exceed six per cent per annum unless a court determines that ability to pay a greater rate is not affected by military service.

Sections 301 and 302 forbid repossession or foreclosure under contracts which originated prior to the debtor's military service, except as provided in Section 107, unless pursuant to an order of court. These sections also provide that a court may stay the proceedings for the period of military service and three months thereafter, if in its opinion the ability of the debtor to perform his obligation is materially affected by his military service. Section 303 provides that the court may appoint appraisers and, based upon their report, order such sum as may be just, if any, paid to the person in military service or his dependents as a condition to foreclosure.

Section 107 permits the voluntary surrender of security or the making of a new contract granting the right of repossession without court action in case of default, pursuant to a written agreement entered into after the debtor's induction or entry into military service.

Whenever a person in service is granted relief from the enforcement of an obligation, Section 103 (1) provides that a court in its discretion may grant the same relief to guarantors, endorsers, accommodation makers and other primarily or secondarily liable. These persons may waive this right if the waiver is contained in a separate written contract. The waiver becomes invalid, however, if the person signing it is later notified of his induction or enters military service.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT NOTICES

TOPIC

 Date 6/15/70

Replaces Bulletins: COLLECTIONS-NOTICES and COLLECTIONS-NOTICES-FIRST PAYMENT

To obtain acceptable results as economically as possible, the first step in collection procedure is an automatic notice sent out in the early stages of delinquency. This step eliminates costly personal handling of the majority of accounts that require only a reminder that a payment is past due. Accounts requiring special attention (notice exceptions) bypass the notice routine and are processed for immediate personal handling.

The computer begins the collection process by automatically assessing late charges and preparing a notice at the 10 days past-due point. (Ten days past due is the 11th day including the due date. When this day falls on a Saturday or a Sunday, notices will be prepared by Data Processing immediately after the Friday posting.) Since there are four due dates (1st, 8th, 15th, and 22nd), notices are sent out four times a month.

Data Processing prepares and mails notices automatically at that time for the Atlanta area. They also prepare and mail notices in bulk to each city for stuffing and mailing from that point.

NOTICE EXCEPTIONS

Under certain conditions, a Past Due Notice is not the desired type of collection activity. In these cases, a Collection Card will be produced automatically on the tenth day of delinquency instead of the Past Due Notice (See COLLECTIONS - COLLECTION CARD). Here are the situations that automatically create NOTICE EXCEPTIONS:

1. Sales Finance Automobile loans past due for any of the first three payments, and other loans past due for the first payment.
2. The first payment after an extension becomes past due.
3. When payments are due other than monthly.
4. The loan has become past due because of a debit to the balance.
5. The amount past due is more than $150.00.
6. The loan is coded "Repossession."
7. The last payment posted was paid by Disability Insurance.

There are two methods of causing the NOTICE EXCEPTION routine that require manual entries.

1. Entries on the Discount Sheet:
   a. At loan inception, if special handling is needed, enter code (2) in the Special Instructions Code space for "Special Collection Handling."
   b. Reworks for collection purposes should be coded (2) on the discount sheet.

Replaces Bulletins: COLLECTIONS-NOTICES and COLLECTIONS-NOTICES-FIRST PAYMENT

2. Later in the life of a loan, to get it treated as a NOTICE EXCEPTION, fill out a loan Master Record Change.

PAST DUE NOTICE

The Past Due Notice, shown below, shows the bank's return address (in each city) to which payments are to be mailed. A return mail (window type) envelope accompanies the notice. The notice form may be inserted in the window to address the envelope to the bank.

PAST DUE NOTICE

A REMINDER . . . that the payment on your loan has not been received. Unless the total now due has already been mailed, please mail it today. Late payments require special handling and a portion of this expense must be added to your loan. Avoid late charges by making your payments on or before each due date.

Account Number	Date Due	Payment Amount	Amount Past Due	+ Late Charge This Payment	+ Previous Unpaid Late Charge	= Total Now Due
52 01 00662	JUNE 1, 1970	60.00	60.00	3.00	3.00	66.00

To John A Nonymous
675 LEXINGTON AVE. S.W.
ATLANTA, GA.
30310

C & S NATIONAL BANK
SALES FINANCE DEPARTMENT
P.O. BOX 4357
ATLANTA, GA. 30302

This statement may be used with the enclosed envelope for mailing your payment and payment card.

The first two digits (52) of the account number indicate "BANK CODE"; the second two digits (10) indicate branch code. See Bulletin: ACCOUNTING AND GENERAL OPERATIONS - BANK BRANCH CODES.

FORMS NEEDED

In Atlanta, all handling is by Data Processing. Other locations need to stock two envelopes to use when mailing notices: #19-1151 Window Envelope for Notice, and #19-1152 Return Envelope.

RELATED BULLETIN:

COLLECTIONS - COLLECTION CARD

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT NOTICES

TOPIC ADJUSTORS CALL

 Date 6/12/70

Replaces Bulletin: COLLECTIONS-NOTICES-ADJUSTORS CALL-Dated 5-1-53

Accounts are referred to outside adjustors because it has not been possible to make contact by telephone or because follow-up from the inside has not been effective. It is the outside adjustors responsibility to plan his calls at hours when he will be able to make contact with the past due customer, either at home or at his place of employment.

There are times, however, when it is not possible to make contact and it is not practical to call back the same day. The "Notice - Adjustors Call" (Form 19-855, Rev. 2-69) shown on page 2, is designed to get as much benefit as possible from the attempted contact. It is a one-piece notice-envelope combination. The main objective of this notice is to establish personal contact with the past due customer.

Spaces are provided on the notice form to insert the name of the man handling the account inside the bank and the bank's telephone number. Be sure to seal the envelope, and write the customer's name clearly on the outside. Notices should not be left in the mail box.

Order forms from Purchasing in the usual way. Specify 19-855, Rev. 2-69.

Replaces Bulletin: COLLECTIONS-NOTICES-ADJUSTORS CALL-Dated 5-1-53

Fold the side flaps inward, then fold up once from bottom, fold down this gummed tab and seal.

Date_____

To_____

Account No._____

Dealer_____

It was necessary to contact you today because the amount past due, as shown below, has not been received. Please send the total amount due immediately or let us know why you are unable to do so.

If you would like to discuss your account, you may talk to_____ by telephoning_____

Date(s) Due_____

Amount of Installment(s) $_____

Late Charge_____

Total Amount Due_____

Representative_____

Payments may be forwarded through Western Union Telegraph by presenting cash funds together with your payment coupon to one of their offices. There is a small fee for this service.

39-855 Rev 2-69

E- 1156

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT OUTSIDE ADJUSTOR'S DAILY PERFORMANCE REPORTS

TOPIC

 Date 10-30-56

New Bulletin

Accounts assigned to outside adjustors are generally those which the inside adjustor is unable to contact. Quite often the outside adjustor's contact is the last hope in clearing up these accounts. In view of this, the outside adjustor's responsibility is great and consequently, he should exert every effort to establish contact and produce results on every collection call made. The quality of an outside adjustor's performance is gauged not only by the results obtained on each contact made, but also by the degree to which a complete adjustment is made.

Reproduced on the reverse is a new form (#19-875) which has been designed to standardize reports being used by outside adjustors in the various offices to record and measure their performance. The form is designed to cover any type of call or contact that an adjustor will make. It is divided into three groups:

1. Productive Calls
2. Non-Productive Calls
3. Dealer Contacts or Miscellaneous Calls

This form is to be used by all offices which have a full-time outside adjustor. It is available in pads of 100 and your requirements should be ordered from the Purchasing Department in Atlanta in the usual way.

CUSTOMER CONTACTS

Productive Calls

1. Accounts Collected Up to Date from Customer:

   The primary objective of the outside adjustor should be to find out why the account is past due and completely collect it up to date. In addition to collecting up to date, the adjustor should be sure the customer understands when payments are due and the importance of making future payments on time in order to maintain a good credit record.

2. Accounts Completely Adjusted by Partial Collection from Customer and Extension or Extension Only:

   If the account can not be collected completely up to date, the adjustor should collect as much as possible. He should find out the cause for the account being past due and how the customer plans to catch up the payments. If circumstances justify, an extension can be granted. However, the adjustor should assure himself that the customer not only has the income, but more important, a willingness and desire to pay before any extensions are granted. Extensions should be granted freely if justified, but never for the sole purpose of getting an account out of the past due category.

OUTSIDE ADJUSTOR'S DAILY PERFORMANCE REPORT

OFFICE _____

ADJUSTOR'S NAME _____ DATE _____

Mileage Beginning _____ Mileage Ending _____ Mileage Driven _____

CUSTOMER CONTACTS

PRODUCTIVE CALLS	*Number*
Accounts collected up to date *from customer* (Do not show accounts on which payment picked up from dealer)	
Accounts completely adjusted by partial collection *from customer* and extension or extension only	
Accounts partially collected from customer (still past due)	
Late charges collected: $_____ on _____ accounts.	
Accounts adjusted by repossession	
TOTAL PRODUCTIVE CALLS	
NON-PRODUCTIVE CALLS	
Accounts on which promise accepted (Show only accounts on which no collection made)	
Calls without obtaining results (no one home, etc.)	
TOTAL NON-PRODUCTIVE CALLS	
TOTAL CUSTOMER CALLS	

DEALER CONTACTS

Number of dealer wholesale checks made _____

Total number of items checked _____

Other dealer contacts — discussing past dues, picking up customer payments, etc. _____

	Number	*Time Spent*
Number of Physical Verifications		
OTHER (show type of call)		

New Bulletin

3. Accounts Partially Collected from Customer (Still Past Due):

These are accounts which cannot be collected up to date, and on which an extension is not justified. The adjustor should collect as much as possible. He should also find out the reason for the delinquency, as well as, make definite arrangements for future payments. If this is done, satisfactory future follow-up can be made without the expense of additional outside contact.

4. Late Charges Collected:

Personal contact is expensive. The outside adjustor can defray some of this additional expense by collecting late charges on <u>all</u> past due accounts. He should consistently request and collect late charges. This not only helps defray collection expense, but more important, it encourages a more prompt pay habit. He should collect at least 5% for each dollar past due with a minimum of $1.00 per payment. If, however, unusual expense is incurred in locating the customer and collecting the past due payment, a charge should be made that is in line with the expense involved.

5. Accounts Adjusted by Repossession:

These accounts are those which the adjustor is unable to collect and he determines that further collection effort is useless and hopeless. Show only those accounts, however, on which actual repossession is made. <u>Do not</u> show those on which you are unable to collect and a recommendation is made that repossession be brought about.

6. Total Productive Calls:

These are the total number of accounts on which the adjustor's efforts are effective. The quality of productiveness of the outside adjustor can be gauged by the number of productive calls. The higher percentage of productive calls contacted in relation with the total miles driven, the better the quality of performance.

<u>Non-Productive Calls</u>

1 Accounts on Which Promise Accepted:

These are accounts on which the adjustor is unable to effect any collection whatsoever. He should, however, get all information in regard to the account being past due, as well as, assure himself that the customer will be able to pay in accordance with the promise accepted. It should be remembered that often times the customer will make a promise even though it is absolutely impossible for him to fulfill it. Be <u>sure</u> that income and ability coincide with promise.

New Bulletin

2. Calls Without Obtaining Results:

   The outside adjustor should plan his trip and working hours so as to hold this group of calls to a minimum. Trips should be arranged so that there will be no doubling back and also, calls should be made when the customer is most likely to be at home.

3. Total Non-Productive Calls:

   These are the total calls on which the adjustor does not obtain immediate results. Since the adjustor's primary aim is to collect or adjust on the spot, non-productive calls should be at a minimum.

4. Total Customer Calls:

   These are the total of productive and non-productive calls. The quantity of the outside adjustor's efforts is gauged by "Total Customer Calls" made. The quality, however, is gauged by percentage of "Productive Calls" in relation to "Mileage Driven." Every effort should be made to make as many calls as possible, but the adjustor should never sacrifice quality for quantity.

DEALER CONTACTS

The outside adjustor is also responsible for the checking of dealer floorplanned merchandise. Floorplan financing is hazardous and can result in losses if not properly controlled. Wholesale checking is one of the adjustor's more important duties inasmuch as it is the control that makes it possible to lend money on this basis. He should thoroughly understand and comply with the instructions shown on the wholesale checking report. Refer to "Wholesale" operating bulletins in the "Sales Finance" section of the Operating Guide Bulletin for complete wholesale checking procedure.

The adjustor should plan his work so as to combine wholesale checking with calls on past due customers for the same dealer or in the same general locality. Whenever possible, the adjustor should contact the dealer when in his locality, working his past due accounts even though he does not have a wholesale check to make. This is important, not only to keep the dealer informed of collection effort, but also to obtain his assistance. Remember, quite often, he has a personal knowledge of the customer's present circumstances and can be a great help in locating and adjusting the account.

PHYSICAL VERIFICATIONS

Physical verifications are also a responsibility of the outside adjustor. These verifications are necessary in order to control the hazards connected with the purchasing of dealer originated retail paper. Refer to Operating Guide Bulletin "DEALER CREDIT - VERIFICATION OF #3 PAYMENTS" for a more detailed explanation of the procedure followed in making verifications.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT OUTSIDE ADJUSTOR

TOPIC REPORT OF ADJUSTMENT

PAGE 1 of 6

10-20-61
DATE

REPLACES BULLETIN: COLLECTIONS - REPORT OF ADJUSTMENT, Dated 3-4-55

For some time, review of collection effort in customer file folders has indicated that complete adjustment of delinquent accounts was not being made at the time of the outside collection contact. For this reason, the REPORT OF ADJUSTMENT (19-862) has recently been revised to include additional information necessary to make a complete collection contact with the customer and to make the form usable in the collection of CAS accounts as well as Installment Loan accounts. In addition, the form has been combined with the PHYSICAL VERIFICATION REPORT (19-864) and space has been provided for detailed information concerning repossessions.

While the revisions are intended to assist in insuring more complete collection adjustment, it must be emphasized that reports will not collect past-due accounts -- only hard work, resourcefulness, and salesmanship will accomplish this. The fact that space for additional information is supplied on the form does not guarantee that the use of the form by an Outside Adjustor will result in a properly completed collection contact. There is no substitute for the use of sound judgment in ascertaining the reasons behind a delinquent account and the steps necessary to best effect collection and place the account on a current basis in the future.

USE OF REPORT This form was designed primarily to be used as a report by Outside Adjustors. However, the form may be used whenever a file memorandum is needed covering the adjustment of a past-due account. In all cases where a physical verification or repossession is involved, use should be made of the appropriate sections of this form. Using the report form has a number of advantages:

1. It helps to organize the interview with the past-due customer to make certain that all essential information is obtained and complete adjustment is made.

2. It eliminates nonessential information from reports.

3. It provides a file report on which future collection may be based, if necessary, and which will permit faster review of the collection file.

4. It serves as a training tool to familiarize collection men with information which is essential and vital in the collection and adjustment of consumer loans.

COMPLETION OF THE REPORT The illustration of the face of the report (page 2) contains complete explanations for the use of spaces which have not been revised or added to the old form. If the report is to be effective, all remarks should be concise and to the point in order to avoid unnecessary writing and reading. The following paragraphs contain explanations for the use of revised sections of the form.

OPERATING

BULLETIN

SECTION COLLECTIONS

SUBJECT OUTSIDE ADJUSTOR

TOPIC REPORT OF ADJUSTMENT

PAGE 2 of 6

10-20-61
DATE

REPLACES BULLETIN: COLLECTIONS - REPORT OF ADJUSTMENT, Dated 3-4-55

ADJUSTMENT Whether we like to admit it or not, there are times when a delinquent customer is not able to bring his account up-to-date. Any such circumstances must be clearly brought to the attention of collection personnel so that decisions regarding repossession, dealer repurchase, or charge-off may be made. This space should be completed in all cases if the Adjustor is unable to either --

1. Effect the collection of the account to an up-to-date status, or

2. Arrange for a specific adjustment schedule which will bring the account up-to-date within a reasonable length of time.

Occasionally, the reason for delinquency will be something as simple as an improperly scheduled due date. Where this is the case, the Adjustor should recommend the changing of a customer's due date by indicating the proper date on the report. A due date change decision can only be made by the Outside Adjustor after having ascertained that this is actually the cause of the delinquency and that the customer's income is received at a date quite different from that scheduled for repayment of our loan. Care should be exercised in changing due dates on delinquent accounts. If an improperly scheduled due date is not the real reason for the delinquency, such a change will only serve to postpone whatever collection effort should have been made.

ADJUSTMENT SCHEDULE The Adjustment Schedule has been revised to provide specific space for the Original Due Date and the Payment Amount. These two items of information should be the same as shown on the Adjustor's copy of the ledger card. The Amount To Be Paid, Late Charges, and Date Will Pay should reflect the adjustment agreed upon by the customer and the Adjustor. The completed schedule must show a satisfactory and realistic means by which the account will be brought up-to-date, provided the customer fulfills his promises of payment. The itemized Adjustment Schedule should be used when the Adjustor and customer agree that the customer is able to "catch up" the delinquent installment(s) over a reasonable length of time, thereby bringing the account to a current condition as originally scheduled.

Specific space is now provided for extensions. Here again, the Adjustor must weigh all of the facts before reaching a decision; that is, the reason why the account is past due and the customer's ability to keep the account current if it is extended. Poor judgment in the use of extensions merely puts off the satisfactory adjustment of a delinquent account and usually places the Bank in a more difficult position when it becomes necessary to repossess, consummate dealer repurchase, or charge-off the account at a later date. An unjustified extension does not constitute a satisfactory adjustment since the account will merely become delinquent again as soon as the extended period of time is over. In the meantime, the outstanding indebtedness has not been reduced and the customer has obtained a grace period in which to further depreciate the collateral. Whenever an extension is in order and justified, concise and clear reasons should be shown and the extension information itemized in the three spaces provided. Extensions should not be granted without the collection of the appropriate extension fee - 1% of the unpaid balance.

REPLACES BULLETIN: COLLECTIONS - REPORT OF ADJUSTMENT, Dated 3-4-55

Where additional space is required for Adjustment Schedule comments, the Adjustor may continue his remarks in the section titled "Comments" at the bottom of the page.

FUNDS COLLECTED Since the primary purpose of any personal collection contact with the customer is to effect collection and bring the account up-to-date, as well as to adjust it, space is provided for the amount of money collected by the Adjustor. Space is also provided to indicate the amount of late charges collected. While the Bank is entitled to late charges whenever an account becomes delinquent, it is particularly important that late charges be collected whenever it is necessary that an outside adjustment contact be made so that the additional expense of collection so incurred will be at least partially offset. Under normal circumstances, no outside collection contact or adjustment is complete without collecting or making arrangements to collect late charges from the customer. (See Bulletin: COLLECTIONS - LATE CHARGES.)

REVERSE SIDE OF REPORT OF ADJUSTMENT Space is now provided on the reverse of the report to cover three major types of specialized information. The illustration (on the opposite page) of this side of the form indicates the more self-explanatory spaces. Detailed explanations are covered in the following paragraphs.

REPOSSESSION INFORMATION This section must be completed whenever merchandise is repossessed. Most of the information in this section is self-explanatory. Whenever a dealer contract is involved, the first three questions should be answered. In all repossessions, the balance of the form should be answered. This section is intended to serve as a check-off list to be sure that the Outside Adjustor takes the necessary steps in effecting repossession. It is important inasmuch as repossession constitutes a final and irrevocable act between the Bank and the customer. From this point on, either the dealer will be asked to pay off the contract or the customer will have to pay off the Bank in full to regain possession of the merchandise involved. It is, therefore, essential that complete information concerning the repossession be obtained.

PHYSICAL VERIFICATION In the past, the Physical Verification Report (19-864) has been a separate form. Since verification is often necessary in the adjustment of delinquent accounts, the Physical Verification Report has been made a part of the Report of Adjustment. Physical verification is generally performed in two instances:

1. Delinquent account adjustment. In this case, the Adjustor will complete the Report of Adjustment and the Physical Verification Section himself.

2. Verification of #3 dealer payment. When used for this purpose, customer identification information and the kind of merchandise will be filled in before the report is given to the Adjustor. (See Bulletin: SALES FINANCE - DEALER CREDIT - VERIFICATION OF #3 PAYMENTS.)

REPOSSESSION INFORMATION

(Complete Whenever Merchandise Is Repossessed)

If Automobile always attach completed APPRAISAL SHEET (UB-972)

Was Dealer contacted before repossession? ☐ Yes ☒ No

If No - State Reason Dealer not close to customer-Need to repossess not known to Dealer

Did Dealer or his representative assist in repossession? ☐ Yes ☒ No

Was check obtained from Dealer for net balance? ☒ Yes ☐ No - Amount $ 152.35

Was customer cooperative during repossession? ☒ Yes ☐ No

Was a RECEIPT FOR MORTGAGED PROPERTY obtained from customer? ☒ Yes ☐ No (If yes - attach) (If no - state why?)

Location of merchandise: Dealer ☒ Other ☐

Address Athens, Georgia

If Dealer liability reported (Does it have outstanding) describe condition

PHYSICAL VERIFICATION

Was Physical Verification Witnessed

(1) A Bona payment is past due

(2) It is suspected that the customer no longer has the merchandise in his possession

(3) If repossessed, provide date and agency with bank

BALANCE ACCORDING TO CREDIT RECORDS $ 152.35 Date 10-26-61

Last Payment of $ 11.85 was made on 9-1-61 (date) To Bank ☐ Dealer ☒

Our unpaid bank in the possession of Customer ☐ Other ☒ (Explain in verification comments)

Motor # [illegible] Year Model 1958

Serial Number 6B3-[illegible] (with engine) Located at Customer's home

Have any notes or letters been received from another bank or finance company? Yes ☐ No ☒ (If yes explain in comments)

VERIFICATION COMMENTS

(Describe condition of collateral [illegible] CONDITION: [illegible]

ABILITY TO PAY

(List amount and substantiate where discrepancy in due to circumstances)

(SEE PRECEDING ILLUSTRATION.)

Whenever a dealer is not involved and the repossessed merchandise will have to be disposed of by the bank, it is essential that an appraisal of the condition of the merchandise be available to those handling the final liquidation of the account. (The automobile appraisal sheet will serve this purpose in the case of auto repossessions.)

IMPORTANT - Make a Physical Verification whenever

All information is essential and must be completed whenever a physical verification is made.

E- 1165

Replaces Bulletin: "COLLECTIONS - REPORT OF ADJUSTMENT" Dated 3-4-55

Physical verification is the act of inspecting the collateral of a loan as to its identity (serial number, make, etc.), location, and condition, and of obtaining purchase and payment information from the customer's records. A delinquent account may indicate that the customer does not have possession of the collateral; if this is the case, we no longer have collateral benefits to rely on.

The possibility of fraud also exists in that the customer may have disposed of the collateral and not paid off his account or, in the case of dealer paper, the Bank may have purchased a fraudulent contract (no sale ever consummated or different merchandise financed). Collateral may have been returned to, or repossessed by, the dealer without his repurchase of the contract.

When the customer's records do not agree with the Bank's, the Bank may have made an error in posting, the payment may have been lost in the mail, or the customer may have made payments to the dealer who did not forward them to the Bank. WHENEVER THE POSSIBILITY OF FRAUD EXISTS AND THE DEALER MAY BE INVOLVED, THE ADJUSTOR SHOULD NOT CONTACT THE DEALER WITHOUT FIRST CONTACTING THE BANK. In all cases of verification, the report should be completed in full. IN ALL CASES WHERE THE PHYSICAL VERIFICATION PORTION OF THIS REPORT IS USED, IT MUST BE COMPLETED IN ITS ENTIRETY.

ABILITY TO PAY In many cases, the reason for delinquency is the result of over extension by the customer. In all such cases, no adjustment can satisfactorily be effected without knowing both the income of the customer and his indebtedness. Whenever over-extension is the reason for the customer's delinquency, his income, all indebtedness, and his required repayment schedule should be listed in this space. This information can be used to determine whether the customer can bring his account up-to-date and, if so, in what manner.

SUPPLY OF REPORT The Report of Adjustment is available in pads of 100 and may be requisitioned, by form number, from the Purchasing Department, Atlanta

RELATED BULLETINS
COLLECTIONS - LATE CHARGES
COLLECTIONS - REPOSSESSION - BILL OF SALE
COLLECTIONS - REPOSSESSION - RECEIPT FOR MORTGAGED PROPERTY
SALES FINANCE - DEALER CREDIT - VERIFICATION OF #3 PAYMENTS

E- 1166

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT PAST DUE LIST

TOPIC

 Date 7/9/70

NEW BULLETIN

Data Processing prepares the INSTALLMENT LOAN PAST DUE LIST on the 1st working day and on the 17th of each month to provide each branch and sales finance department with a complete listing of loans in collection follow-up. When there is a holiday, the past due list will be prepared prior to the holiday. AN ILLUSTRATION IS SHOWN ON PAGE 2.

The main purposes of the list are:

1. To provide Branch or Bank management with a listing of past due loans. Managers should use it to check on overall progress every few days, as well as to keep informed on specific amounts.
2. To provide a listing of each sales finance dealer's past due accounts. A carbon copy of the list is included which may be sent to dealers on a selective basis.
3. To provide a check list to be compared with the Collection Card file to insure that a Collection Card is retained for each loan in collection follow-up. Under our old ledger card system, we could thumb through the ledger cards and check for "sleepers." Under the new system, the only way we can check for sleepers is to check collection cards against the past due list. This must be done at least once a month.

BRANCHES

A separate list is produced for each branch, affiliate, or correspondent associate that is on the computer system. Loans are grouped by Loan Class, and are in alphabetical order by customer name within each loan class grouping.

SALES FINANCE

The Past Due List is produced for each Sales Finance Department (and for branches with Sales Finance loans). Loans are grouped by Loan Class and within each class, by Dealer. Within each dealer grouping, loans are in alphabetical order. For large sales finance departments, loans are grouped first by Unit, in addition to the groupings described above to provide each unit with a listing of its own past dues. Totals are provided for each unit, dealer and for total Sales Finance.

SPECIAL NOTES

1. If the TOTAL amount past due is less than $5.00, the loan will not be listed.
2. If the total amount past due is a full payment in one column, and less than $5.00 in the next column, the under $5.00 amount will not be aged delinquent.

RETENTION

Past Due Lists should be retained for one month and then destroyed.

RELATED BULLETIN: COLLECTIONS - COLLECTION CARD

INSTALLMENT LOAN PAST DUE LIST

BK BR TYPE UNIT
1 1

C C C BANK OF SOUTH DEKALB — MAIN OFFICE — DATE 01-31-70 — PAGE 1

LOAN NUMBER	CUSTOMER NAME																		COLLATERAL OR INDORSER	
	CLASS 1 AUTO																			
00052	FRANKLIN, A B																			
	CLASS 2 COLLAT																			
00018	FAUPEL, JIM J																			
00048	THOMAS, DANIEL A				285														1969 PONT	
	CLASS 3 INDORSED																			
00130	TINRICH, ARTHUR A																		LON L STUBBS	
	CLASS 4 SIGNATURE																			
00117	ARMOR, JANE J																			
00118	BRANAM, ALFRED A																			
00065	FARSHY, FRED Q				185															
00098	LAMPEL, GARY C																			
BRNCH	TOTALS-NO.ACCTS AGED																			
	BALANCES AGED																			

E-1168

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REPOSSESSIONS

TOPIC BILL OF SALE

 Date 4-19-68

Replaces Bulletin: COLLECTIONS - REPOSSESSIONS - BILL OF SALE" Dated 7-8-54

In connection with the sale of repossessed merchandise, it is necessary to give a Bill of Sale to the purchaser. A standardized Bill of Sale form appears on the reverse page.

The provisions are self-explanatory but we want to point out these highlights --- reference to the power of private sale in our Security Agreement or Conditional Sales Contract, sale of property "as is" and no warranty except to title.

Prepare this form in duplicate; the original is given to the purchaser and the duplicate filed in your customer's folder.

Please order your requirements from the Purchasing Department in Atlanta in the usual way.

Replaces Bulletin: "COLLECTIONS - REPOSSESSIONS - BILL OF SALE" Dated 7-8-54

BILL OF SALE _____, 19___.

(In Foreclosure)

STATE OF_____

COUNTY OF_____

In consideration of the sum of $_____, in hand paid, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby sells and conveys unto

_____

_____(hereafter called "Buyer")

the following described property:

The parties recognize that this sale is made pursuant to the provisions of applicable law, following the default by_____

_____(hereafter called "Debtor") &

under a certain Security Agreement dated_____, 19___, between undersigned (or undersigned's predecessor in title) and Debtor, and serves only to transfer to Buyer all of Debtor's rights in and to the property and discharge the security interest of undersigned and any other such interest or lien subordinate thereto.

Undersigned warrants Good Title and full compliance with or lawful waiver of renunciation of all provisions of law applicable hereto, but makes NO FURTHER WARRANTIES OF ANY KIND, express or implied, Buyer taking the property "AS IS."

Received: _____

_____ By_____

Buyer

19-941—Rev. 1-64

E-1170

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REPOSSESSIONS

TOPIC INSURING OF

 Date 9-8-64

New Bulletin

Recently, there has been some confusion as to the insuring of repossessions. In the past, certain protection has been available to us under our wholesale automobile policy. A complete review of our exposure with regard to repossessions has just been made, and it has been concluded that the risk does not justify either the additional premium or the time and effort required to specifically insure repossessions. The procedures to be followed are:

IF CUSTOMER'S INSURANCE IS IN EXISTENCE AT THE TIME OF REPOSSESSION Coverage on the vehicle should be continued until the repossessed unit is disposed of. The insurance carrier must be notified by letter of the change of ownership and of our interest in the coverage being continued until disposition is made of the collateral. The policy should be surrendered for cancellation and return of unearned premium at the time of final disposition of the collateral. If liability insurance is in force (and was financed), it should be cancelled at the time of repossession.

IF THERE IS NO INSURANCE AT THE TIME OF REPOSSESSION We will self-insure against fire, theft and collision losses as well as property damage liability. It is not necessary to purchase outside single interest insurance to protect against these hazards. It should be understood that the term "self-insure" means that we take the risk without any insurance protection.

LIABILITY AND BODILY INJURY We are protected automatically against the exposure under the Bank's Automobile Liability Policy through Liberty Mutual. This is outlined in the article dated May 11,1962, in the Comptroller's Manual - Section: INSURANCE, Topic: AUTOMOBILE LIABILITY POLICY.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REPOSSESSIONS

TOPIC RECEIPT FOR MORTGAGED PROPERTY

 Date 9-6-57

Replaces Bulletin: "REPOSSESSIONS - RECEIPT (19-858)" Dated 9-20-54

Acting on a suggestion received from the local attorneys of one of our offices, we have revised our Receipt for Mortgaged Property (19-858) to clarify that the act of voluntary repossession does not rescind the original contract.

In almost all instances involving repossession, the customer will voluntarily give up the merchandise if properly approached, and repossession can be made without foreclosure proceedings. However, in these voluntary repossessions there are three risks which the bank faces:

1. The customer could later claim that the bank's representatives used force and/or intimidation in obtaining possession of the equipment.

2. The customer could later claim that the bank's repossession of the equipment constituted a full settlement of his debt and thus terminate his contract. This would prevent our obtaining any deficiency judgment after the sale of the equipment.

3. The customer could later state that he was not given an opportunity to remove his personal property from a repossessed automobile. He could then make a counter claim that such property be restored by the bank.

To eliminate these risks and subsequent counter claims, the Receipt for Mortgaged Property should be used whenever automobiles or other merchandise is repossessed or stored. This applies to all repossessions, bank or dealer liability, including repossessions made on "Foreign Claims".

In addition to the protection afforded the bank, this Receipt is a tool which will give the bank representative a more graceful and positive approach in connection with the actual repossession since it is called a "Receipt" and requires the signature of the bank's representative also.

The form should be completed in duplicate -- the original given to the customer and the duplicate filed in the customer's folder.

Because of the additional legal advantages, the revised form should be put into use immediately. Please order your requirements from the Purchasing Department in Atlanta.

E-1172

RECEIPT FOR MORTGAGED PROPERTY

The following described property: September 6, 19 57

MAKE	YEAR	MODEL	MOTOR OR SERIAL NUMBER	TAG NUMBER
Plymouth	1955	Savoy 4-dr.	P27-40376	1-7058-GA-57

being collateral described in and subject of a certain Security Agreement dated September 6, 19 57, between undersigned and The Citizens & Southern National Bank (hereafter called "Secured Party"), or Secured Party's predecessor in title is hereby freely and voluntarily delivered to Secured Party for the purpose of disposition or retention in accordance with applicable law.

Undersigned acknowledges that he is in default under said Security Agreement and that all articles of value owned by or in the custody of undersigned have been removed from the property before this delivery.

Undersigned expressly renounces whatever right he may have that the property be disposed of within 90 days hereof.

Undersigned represents that said property ☑ was ☐ was not acquired and used primarily for personal, family or household purposes.

Witness: Jane Witness

John Doe
Debtor

Received the above described property on the terms and conditions stated.

The Citizens & Southern National Bank

Jay Banker
Secured Party

— DEALER RECEIPT —

This acknowledges receipt from the Secured Party named in the foregoing Receipt for Mortgaged Property of the property described therein, pursuant to undersigned's obligation to repurchase same.

Dated 7th day of September, 19 57

ABC Auto Sales, Inc.

Henry Owner
Dealer

E- 1173

OPERATING BULLETIN

SECTION COLLECTIONS
SUBJECT REPOSSESSIONS
TOPIC SALE OF

 Date 7-15-64

New Bulletin

The Uniform Commercial Code makes it necessary that changes be made in our present procedures for disposing of repossessed goods and the purpose of this bulletin is to outline the procedures to be followed.

DISPOSITION OF REPOSSESSED GOODS Repossessed goods (including automobiles) must be disposed of in all cases. If the goods are "consumer goods" and the customer has paid 60% of the cash price in the case of a purchase money security interest or 60% of the amount of loan in other security interests, the disposition of the goods must be completed within 90 days unless this right has been waived by the customer after default. (The RECEIPT FOR MORTGAGED PROPERTY contains such a waiver; however, if a receipt was not obtained or if this waiver was deleted, we must be positive that this condition is met since the penalty for failure to do so is rather severe).

The Uniform Commercial Code permits a secured party to follow specific procedures in proposing to retain the collateral for their own use and thereby cancel the debtor's obligation. We will not use this and it is mentioned here only for general knowledge and conversation with dealers in the event that dealers ask about it (see bulletin on Uniform Commercial Code - General). For our purposes, all repossessions must be disposed of by (1) release to the customer, (2) sale, or (3) delivery to a dealer. "Bank Liability Repossessions" will be sold and "Dealer Liability Repossessions" returned to the dealer.

BANK LIABILITY REPOSSESSIONS All repossessions disposed of by the bank by sale or release to the customer are Bank Liability Repossessions. This will include all repossessions made by the Bank EXCEPT those returned to a dealer or guarantor under a full or limited liability repurchase agreement, recourse agreement or guarantee. A repossession under a recourse or repurchase agreement limited to a specified reserve may or may not be a Bank Liability Repossession. If the goods are returned to a dealer and the contract reassigned to the dealer, it is a Dealer Liability Repossession; but if the Bank sells the goods to someone other than the dealer, it is a Bank Liability Repossession even though the deficiency is charged to the reserve.

All Bank Liability Repossessions should be disposed of in accordance with the following procedures:

Release to the Customer - Once a repossession is made it is seldom advisable to release the goods to the customer except upon payment in full of our debt. When done, all circumstances must be carefully considered; particularly, (1) change in customer's circumstances, (2) substantial strengthening of the contract by an endorser or additional bank held collateral, and (3) substantial reduction with assurance of future availability of the collateral and satisfaction

REVISION OF PAGE 2 Dated 7-15-64

that collateral will not be unduly abused.

Sale of Repossessed Goods - Repossessed goods may be sold at public or private sale; however, in the consumer division private sale will continue to be the standard method of disposing of these. The following procedures must be followed in a private sale: (See REPOSSESSIONS - SALES FINANCE - DEFICIENCY CLAIMS).

A. Consumer Goods:

(a) Give written notice to the customer of our intent to sell at least five days before the sale is made. The letter does not have to specify the date of the sale, but only our intent to sell after some specified date. The letter should describe the goods.

R (b) Obtain at least (3) competitive bids, in writing if possible, to establish reasonable value and in order to obtain the best price possible.

(c) Furnish buyer with a BILL OF SALE IN FORECLOSURE - 19-841, Rev. 1-64. This revised form should be used in all cases and it should be noted that we sell "AS IS" in all cases and make R no warranties other than warranting good title. (If selling to a retail buyer, it is best to inform the buyer of the possibility of unpaid ad valorem taxes on a vehicle. This will almost always be the case if the vehicle bears the previous year's license plate).

(d) If the repossession is a titled vehicle, follow the steps in paragraphs (a), (b), (c) above and:

1. Complete a T-16 form, AFFIDAVIT FOR REPOSSESSED MOTOR VEHICLE (if sale is to a dealer complete assignment portion on bottom).
2. Complete a T-4 form, SECURITY INTEREST CANCELLATION.
3. If original Title Certificate is not held by bank (loans prior to 3-13-64) attempt to obtain from customer with or without his signature on reverse.
4. Give buyer:
   aa. The T-16
   bb. The T-4
   cc. The title (whenever obtainable on loans prior to 3-11-64 and on all loans made after 3-11-64, customer does not have to sign title).

(e) If the repossession is a non-titled vehicle on which a T-3 has been filed, it must be released (complete portion held by bank and send to Title Dept.) within 5 days of sale of repossession.

B. Property other than Consumer Goods:

(a) Check the appropriate filing records to determine if there are other creditors of record claiming an interest in the property.

(b) Give at least 5 days written notice to the customer and to any other creditor of record, or known to us, claiming an interest.

(c) Obtain at least (3) competitive bids.

(d) Furnish buyer with BILL OF SALE IN FORECLOSURE - 19-841, Rev. 1-64. This revised form should be used in all cases and it should be noted that we sell "AS IS" in all cases and made no warranties other than warranting good title.
(e) If repossession is a vehicle follow steps in (d) or (e) under CONSUMER GOODS above.

REPORTING BANK LIABILITY REPOSSESSIONS AND SALES TAX

System Consumer Credit maintains a log of all Bank Liability Repossessions. The repossession itself is picked up from Potential Loss Reports and Charge-Off History Sheets. The sale is picked up from Charge-Off History Sheets, therefore, history sheets must be prepared on ALL Bank Liability Repossessions whether or not there is any bank loss. In each case, the following must be shown:

1. Name and address of buyer.
2. Date of sale.
3. Amount of sale.
4. Amount of sales tax collected, or sales tax exemption number.

If no bank loss exists, only the original of the history sheet need be sent to System Consumer Division.

DEALER LIABILITY REPOSSESSIONS

Dealer Liability Repossessions are repossessions wherein the repossessed goods are repurchased by the dealer. This may be by payment of the entire unpaid balance or by partial payment with the remainder charged to the dealer's reserve. In each case, not only is the interest in the goods themselves transferred to the dealer, but also the security agreement is reassigned to the dealer. The dealer is at that time subrogated to our rights and to all of the responsbilities of a secured party in disposing of repossessions. The dealer must take the necessary steps to permit him to retain the goods for his own use and cancel the customer's obligation, or dispose of the merchandise after giving notice "all in a commercially reasonable manner." Once we deliver the merchandise to the dealer under such arrangements, it becomes his responsibility to comply with the provisions of the Code.

We are interested in helping our dealers wherever possible and are willing to discuss with them our method of handling disposition of repossessed goods; however, we cannot give them legal advice as to their requirements. On such questions they should be referred to their local counsel. In an effort to familiarize our dealers with the requirements we have printed a temporary supply of U.C.C. Article 9 - 504, 505, 506, and 507 dealing with disposition of collateral (reproduced on page 5). A supply is being sent to each Sales Finance Office together with a suggested cover letter. Cover letters should be individually typed on your bank stationery to all dealers and sent together with a copy of the code sections. A copy should also be given to all new dealers during the next 3-6 months at the time of acquisition.

If the repossession is a vehicle follow the same steps in (d) or (e) under the preceding paragraph "CONSUMER GOODS."

NOTE: Repossessions returned to a dealer's floor become part of his

inventory. If we floorplan for the dealer and have a Financing Statement on record, our interest in the returned goods continues perfected. If we do not have a Financing Statement covering inventory on record, our interest in the returned goods becomes unperfected, however, we would still take priority over another secured party claiming inventory because of their floorplanning for the dealer. Our exposure would only be to creditors other than the floorplan lender, line creditors (including a trustee in bankruptcy) and certain tax liens placed on the execution docket. This risk is minimal because of our follow-up on our dealers and knowledge of their financial condition and we can continue handling as in the past. However, it is important to understand the above provisions and in the event we leave repossessed goods on the floor of a financially weak dealer without being promptly paid, we should obtain and file a Financing Statement covering the specific goods as part of his inventory (if we have not already filed on inventory).

109A-9--504. SECURED PARTY'S RIGHT TO DISPOSE OF COLLATERAL AFTER DEFAULT; EFFECT OF DISPOSITION.--(1) A secured party after default may sell, lease or otherwise dispose of any or all of the collateral in its then condition or following any commercially reasonable preparation or processing. Any sale of goods is subject to the Article on Sales (Article 2). The proceeds of disposition shall be applied in the order following to

(a) the reasonable expenses of retaking, holding, preparing for sale, selling and the like and, to the extent provided for in the agreement and not prohibited by law, the reasonable attorneys' fees and legal expenses incurred by the secured party;

(b) the satisfaction of indebtedness secured by the security interest under which the disposition is made;

(c) the satisfaction of indebtedness secured by any subordinate security interest in the collateral if written notification of demand therefor is received before distribution of the proceeds is completed. If requested by the secured party, the holder of a subordinate security interest must seasonably furnish reasonable proof of his interest, and unless he does so, the secured party need not comply with his demand.

(2) If the security interest secures an indebtedness, the secured party must account to the debtor for any surplus, and, unless otherwise agreed, the debtor is liable for any deficiency. But if the underlying transaction was a sale of accounts, contract rights, or chattel paper, the debtor is entitled to any surplus or is liable for any deficiency only if the security agreement so provides.

(3) Disposition of the collateral may be by public or private proceedings and may be made by way of one or more contracts. Sale or other disposition may be as a unit or in parcels and at any time and place and on any terms but every aspect of the disposition including the method, manner, time, place and terms must be commercially reasonable. Unless collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, reasonable notification of the time and place of any public sale or reasonable notification of the time after which any private sale or other intended disposition is to be made shall be sent by the secured party to the debtor, and except in the case of consumer goods to any other person who has a security interest in the collateral and who has duly filed a financing statement indexed in the name of the debtor in this State or who is known by the secured party to have a security interest in the collateral. The secured party may buy at any public sale and if the collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations he may buy at private sale.

(4) When collateral is disposed of by a secured party after default, the disposition transfers to a purchaser for value all of the debtor's rights therein, discharges the security interest under which it is made and any security interest or lien subordinate thereto. The purchaser takes free of all such rights and interests even though the secured party fails to comply with the requirements of this Part or of any judicial proceedings

(a) in the case of a public sale, if the purchaser has no knowledge of any defects in the sale and if he does not buy in collusion with the secured party, other bidders or the person conducting the sale; or

(b) in any other case, if the purchaser acts in good faith.

(5) A person who is liable to a secured party under a guaranty, indorsement, repurchase agreement or the like and who receives a transfer of collateral from the secured party or is subrogated to his rights has thereafter the rights and duties of the secured party. Such a transfer of collateral is not a sale or disposition of the collateral under this Article. (Acts 1962, pp. 156, 422.)

109A-9--505. COMPULSORY DISPOSITION OF COLLATERAL; ACCEPTANCE OF THE COLLATERAL AS DISCHARGE OF OBLIGATION.--(1) If the debtor has paid 60 per cent of the cash price in the case of a purchase money security interest in consumer goods or 60 per cent of the loan in the case of another security interest in consumer goods, and has not signed after default a statement renouncing or modifying his rights under this Part a secured party who has taken possession of collateral must dispose of it under 109A-9--504 and if he fails to do so within 90 days after he takes possession the debtor at his option may recover in conversion or under 109A-9--507(1) on secured party's liability.

(2) In any other case involving consumer goods or any other collateral a secured party in possession may, after default, propose to retain the collateral in satisfaction of the obligation. Written notice of such proposal shall be sent to the debtor and except in the case of consumer goods to any other secured party who has a security interest in the collateral and who has duly filed a financing statement indexed in the name of the debtor in this State or is known by the secured party in possession to have a security interest in it. If the debtor or other person entitled to receive notification objects in writing within 30 days from the receipt of the notification or if any other secured party objects in writing within 30 days after the secured party obtains possession the secured party must dispose of the collateral under 109A-9--504. In the absence of such written objection the secured party may retain the collateral in satisfaction of the debtor's obligation. (Acts 1962, pp. 156, 424.)

109A-9--506. DEBTOR'S RIGHT TO REDEEM COLLATERAL.--At any time before the secured party has disposed of collateral or entered into a contract for its disposition under 109A-9--504 or before the obligation has been discharged under 109A-9--505(2) the debtor or any other secured party may unless otherwise agreed in writing after default redeem the collateral by tendering fulfillment of all obligations secured by the collateral as well as the expenses reasonably incurred by the secured party in retaking, holding and preparing collateral for disposition, in arranging for the sale, and to the extent provided in the agreement and not prohibited by law, his reasonable attorneys' fees and legal expenses. (Acts 1962, pp. 156, 425.)

109A-9--507. SECURED PARTY'S LIABILITY FOR FAILURE TO COMPLY WITH THIS PART.--(1) If it is established that the secured party is not proceeding in accordance with the provisions of this Part disposition may be ordered or restrained on appropriate terms and conditions. If the disposition has occurred the debtor or any person entitled to notification or whose security interest has been made known to the secured party prior to the disposition has a right to recover from the secured party any loss caused by a failure to comply with the provisions of this Part. If the collateral is consumer goods, the debtor has a right to recover in any event an amount not less than the credit service charge plus 10 per cent of the principal amount of the debt or the time price differential plus 10 per cent of the cash price.

(2) The fact that a better price could have been obtained by a sale at a different time or in a different method from that selected by the secured party is not of itself sufficient to establish that the sale was not made in a commercially reasonable manner. If the secured party either sells the collateral in the usual manner in any recognized market therefor or if he sells at the price current in such market at the time of his sale or if he has otherwise sold in conformity with reasonable commercial practices among dealers in the type of property sold he has sold in a commercially reasonable manner. The principles stated in the two preceding sentences with respect to sales also apply as may be appropriate to other types of disposition. A disposition which has been approved in any judicial proceeding or by any bona fide creditors' committee or representative of creditors shall conclusively be deemed to be commercially reasonable, but this sentence does not indicate that any such approval must be obtained in any case nor does it indicate that any disposition not so approved is not commercially reasonable. (Acts 1962, pp. 156, 425.)

E4178

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REPOSSESSIONS - SALES FINANCE

TOPIC DEFICIENCY CLAIMS

 Date 9-1-67

NEW BULLETIN

In addition to requirements under the Uniform Commercial Code, the Retail Installment and Home Solicitation Sales Act and the Motor Vehicle Sales Finance Act sets forth procedures that must be followed before the holder of a defaulted sales contract is entitled to collect a deficiency.

At the time of repossession of a vehicle or goods subject to these Acts, the bank (on non-recourse paper) or the dealer (on repurchase or recourse paper) must decide whether to be satisfied with the anticipated proceeds from the sale of the collateral or whether to delay the sale and comply with the provisions of these Acts. Consideration should be given to:

1. The amount of the probable deficiency.
2. The possibility of a lower resale price by virtue of a delayed sale.
3. The probability and cost of collecting the deficiency if it is established in conformity with these Acts.

If following for a deficiency is not considered to be worthwhile, proceed with the sale as outlined in our bulletin - "COLLECTIONS - REPOSSESSIONS - SALE OF" dated 7-15-64.

If a deficiency balance is to be pursued, either by the bank or the dealer:

1. Within 10 days of the date of repossession the buyer must be notified by registered or certified mail of the holder's intent to pursue the deficiency.
2. This notice must also advise the buyer that the collateral may be redeemed upon payment of the debt and advise the buyer of his right of public sale.

Illustrated on the reverse side of this bulletin is a sample letter to be used when applicable. Dealers should be advised to consult with their attorneys to draft their own letters.

In the event there is no response from the buyer within 10 days, the collateral may be sold and a deficiency established by following the procedures in our 7-15-64 bulletin.

In the event the buyer replies within 10 days requesting a public sale, the sale may be held in any of the following places, at the option of the holder:

1. The county where the original sale took place.
2. The county of the buyer's residence.
3. The county where the collateral was repossessed.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REPOSSESSIONS - SALES FINANCE

TOPIC DEFICIENCY CLAIMS

 Date 9-1-67

NEW BULLETIN

Advertisement of the intended sale must be placed in the paper where the sheriff advertises his sales in that area at least once each week for two weeks preceding the sale. The advertisement must specify the time, date, and place and describe the property to be sold. In addition to this advertisement, a reasonable notice must be given to the debtor and if the property is anything other than consumer goods, to any other person having a security interest in the collateral who has filed a financing statement indexed in the name of the debtor in this state, or who is known to have a security interest in the collateral. At such a sale, we may bid and buy.

This is in addition to the procedures outlined in our 7-15-64 bulletin.

Where repossessions are made outside of Georgia and the sale is to take place outside of Georgia, Georgia law still applies.

Dear Customer:

Recently, under the provisions of a conditional sales contract we hold, it was necessary to reclaim possession of _____ from you.
(collateral description)

This is our notice to you, that on or after _____ (time) _____ (date) we intend to dispose of this collateral. In the event the proceeds from the sale of this collateral does not satisy your indebtedness to us you will be liable for any remaining balance.

Until the above time and date you may redeem this collateral by paying your indebtedness in full. By law, you are entitled to a public sale of this collateral, provided we are notified that you desire this sale by registered or certified mail within 10 days of the date of this letter.

In the event you wish a public sale, the cost of advertising for two weeks in the local newspaper, a description of the collateral and your name as registered owner, along with all other costs incurred with this sale will necessarily have to be charged to your account.

Sincerely,

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REVISION AGREEMENT

TOPIC

 Date 8-9-69

Revised Bulletin: COLLECTIONS - REVISION AGREEMENT - Dated 2-24-67

The Revision Agreement (form 19-988) illustrated on the back of this page is a combination Note and Security Agreement that has been developed for the purpose of reworking unsecured indebtedness for collection purposes. The form is in three parts to conform to Regulation Z. Retain the original copy for our note file. Second copy in the customer's credit file and the third copy should be given to the customer at the time he signs the agreement.

The use of this simplified form is intended to reduce customer resistance to pledging collateral or furnishing an endorser as an inducement for us to revise the original terms of repayment rather than take action to collect the entire defaulted balance.

The Revision Agreement should be used without exception when:

1. Unsecured Installment or L&D loans are reworked for collection purposes.

2. CAS accounts are reworked and transferred to the Liquidating Accounts cycle.

Space is provided on the form for listing all outstanding bank debt since all such debt should be consolidated into one note any time an account is reworked for collection purposes.

A description of the collateral being taken as security on the note, together with the name(s) of any lien holders, should be shown in the space provided. Remember to take whatever steps are necessary to perfect your interest in the security.

Space is provided at the bottom of the form for the signature(s) of any indorser(s) on the note.

ORDERING SUPPLIES

Your requirements of the Revision Agreement, form (19-988, rev.7-69) may be ordered in the usual manner from the Purchasing Department, Atlanta.

RELATED BULLETINS

COLLECTIONS - REWORKING FOR COLLECTION PURPOSES
CHARGE ACCOUNT SERVICE - COLLECTIONS - LIQUIDATING ACCOUNTS
LENDING GENERAL - PERFECTING SECURITY INTERESTS

C&S

Revision Agreement

Date: 8-14-69

Number: 2227

TO: Citizens and Southern National Bank

Atlanta, Georgia

The undersigned (Borrower) is indebted to you as follows, with all or part of such indebtedness being now due and payable:

Checking account overdraft	$ 46.00
Charge Account Service #433-014-912	$ 444.00
Sales Finance account # 18346 (Net payoff)	$ 517.00
L&D note due 7-8-69	$ 400.00

Borrower promises to pay to

THE CITIZENS AND SOUTHERN NATIONAL BANK, Atlanta, Georgia (hereafter called "Bank")

the amount shown hereon as Total of Payments in installments as stated in the Payment Schedule hereon together with a delinquency charge of 5% (not to exceed $5.00) on each installment not paid within 10 days of its due date and together with all costs of collection, including 15% as attorneys fees if collected by law or through an attorney at law. In event of prepayment, refund of FINANCE CHARGE will be based on the Sum of the Digits method, after first deducting an acquisition charge of $15.00 from the FINANCE CHARGE.

In order to secure the payment of all monies becoming due hereon and all other obligations of the borrower to the Bank, its successors and assigns, however created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due (herein called Liabilities) Borrower hereby conveys to Bank, and grants to the Bank security title to and a security interest in the property hereinafter described and all accessories, parts, and equipment now or hereafter affixed thereto for use in connection therewith, subject to the security or lien interests shown hereon, together with any and all balances, credits, deposits, accounts, items, monies, and other property of the borrower now or hereafter with or in the possession or control of Bank, including all dividends and distributions or other rights in connection with any property herein above referred to, all of which is herein called "Collateral".

Security Interest or Lien Holder:	Property:
Cond.Sls.Contr.-CMAC, Atlanta	'67 Chevrolet Sedan, Impala,
Motor #8423535	
Cond.Sls.Contr.-C&S Sales Finance	RCA Color TV, Ser. #846922
	Recording Fees 3.50
	Title Fee $ 1.00
None	18' Nordicraft Aluminum Boat
None	15 H.P. Mercury Outbd.Motor #148816
	GE Washer, Ser. #32518810
None	GE Dryer, Ser. #1649922

1. Amount of Loan	$ 1,407.00
2. Credit Life Insurance	$ 24.69
3. Credit Disability Ins.	$ 0
4. Other Charges (Specify)	
5. Amount Financed (1 + 2 + 3 + 4)	$ 1,436.19
6. FINANCE CHARGE	$ 215.61
7. Total of Payments (5 + 6)	$ 1,651.80
ANNUAL PERCENTAGE RATE	11.11 %

Borrower agrees to all of the terms and conditions set forth on the reverse side hereof which are hereby incorporated in this agreement by reference. If more than one party shall execute this agreement, the term "Borrower" shall mean all parties so signing and each of them, who shall be jointly and severally obligated hereunder. This agreement has been delivered in the State of Georgia and shall be construed in accordance with the laws of that State.

Payment Schedule: 30 installments of $ 35.06 each and one (balloon payment) of $ _____ beginning September 15 19 69 and on the same day of each month thereafter until paid in full.

Insurance Statement: Credit Life Insurance and Credit Disability Insurance are not required in connection with this loan.

☐ Loan not eligible for Credit Life Insurance and Credit Disability Insurance.

I ☒ request ☐ decline Credit Life Insurance.

I ☐ request ☒ decline Credit Disability Insurance.

9-11-19 Date of Birth | 8-14-69 Date | John Speed Signature

Borrower hereby acknowledges receipt of a completed copy hereof.

123 August Road, Atlanta, Ga. Address

John Speed (SEAL)

Address (SEAL)

E- 1182

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT REWORKING FOR COLLECTION PURPOSES

TOPIC

 Date 2-24-67

New Bulletin

Aside from weaknesses in the original extension of unsecured credit (CAS - L&D - ILD), a high percentage of our losses take place because of failure to take positive action soon enough when an original weakness is recognized or changes take place in the credit worthiness of our customer. Generally the deterioration of an individual credit risk is gradual and the alert credit and collection man can take steps to avert or minimize a potential loss. By properly reworking loans for collection, problem accounts and losses can be minimized.

DANGER SIGNALS In most cases, action will be indicated because of apparent changes in the credit-worthiness of the customer evidenced by one or more of the following danger signals:

1. Past-due condition and requests for delays in payments.

2. Increased debt indicated by numerous credit inquiries, particularly from high-rate loan companies.

3. Repeated renewals of L&D notes without apparent means of repayment.

4. Derogatory information received from other departments of the bank, such as, a checking account closed for insufficient checks or borrowing frequently and over the established limit in CAS.

5. Marked changes in personal circumstances, such as, repeated job changes, marital difficulty, change of address to unfavorable location, and adverse notices from credit-reporting agencies.

INTERVIEW To aid in analyzing the customer's financial condition, several steps may need to be taken. Where the interviewer does not have all the facts before him to make a sound credit decision, use of the interview and subsequent investigation is necessary.

Interviewing potential rework loan customers requires a thorough approach. In this connection, the interviewer will find the Family Budget Consolidation Worksheet a helpful tool and should use this form without exception when renewing a loan for collection purposes. The completed worksheet will furnish the interviewer with a list of all of the customer's debts, including the amount of his payments, as well as his net income. In addition, the interviewer should obtain a complete list of the customer's assets since this may reveal collateral which is available to secure our loan. Particular care should be taken to be certain that all other debt of the customer to the bank is included since all such debt should be combined into one note when a loan is reworked for collection purposes.

INVESTIGATION A thorough investigation following the steps outlined in the Bulletin "LENDING GENERAL - CREDIT INVESTIGATION" is necessary to verify the information developed during the interview. Investigation will enable the inter-

New Bulletin

viewer to determine the underlying reason for the rework and also the seriousness of the collection problem involved. It is of particular importance that the following steps be taken:

1. Verify the stability of employment and net income.
2. Recheck of all inquiry calls by creditors to the bank and to the Credit Bureau.
3. Verify all of the customer's debt and the amount of monthly payments.
4. Determine the nature of collateral securing other creditor's debt.

COURSES OF ACTION After all facts have been developed, consider:

1. If our customer no longer meets our normal credit standards and judgment indicates that chances of improvement are questionable -- encourage refinancing our balance elsewhere.
2. If total debt can be fully secured or guaranteed by a qualified indorser, rework even if ability to repay is questionable.
3. Where weakness is temporary or a reasonable ability to pay on revised terms exists - rework and strengthen as much as possible.
4. If account cannot be strengthened and collection is doubtful, recognize the fact, charge off and handle as salvage.

OTHER BANK DEBT In reworking an account for collection purposes, always consider total bank debt, consolidate where possible and whatever action is taken - a file memorandum should be sent to the affected departments or branches.

COLLATERAL Collateral must always be requested when we rework a loan for collection purposes. In addition, where we are reworking CAS balances, we obtain the advantage of a written acknowledgement of the CAS obligation, which had heretofore been an open account. The customer should be impressed with the fact that we are doing him a favor by reworking his loan. We should not be reluctant to request collateral, since we have a right to expect to be placed in a more secured position. Keep in mind that the interviewer's major objective is to improve the bank's position.

Often, we are able to reduce our loss exposure by taking second mortgages on property, liens on household goods, or any other item of security representing value to the customer. Even if the collateral has slight actual value, its worth to the customer may act as a lever to obtain payment. The necessary steps to perfect our lien on the collateral should always be taken.

New Bulletin

Where we are unable to obtain collateral, the customer should be requested to supply us with a satisfactory indorser. If he is able to do so, we should investigate the indorser's credit to determine if he adds any strength to the note before accepting the indorsement. Be very certain that the indorser understands the purpose for the loan, and that he is aware of his obligation, in the event a collection problem arises.

TERMS The interview with the customer establishes the amount of payment he is able to meet. Maturities should be restricted as much as possible, since our object is to collect the balance as rapidly as possible. However, be realistic in setting up terms, otherwise, our overall purpose of working out the customer's debt is defeated.

COLLECTIONS Loans reworked for collection purposes must receive special handling when past due. Routine notices and form letters are not to be used. Notice clerks should be informed that all loans coded as reworks for collection purposes of installment loans, loans and discounts, and CAS, do not receive notices, but should be given to collection personnel for personal handling. In the event of involved collection problems, experienced collection personnel, such as the Recovery Department should be consulted.

REVISION AGREEMENT The Revision Agreement (form #19-988) should be used without exception:

1. Where unsecured loans (L&D and ILD) are reworked for collection purposes.
2. Where CAS accounts are reworked and placed in the Liquidating Accounts cycle.

RELATED BULLETINS COLLECTIONS - REVISION AGREEMENT
LENDING GENERAL - CREDIT INVESTIGATION

Replaces Bulletin: "COLLECTIONS - RIGHT OF SET-OFF" Dated 2-28-62

In both Installment Lending and Charge Account Service, we are frequently confronted with questions as to our right to collect past-due obligations by the use of set-off against deposit balances. While the majority of our notes and evidences of debt include an express right of set-off which serves to avoid litigation on this point, our original CAS customer agreements do not expressly recite our right of set-off. In the absence of such wording, our attorneys advise that, based on precedent, a bank has the right to set-off against the amount of a deposit belonging to a customer any matured indebtedness due by that customer to the bank. There is no problem when the account is in the name of the debtor only, but questions arise when the account is a joint one. Our attorney has advised:

> "The right of set-off should not be exercised against an account standing in the name of the debtor and another. This is because, under Georgia law, it is always a question of fact as to who has title to the monies in such an account. Should it be contended by the depositor other than the debtor that the money belonged to him or her and that subsequent to set-off we had wrongfully dishonored checks drawn on the account, the bank would certainly run the risk of incurring liability to a calculated degree.
>
> The only time it would be judicious to effect such a set-off would be where you have satisfied yourself fully as a matter of fact that the entire monies in the account belong to the debtor. In my opinion the only entirely satisfactory method of proving this would be to have the admission of the co-depositor of that fact".

Prudent use of the right of set-off will avert losses, so we must at all times be alert to exercise the right of set-off against deposit balances on any account if we are in a potential loss situation or if the collection effort exerted would justify or warrant this protection of the bank's interests. Since indiscriminate use of such action could undermine public and customer relations, the approval of the Department Manager is required to initiate it. Should it be known, or the customer's file reveal, that a personal relationship exists between the customer and someone in another area of the bank, it is advisable to consult that person (Officer-of-Account) before exercising the right of set-off.

MATURED INDEBTEDNESS

Any installment or amount past due can automatically be considered as having "matured". In addition, all of our installment instruments contain a provision that failure to pay any installment as agreed will cause the entire balance to be due and payable. On CAS accounts, the balance is due within 30 days unless the customer elects to pay the minimum payment. Therefore, any account that is past due can be considered as having "matured" for the entire balance.

Replaces Bulletin: "COLLECTIONS - RIGHT OF SET-OFF" Dated 11-28-62

CHECKING ACCOUNTS

The right of set-off applies to all demand deposits - both regular and special checking account. No difficulty is encountered in the case of accounts in the name of the debtor only, but where the account is a joint one, before exercising the right of set-off, it is necessary that we determine who has title to the monies in the account. As soon as set-off is contemplated, the Bookkeeping Department should be notified to flag the account.

SAVINGS ACCOUNTS

The same care required with regard to the right of set-off of checking accounts must be exercised when savings accounts are to be attached (joint accounts). The right of set-off does apply to both savings accounts and savings certificates; however, the exercise of our rights may present a problem in that the possibility exists that the savings accounts or certificate may have been pledged as security for indebtedness owed to someone other than the bank. We may or may not have been so notified.

The Savings Department should be notified to flag the account for the amount of the anticipated set-off as soon as is contemplated. In such cases it is not necessary to obtain the passbook before set-off is exercised. If litigation should be brought by the depositor or an interested third party, the most that could happen is that we would be required to return the money to the account. No punitive damages could be obtained; thus, we would be in no worse a position than we were to begin with.

In the case of savings certificates, it will be necessary to obtain the certificates from the holder before set-off can be accomplished. By having the Savings Department flag their records of the certificate, we will be given an opportunity to talk with the holder before the certificate is cashed should it be presented for payment.

No pass-book savings accounts may be regarded in the same manner as demand deposit accounts with respect to our right of set-off.

Replaces Bulletin: "COLLECTIONS - RIGHT OF SET-OFF" Dated 11-28-62

NOTIFICATION

The customer should always be notified that the right of set-off is to be, or has been, exercised against his deposit account. He should also be informed as to the status of his installment loan or CAS account as a result of the set-off. Department Managers should exercise judgment as to whether the customer is notified before or at the time set-off action is taken. (To prevent funds from being withdrawn before set-off is exercised, see remarks concerning flagging of accounts in paragraphs CHECKING ACCOUNTS and SAVINGS ACCOUNTS on page 2).

CAS ACCOUNTS

Upon revision, the Customer Agreement form will include a clause regarding the right of set-off. However, we still will not have signed agreements bearing this clause from customers who have already signed the old agreement. Also, it will not be feasible to obtain signed agreements from many of our future customers, particularly on merchant conversion accounts.

It is our attorney's opinion that we have and may exercise the right of set-off even when:

1. We have no signed CAS agreement or note.

2. We have an old style CAS agreement signed which does not state the right of set-off or contain a lien clause.

NATIONAL VS. AFFILIATE BANKS

The right of set-off applies only when both the indebtedness and the deposit account(s) are in the same bank. This means that a deposit account maintained in an affiliate bank cannot be used to set-off an indebtedness held by the national bank. CAS indebtedness will be limited to set-off privileges against national bank deposit balances except in the case of Albany which is limited to set-off privileges within itself.

While legally the instrument of indebtedness could be sold to the bank having the deposit balance, it is our feeling that the adverse public relations resulting from such a sale would outweigh the indebtedness recovery, and our counsel predicts that such action would probably result in litigation. While the selling bank would probably not be criticized, the bank purchasing the right of set-off would be in a definitely critical position. Where the balance of indebtedness is sufficiently large to warrant consideration of such action, the approval of the Central Installment Department will be required.

Replaces Bulletin: "COLLECTIONS - RIGHT OF SET-OFF" Dated 2-28-62

MILITARY ACCOUNTS

Strictly speaking, we should not exercise our right to set off savings and/or checking deposits against indebtedness of military personnel without securing a court order. This also applies to endorsers of loans on which the principal borrower is in the service. We feel that good, clear, reasonable communications between ourselves and the customer/endorser will satisfactorily resolve nearly all of these situations, so that we do not have to use our setoff rights (or request a court order for same). Extensive usage of court orders in such cases would result in more delays in collection, more charge-offs, more legal expense, and less goodwill. We must use this only after all else has failed.

OPERATING BULLETIN

SECTION COLLECTIONS

SUBJECT SKIPS

TOPIC LIST OF MOTOR VEHICLE REGISTRATION OFFICES

 Date 3-12-68

Replaces Bulletin: "COLLECTIONS - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES" Dated 4-4-62

There are times when the only means of locating an automobile in which we have an interest is to check with the motor vehicle registration division of the state where it is likely that the "skip" may have located. This is an up-to-date list of registration agency information for your use.

USE OF LIST The various states have different designations for the bureau that handles this information. Attached is an alphabetical list of the proper titles for the various motor vehicle departments and their addresses.

A letter similar to the one reproduced below sent to the motor vehicle department requesting information in regard to your "skip" should always show the motor and/or the serial number of the automobile as well as the name of the registrant. The majority of the states maintain their files according to motor and serial number. In those states where other means of identification is used, such is noted on the listing which follows.

> Please advise us whether or not you show registration for a 1961 Used Pontiac Catalina, Motor No. P27-567243, or any car registered under the name of John D. Doe.
>
> We are enclosing a stamped, addressed envelope for your use in replying, also our check in payment of your fee for making this search of your files.

FEES INVOLVED Many of the states do not require fees for the information they render. However, a current check with the Georgia Motor Vehicle Registration Office shows fees as indicated on the attached list. Should there be a difference in the fee charged from that shown, the state will usually bill you for making a search of their files for registration information.

State agencies are not only willing to answer your letters but usually proffer whatever information they have on file as to the name and address of the registrant, make, model, and serial number of vehicles, tag numbers, and the date of purchase of the tag. In many cases the name of any lien holder on record is voluntarily given. When you suspect that a car will be registered in a particular state in the future, you may request that the state office note their records of your lien and notify you when the automobile is registered.

ATLANTA AREA PROCEDURE In Atlanta, you may check by telephone with the Motor Vehicle License Unit, Department of Revenue. Files are maintained by motor number (ID), name, and license number, and information pertaining to them may be obtained by calling 577-3560 (8:30 a.m. to 4:30 p.m.). The tag and motor files are set up numerically on a statewide basis, but the name file is set up by counties. When checking the name file, you must specify the county or counties you wish checked. For information relating to a transfer of license, call 577-3560.

Replaces Bulletin: "COLLECTION - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES" Dated 4-4-62

ALA. No fee. Non-Title State

Department of Revenue
State Administrative Building
Montgomery, Alabama 36102

ALASKA $1.00 fee. Title State

Department of Revenue
Motor Vehicle Division
Box 960
Anchorage, Alaska 99501

ARIZ. 50¢ fee. Title State

State Highway Department
Motor Vehicle Division
1739 West Jackson Street
Phoenix, Arizona 85007

ARK. 25¢ fee. Title State

Department of Revenue
Motor Vehicle Division
Revenue Building
7th & Welke Street
Little Rock, Arkansas 72001

CALIF. 40¢ min. fee Title State

Department of Motor Vehicles
2415 First Avenue
P. O. Box 1319
Sacramento, California 95806

C.Z. No fee. Non-Title

Chief of License Section
Canal Zone Government
Balboa Heights, Canal Zone

COLO. 75¢ fee. Title State

Department of Revenue
Motor Vehicle Division
140 West Sixth Avenue
Denver, Colorado 80204

CONN. 50¢ fee. Title State

Department of Motor Vehicles
60 State Street
Wethersfield, Connecticut 06279

DEL. $1.00 fee. Title State

State Highway Commission
Motor Vehicle Division
Dover, Delaware 19901

D.C. 50¢ fee. Title

Department of Motor Vehicles
301 C. Street, N. W.
Washington, D. C. 20001

FLA. No fee. Title State

Department of Motor Vehicles
LeRoy Collins Building
107 West Gaines Street
Tallahassee, Florida 32301

GA. 10¢ fee. Title State

Motor Vehicle License Unit
Department of Revenue
109 State Capitol
Atlanta, Georgia

HAWAII No fee. Title State

Director of Finance
City and County of Honolulu
Honolulu, Hawaii

Replaces Bulletin: "COLLECTIONS - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES" Dated 4-4-62

IDAHO $1.50 fee. Title State

Department of Law Enforcement
3211 State Street
P. O. Box 34
Boise, Idaho 83700

ILL. $2.00 fee. Title State

Secretary of State
Motor Vehicle Division
Centennial Building
Springfield, Illinois 62700

IND. $1.00 fee. Title State

Bureau of Motor Vehicles
401 State Office Building
Indianapolis, Indiana 46209

IOWA $1.00 fee. Title State

Department of Safety
Motor Vehicle Registration Division
State Office Building
Des Moines, Iowa 50319

KANSAS 25¢ fee Title State

Motor Vehicle Department
State Office Building
Topeka, Kansas 66600

KY. $1.00 fee. Non-Title State

Department of Revenue
Motor Vehicle Division
Capitol Annex
Frankfort, Kentucky 40601

LA. 10¢ fee. Title State

Department of Revenue
Motor Vehicle Division
South Foster Drive
Baton Rouge, Louisiana 70821

MAINE 25¢ fee. Non-Title State
(No motor number file kept.
Filed by name & license number.)

Department of State
Motor Vehicle Division
State Street
Augusta, Maine 04301

MD. $1.00 fee. Title State

Department of Motor Vehicles
6601 Ritchie Highway, N. E.
Glen Burnie, Maryland 21061

MASS. $1.50 fee. Non-Title State

Registry of Motor Vehicles
100 Nashua Street
Boston, Massachusetts 02114

MICH. $2.00 fee. Title State

Department of State
Division of Vehicle Services
State Capitol
Lansing, Michigan 48918

MINN. 10¢ fee if license no. supplied.
15¢ fee if only serial no. or name of owner furnished.
Non-Title State

Department of Secretary of State
Motor Vehicle Division
State Highway Building
St. Paul, Minnesota 55101

MISS. $1.00 Min. fee. Non-Title State

Office of Motor Vehicle Comptroller
Privilege Tax Division
Woolfolk Building
Jackson, Mississippi 39200

Replaces Bulletin: "COLLECTIONS - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES" Dated 4-4-62

MD. No fee. Title State

Department of Revenue
Motor Vehicle Registration Division
Jefferson Building
Jefferson City, Missouri 65101

MONT. $2.00 fee. Title State

Registrar of Motor Vehicles
923 Main Street
Deer Lodge, Montana 59722

NEBR. 15¢ fee. Title State

Department of Motor Vehicles
State House
Lincoln, Nebraska 68509

NEV. Variable fee. Non-Title State

Department of Motor Vehicles
Registration Division
Carson City, Nevada 89701

N.H. Variable fee. Non-Title State

Department of Safety
Division of Motor Vehicles
State Office Building
Concord, New Hampshire 03300

N.J. 75¢ fee. Title State

Department of Law & Public Safety
Motor Vehicle Division
25 South Montgomery Street
Trenton, New Jersey 08625

N. MEX. No fee. Title State

Department of Motor Vehicles
Capitol Building
P. O. Drawer A
Santa Fe, New Mexico 87501

N.Y. No fee. Title State

Department of Motor Vehicles
504 Central Avenue
Albany, New York 12206

N.C. No fee. Title State

Department of Motor Vehicles
Motor Vehicle Building
Raleigh, North Carolina 27600

N. D. $1.00 Max. fee. Title State

Motor Vehicle Department
Capitol Building
Bismarck, North Dakota 58501

OHIO 50¢ fee. Title State

Department of Highway Safety
Bureau of Motor Vehicles
275 South 4th Street
Columbus, Ohio 43205

OKLA. 25¢ fee. Title State

State Tax Commission
Motor Vehicle Division
Capitol Office Building
Oklahoma City, Oklahoma 73100

ORE. 25¢ fee. Title State

Department of Motor Vehicles
1905 Lana Avenue, N. E.
Salem, Oregon 97310

PA. 50¢ fee. Title State

Department of Motor Vehicles
Bureau of Motor Vehicles
Finance Building
Harrisburg, Pennsylvania 1712[illegible]

Replaces Bulletin: "COLLECTIONS - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES" Dated 4-4-62

R.I. $1.50 fee. Non-Title State

Registry of Motor Vehicles
State Office Building
Providence, Rhode Island 02903

S. C. 50¢ fee. Title State

State Highway Department
Motor Vehicle Division
P. O. Drawer 1498
Columbia, South Carolina 29200

S.D. $1.00 fee. Title State

Department of Motor Vehicles
Capitol & Grand Avenue
Pierre, South Dakota 57501

TENN. 75¢ fee. Title State
(License number record only)

Department of Revenue
Motor Vehicle Division
500 Union Street
Nashville, Tennessee 37219

TEXAS 25¢ fee. Title State

Texas Highway Department
Motor Vehicle Division
40th & Jackson Avenue
Austin, Texas 78700

UTAH 50¢ fee. Title State

State Tax Commission
Department of Motor Vehicles
State Office Building
Salt Lake City, Utah 84114

VT. Variable fee, 12¢ to $1.00 Non-Title State

Department of Motor Vehicles
State Street
Montpelier, Vermont 05601

VA. 10¢ fee. Title State

Division of Motor Vehicles
2220 West Broad Street
Richmond, Virginia 23210

WASH. No fee. Title State

Department of Motor Vehicles
Highways & License Building
Olympia, Washington 98502

W. VA. 50¢ fee. Title State

Department of Motor Vehicles
1800 Washington Street East
Charleston, West Virginia 25305

WISC. $1.00 fee. Title State

Motor Vehicle Department
Hill Farms
State Office Building
Madison, Wisconsin 53700

WYO. 50¢ fee. Title State

Department of Revenue
Motor Vehicle Division
2200 Carey Avenue
Cheyenne, Wyoming 82001

OPERATING BULLETIN

SECTION COLLECTIONS
SUBJECT SKIPS
TOPIC LOCATION OF

 Date 11/18/69

Revision of Bulletin: COLLECTIONS - SKIPS - LOCATION OF - Dated 8-8-61

Skips are a normal part of consumer credit and collection activity, varying in seriousness from customers who merely fail to give the Bank a forwarding address to those who deliberately keep under cover to avoid payments. Regardless of reason or seriousness, however, the fact that a customer is no longer at the same address is a danger signal calling for prompt and intelligent handling until he is located and collection is achieved.

It is almost impossible for anyone to disappear without leaving behind some traces. The successful location of skips depends on the adjustor's ability to recognize and develop these traces into leads and to work each one to a definite conclusion. As with other phases of collection activity, the ability to locate skips under all circumstances comes with experience and requires common sense, ingenuity, and a planned approach to fit each individual case. The refinements of locating skips are many and varied; consequently, this bulletin is intended to cover only the fundamental approaches that have proved to be successful in the majority of cases.

N The Skip Locater (19-5380) described in this bulletin should be used as soon as there are any of the "Indications of A Skip" shown below.

INDICATIONS OF A SKIP

1. Returned Mail
   The first indication of a skip is usually returned mail; therefore, it is necessary that returned mail be processed immediately. Pull the customer's file folder and ledger card (if available) to see if the address on the returned mail is correct. If correction of an error is the only thing necessary, make sure all bank records are changed. If no error was made, immediately begin personal handling in the form of preliminary checks (see subsequent paragraph).

2. Disconnected Telephone
   Any report of disconnected telephone service should be checked out for a change in telephone number.

3. Customer Moved From Residence
   A potential skip may be indicated when an outside adjustor finds that the customer has moved. If the new residents or neighbors cannot provide the outside adjustor with a forwarding address, he should call the Bank for further instructions before he leaves the neighborhood if he is making an "in town" personal contact.

Revision of Bulletin: COLLECTIONS - SKIPS - LOCATION OF - Dated 8-8-61

If he is "out of town", he should check the customer's employer and follow-up all local leads developed from neighbors, employer, etc., before leaving town. If a sales finance account is involved, the adjustor should contact the dealer for assistance in locating the customer.

TIME VS. FOLLOWUP

Time is the critical factor in the location of skips. The longer it takes to find the skip, the more difficult he is to locate. Leads grow cold, informants forgetful, and the deliberate skip is able to cover his trail more effectively. For these reasons, it is essential that the question posed by a potential skip be resolved at once: "Has the customer merely moved without notifying the Bank or is he a deliberate skip?" Consequently, all leads should be explored, one after the other, until the customer is located. These leads should be checked as soon as possible.

N

USE OF SKIP LOCATER FORM (19-5380)

N
E
W

This skip tracing form, shown on pages 3 and 4, provides an organized approach to locating skips. In most cases, just going straight down the list on the first page will result in a located customer.

The following comments will be repetitive to some degree, but will probably help shed more light on the process:

1. Review the Ledger Card, Credit and Collection Folder
   Check the ledger card for notations, and the discount sheet, application, correspondence, and collection memorandums for any information that may be useful. Check the note or contract for a different address or telephone number.

   Locations on computer should make certain that computer records reflect correct city and state address.

2. Telephone the Customer's Home
   The customer's telephone number may have been changed due to a local move, or it may have been disconnected or assigned to another party. Follow-up any leads to obtain his current address or any other information that may be useful.

3. Telephone His Employer
   If the employer is local, telephone and find out if the customer still works there; if so, talk to him or make arrangements to do so.

SKIP LOCATER for _____ _____
Account Number Name

Record all information obtained from each source interviewed. Attach all correspondence and reports to this form. Contact the following:

	Contacted By Date Initials
Telephone Company (Information and Business Office) _____	
CIF _____	
CAS _____	
Sales Finance _____	
Other Bank Debt _____	
Present and Past Employment (Where will W-2 forms be sent) _____	
Re-clear Through Local Credit Bureau _____	
Landlord (What van line used) _____	
Last Residence Address _____	
Send envelope marked "ADDRESS CORRECTION REQUESTED" to last known address via First Class Mail. P.O. will advise forwarding address for 10¢ charge.	
Previous Residence Address _____	
Local Relatives _____	
Local Credit References _____	
Children's Employment _____	

-OVER-

When skip is located this report should be filed in credit folder for future reference.

19-5380

E- 1197

	Contacted By Date Initials
Gas, Light, and Water Offices	
Out-of-Town References	
Out-of-Town Relatives	
Churches and Lodges	
Insurance Companies	
Groceries in Neighborhood	
Schools (If any children)	
Family Physician	
Courthouse Records for Recent Filings	
Real Estate Transactions	
Department of Motor Vehicles	
Present Address if Located	
WHEN FOUND, MAKE OUT A CHANGE OF ADDRESS FORM AND NOTIFY OTHER DEPARTMENTS THAT SHOW DEBT.	

When skip is located this report should be filed in credit folder for future reference.

E- 1198

If he does not, talk with his supervisor, personnel office, or co-workers. If the employer is located out of town, write him for this information.

4. Check for Other Accounts with the Bank
A change of address may have been received by another department. If not, alert them to the possibility of a skip and ask them to notify you of any change in the status of his account, as well as any information they may receive about the customer.

5. Telephone His Creditors
Telephone the creditors listed on the discount sheet, application, and previous Credit Bureau report. Notify them of the possibility of a skip and obtain any information they may have. If appropriate, arrange to exchange information as it is developed. The more people who look for him, the more information is developed and the greater the possibility for locating him.

6. Check with the Credit Bureau
Check to see if the bureau has a later report or current address in its file than that in the customer's folder. If not, obtain any later calls or inquiries. Put the Bureau on notice about the potential skip. Ask them to have subsequent inquirers call you.

7. Telephone the Customer's Neighbors
Use a street address telephone directory and contact neighbors. Find out if he has actually moved, and then obtain as much information as possible on the skip and his family.

8. Contact Close Relatives
Use those relatives shown on the discount sheet or application and any others developed during other preliminary checks. Contact them by telephone if they are local, or write them if they live out of town.

Once all obvious leads are worked at the time the skip is first discovered, it becomes necessary to develop new leads and follow each one to a conclusion. When all leads are exhausted, the adjustor must begin again and rework each lead. New developments may have taken place since the lead was last worked, or it is possible that a lead may have been overlooked.

Revision of Bulletin: COLLECTIONS - SKIPS - LOCATION OF - Dated 8-8-61

DEVELOPMENT OF ADDITIONAL LEADS

The successful adjustor will be the one who, through experience, ingenuity, and imagination, is able to develop additional leads. The greater the number of leads, the better the opportunity for locating the skip. All leads must be worked to a conclusion. Some will produce a "dead end"; others will produce more new leads. It is this evolution of leads that allows the adjustor to collect enough information to lead him to the skip. Here are some of the many possibilities:

1. Any reference listed on the application that is not provided for on the Skip Locater form.
2. Union officials.
N 3. Department stores. Sometimes a department store is not a credit bureau member, and it is possible that a "hunch" call to Sears, for instance, might get you the needed information.
4. Police department.
5. Social Welfare agencies.
6. County or city tax office.
7. Credit Union. There is also a possibility here of getting names of persons who were "co-makers" on loans with the customer.
8. If military, see COLLECTIONS - MILITARY PERSONNEL - SOLDIERS' AND SAILORS' CIVIL RELIEF ACT.

FOLLOW-UP METHODS

1. Long Distance Telephone Calls
A person-to-person long distance call may be placed COLLECT to the skip at a relative's residence or any other likely location. The telephone company operators will often assist in obtaining leads when the skip has "moved on". They will also help to locate telephone numbers and addresses of leads in distant cities; for example, his probable new employer when the name and city are known, but no address or telephone number. When making long distance calls to promising leads (not the skip), do not place them collect.

N 2. Post Office Assistance
If known to them, the Post Office will provide forwarding addresses of persons who have moved. Senders should address a letter to the last known address and write "Address Correction Requested" below his return address. If the Post Office can deliver the letter it will notify the sender of the new address and charge a fee of 10¢.

A note of caution: Sender should include his name in the return address so no difficulty will be encountered in getting this information back to the sender himself.

Applies to: OTC, SF, CAS

Replaces pages 7 and 8 only of: COLLECTIONS - SKIPS - LOCATION OF Dated 11/18/69

These two follow-up methods are useful in the tracing of most skips; however, there are many other methods, and their use depends on the circumstances of the particular skip and the plan of approach being used. Here again, imagination, ingenuity, and good judgment are the deciding factors in determining what methods to apply and which are most likely to produce results.

USE OF THE OUTSIDE ADJUSTOR

Some leads require follow-up by an outside personal contact. When this is necessary, be certain that the outside adjustor is given complete information and that he is thoroughly briefed on what is expected of him. Follow-up of leads by personal contact is both time consuming and expensive. Therefore, whenever possible, leads should be followed by mail and telephone. Outside calls should be kept to a minimum, but when they are needed, they should be thorough and effective.

REFERRAL OF SKIP CASES

Other banks will assist you in locating the skip or in working a promising lead. However, this does not mean that other banks will perform the adjustor's job for him. Only leads of real promise should be referred, and referrals should be made in accordance with the instructions in Operating Guide Bulletin: FOREIGN CLAIMS - REFERRALS TO OTHER BANKS, AGENCIES. R R

TIPS ON SKIP TRACING

As in all collection work, each skip is an individual case and must be handled as such. The plan of approach, the development of leads, and the methods of follow-up must be tailored to each situation. The following "tips" are factors which apply in the tracing of all skips. They should be reviewed and kept in mind whenever a skip is worked and will help to keep the adjustor from "spinning his wheels".

1. Time is of the utmost importance in locating the skip; it may be the difference between finding him and failure.
2. Assume the attitude that every source of information you contact knows more about the skip than you do.
3. Each skip is different and requires individual attention and follow-up tailored to its peculiarities.
4. Follow-up a number of leads at one time. Don't work one "hot" lead to the exclusion of other leads; it may lead to a dead end.

Applies To: OTC, SF, CAS

Replaces pages 7 and 8 only of: COLLECTIONS - SKIPS - LOCATION OF Dated 11-18-69.

5. Work every lead that is obtained. Don't discard one until you know that is is of no value.
6. Contact your sources of information again; they may have heard from the skip since the last contact.
7. Think of the skip and his wife as a team; get all the information you can on both of them.

D

8. Use your imagination and play your hunches. The more experienced you become, the more your efforts will become "instinctive".
9. Seek help. Others have been "over the road" before. Sometimes a new eye can spot a lead or clue that you have missed.
10. When you find him and do not conclude the account by collection in full or repossession, SECURE A COMPLETE NEW CREDIT APPLICATION.

SECURING FORMS

The SKIP LOCATER (19-5380) comes in pads, 50 to the pad, and can be ordered by supply requisition from the Purchasing Department, Atlanta.

RELATED BULLETINS

COLLECTIONS - FOREIGN CLAIMS - REFERRAL TO OTHER BANKS, AGENCIES
COLLECTIONS - FOREIGN CLAIMS - REFERRED BY OTHER BANKS
COLLECTIONS - SKIPS - LIST OF MOTOR VEHICLE REGISTRATION OFFICES
COLLECTIONS - MILITARY ACCOUNTS - SOLDIERS' AND SAILORS' CIVIL RELIEF ACT
LENDING GENERAL - CREDIT BUREAUS - NOTIFICATION SERVICE

CONSUMER CREDIT OPERATING BULLETIN INDEX*

INSURANCE IV 3-01-72

APPLIES TO	SUBJECT	TOPIC	DATE
OTC, SF	AUTOMOBILE PHYSICAL DAMAGE		12-01-70
OTC, SF	AUTOMOBILE PHYSICAL DAMAGE	SINGLE INTEREST COVERAGE (P. 5 Rev. 12/16/70)	12-01-70
OTC, SF	BOATS AND MOTORS		1-01-64
OTC, SF	CITIZENS & SOUTHERN AGENCY, INC.		12-01-70
OTC, SF	COVERAGE FAILURE		12-04-67
OTC, SF	COVERAGE FAILURE		4-18-62
OTC,SF,CAS	CREDIT LIFE		4-15-71
OTC	CREDIT LIFE - L&D LOANS	CHANGE IN INSUROR	1-23-69
OTC	CREDIT LIFE	L&D TIME LOANS 6/27/72	~~7-08-6~~
OTC	CREDIT LIFE	REAL ESTATE LOANS	4-06-65
OTC, SF	DISABILITY		4-15-71
OTC, SF	DISABILITY	CLAIMS PROCEDURE	7-29-69
OTC, SF	DISABILITY	CLAIMS PROC.-CORR. BANKS	7-29-69
OTC, SF	EQUIPMENT		12-28-70
OTC, SF	ERRORS & OMISSIONS COVERAGE	AUTOMOBILE DEALERS	12-22-69
SF	FLOORPLAN - AUTOMOBILE (P.1 Rev.9/10/71)		2-12-71
SF	FLOORPLAN - EQUIPMENT		1-25-65
OTC, SF	PAYMENT SCHEDULE	CHANGES	12-14-70
OTC, SF	REPORTING & PREMIUM PAYMENT		12-01-66
SF	RETAIL FIRE AND THEFT		12-15-71

*Information on how to use guide, indexes, and bulletins is on the pink page in Section I.

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT AUTOMOBILE PHYSICAL DAMAGE

TOPIC

NEW BULLETIN

ELIGIBILITY

This program is available to C&S National Bank, its affiliates, and wholly owned subsidiaries.

An Automobile Physical Damage Insurance Program is now available through the C&S Agency. Although it is primarily a Sales Finance program, it is also available to our Over-The-Counter lenders. Rates are not competitive enough, however, for this program to be attractive to our top-echelon branch customer.

The C&S Agency receives income on this program through a retrospective commission arrangement. Briefly, this means the Agency receives credit for the premiums and pays all losses. The amount remaining, after deducting the insurance company fee, is the commission. Where practical, profits or losses are pro-rated to individual branches based on their own insurance experience.

The standard rated policies are written through American Security Insurance Company. Non-standard rated policies are written through Standard Guaranty Insurance Company, a subsidiary of American Security Insurance Company.

Copies of forms and letters are included at the end of this bulletin. PLEASE USE NO FORM LETTERS OTHER THAN SHOWN IN THIS BULLETIN.

PROCEDURE

Following is the sequence of steps necessary to place Physical Damage Insurance through the C&S Agency. Illustrations and sample forms are shown on the last pages of this bulletin. It is written for a Sales Finance location. Branches in Atlanta should call the C&S Agency for help in each case. Branches outside Atlanta should call their local Sales Finance Department.

Dealer: Completes Rating Statement (page 6) and rates policy, using manual supplied by C&S Agency. Phones in to Sales Finance unit.

Lender: Takes loan application. Completes Rating Statement based on information secured from dealer, and attaches it to discount sheet. Verifies rates using manual supplied by C&S Agency. Makes credit decision, based on overall transaction, including insurance premium and term.

Discount Clerk: When contract is discounted, discount clerk draws check payable to C&S Agency, Inc. Orders Retail Credit Automobile Inquiry, mailing out in pre-addressed envelopes. See sample on page 12 of this bulletin for instructions for completion and distribution of copies. Computes the dealer compensation, makes necessary entries on the discount sheet, and prepares General Ledger entries. (See following paragraphs entitled Sales Finance Dealer Compensation.)

NEW BULLETIN

C&S Agency: Immediately issues policy based on information furnished by the branch.

NOTE: If the premium has been incorrectly computed and an additional amount of more than $2.00 is needed, the policy will not be issued. C&S Agency will prepare and send a PREMIUM NOTICE for the amount needed, allowing 15 days to send this in. If not received by C&S Agency within the time limit, a Policy Cancellation Notice will be sent to the customer and the return premium sent to the branch.

If more than $2.00 excess premium has been collected, the policy will be issued for the correct amount and a check for the difference will be forwarded to the branch.

Lender: Places original policy in customer's file. Sends copy to customer along with Customer Policy Transmittal Letter.

C&S Agency: Upon receipt (normally 30-60 days) of the completed Retail Credit Automobile Inquiry, re-evaluates the risk. If further action is necessary, the agency will send out an Action Notice to the branch, which will contain full information as to the action needed.

SALES FINANCE DEALER COMPENSATION

The dealer will be compensated for placing insurance at the rate of 10% on all policies issued in American Security (standard rated policies) and 5% on all policies issued in Standard Guaranty (non-standard rated policies). No compensation will be made to dealers on renewal policies, bank placements, or single interest coverage. The dealer will be compensated only for the insurance premiums he adds to a note at the point of sale. No amount will be paid on additional premiums which may be collected as a result of a dealer mis-rating a policy or as a result of underwriting factors.

There will be no charge back to the Dealer's Contingent Reserve account for cancellations unless the policy is cancelled within the first sixty days because of underwriting factors. In these cases, the entire amount credited to the dealer should be recovered. It is recommended that the dealer be paid monthly, however, the decision as to when and how often the contingent reserve will be paid will be left to the discretion of each office.

CREDIT PROCEDURE

1. Discount clerk calculates amount due (either 5% or 10%) and enters it on the discount sheet in the space for Dealer Contingent Reserve. (See point "A" on sample discount sheet on page 11.

NEW BULLETIN

2. Make offsetting entry by completing a General Ledger debit ticket charging Miscellaneous Expense - General - Auto Insurance Participation basic account #97810-000.
3. Enter the amount on the discount sheet in the space for "Cash Funds Received". (See point "B" on sample discount sheet.)

CHARGE-BACK PROCEDURE

When a policy is cancelled within the first sixty days because of underwriting factors, the C&S Agency will notify the branch so that the proper entries can be made. See sample Policy Cancellation Notice on page 8.

1. Debit the Dealer Contingent Reserve Account, (Those offices on the computer must show the customer's account number in order for the printout to show the customer's name) using form #19-1250, transaction code 92D.
2. Complete a General Ledger ticket crediting Miscellaneous Expense - General - Auto Insurance Participation account, basic account #97810-000.

TERMS

It is recommended that, wherever possible, insurance be written for the full term of the loan. However, we are accepting short-term policies, with a minimum acceptable length of one year. Policies issued for less than term of loan will automatically be renewed by C&S Agency for the then-remaining term of the loan. After a loan is paid out, we cannot issue renewal coverage, however, when a loan pays in full before the expiration date of an existing insurance policy, that policy continues in force.

BANK PLACEMENT

There will be instances where our customers fail to secure insurance as they agreed to do, or where their insurance has been cancelled for non-payment of premium or underwriting reasons. This insurance is available in these instances. The procedure here is to contact the customer and secure the information required by the Rating Statement, and then to follow the procedure previously outlined in this bulletin. The policy must be written for the remaining term of the loan, adjusted to the nearest quarterly increment, with a minimum period of 12 months.

Example: Remaining term 9 months.
Policy to be written for 12 months.

Example: Remaining term 16 months.
Policy to be written for 15 months.

No dealer reserve or commission is paid on bank placements. If necessary to [illegible] Single Interest coverage, other criteria apply. See bulletin: INSURANCE-AUTOMOBILE PHYSICAL DAMAGE-SINGLE INTEREST COVERAGE.

NEW BULLETIN

CLAIMS

C&S Agency's Claim Department supervises and pays all the claims. The services of independent adjusting firms are used in most instances. The local Sales Finance offices have the necessary forms, and have a person designated to secure basic claim data and complete the Notice of Loss forms. All claims should be handled through these designated persons. (In Atlanta, refer claims to C&S Agency).

RENEWALS

The C&S Agency will start renewal followup 45 days prior to expiration date. In all cases where it is felt that the renewal will be accepted by the customer, the policy will be issued for the remaining term of the loan. A statement for the premium due will be sent to the branch along with the original and one copy of the policy. As soon as this is received, the branch will send a Renewal Transmittal Letter (page 7) to the customer, along with the customer's copy of the policy. The letter sets forth payment options and requires a response at least ten days prior to expiration date if the customer (a) does not want coverage through C&S Agency, or (b) does not want it added to his loan. If no reply is received, add the premium (plus finance charge) to his loan, following procedures in the bulletin INSURANCE - PAYMENT SCHEDULE - CHANGES. The original policy should be filed in the customer's file and the copy sent to the customer.

The full amount of the premium must be received by the C&S Agency prior to the renewal date. If it is not received, the C&S Agency will cancel the policy and will send a Policy Cancellation Notice to the customer, and a copy to the branch.

Occasionally, there will be a question as to whether a premium will be accepted by the customer. In these cases, a policy will not be issued. Instead, C&S Agency will send a Notice to Branch of Non-Renewal. If the branch contacts the customer and determines renewal is desired, the customer can usually be offered three options for payment:

1. Direct payment by cash or check.
2. CAS Instant Money.
3. Rework the account.

MAKE CERTAIN THE PREMIUM REACHES THE AGENCY PRIOR TO THE EXPIRATION DATE.

CANCELLATIONS

A. Customer Request:

Each Sales Finance Office will compute the return premium by using the Ronoco Calculator (Wheel). Complete a "Return Premium Advice" Ticket in triplicate. (In Atlanta, branches should phone the C&S Agency, who will handle the previously described two steps. Branches outside Atlanta should contact the local Sales Finance Office.) Attach the original and one copy to the original policy and forward to the C&S

Agency in Atlanta. The Agency will issue a check for the return premium and forward it to the branch by return mail. The third copy of the "Advice" should be used by the branch for followup. In these cases, it is the responsibility of each branch to make certain that the customer is aware that the insurance is being cancelled. The C&S Agency will confirm directly to the customer that the policy has been cancelled, using Cancellation Confirmation letter (page 9). A copy of the letter will be sent to the local office. The Return Premium Check will be payable to the local office. Careful consideration should be given to the use of these funds. They may be used to purchase other insurance, or they may be credited to the loan balance.

There may be isolated cases where the branch may return the funds directly to the customer. This should never be done without first carefully considering all factors including equity and payment record.

Followup routines for renewals and cancellations are found in the bulletins: SALES FINANCE - AUTOMOBILE LOANS - INSURANCE FOLLOWUP and OVER THE COUNTER - AUTOMOBILE LOANS - INSURANCE FOLLOWUP.

ORDERING FORMS

Here is a listing of the forms and supplies required by branches, and how obtained.

FORM NO.	DESCRIPTION	ORDER FROM
NONE	Rating Statement "Select-O-Matic"	C&S Agency, Atlanta
NONE	Retail Credit Automobile Inquiry	" "
NONE	Retail Credit Auto. Inquiry Env.	" "
NONE	Policy Transmittal Letter	Produce Locally
NONE	Renewal Transmittal Letter	" "

Only the above forms are needed in branches. Other forms mentioned in the bulletin are originated by C&S Agency.

RELATED BULLETINS

INSURANCE - THE CITIZENS AND SOUTHERN AGENCY, INC.
INSURANCE - AUTOMOBILE PHYSICAL DAMAGE - SINGLE INTEREST COVERAGE
INSURANCE - PAYMENT SCHEDULE - CHANGES

ACCOUNTING AND GENERAL OPERATIONS - PAYMENT SCHEDULE - CHANGES

SALES FINANCE - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

OVER THE COUNTER - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

APP-1-GA

AUTOMOBILE INSURANCE APPLICATION AND RATING STATEMENT
SELECT-O-MATIC
AMERICAN SECURITY INSURANCE COMPANY
- STANDARD GUARANTY INSURANCE COMPANY -

LIST ALL OPERATORS (First — Middle — Last)	Date of Birth Mo. Day Yr.	Sex	Marital Sts.	Drivers License Number	State	Time Licensed	% of use
Applicant – Principal Operator							
J. M. Goodrisk	4 10 28	X	X	0-5207316	Ga.	25 yrs	80
Jeanne Goodrisk	3 24 30	X	X	0-723841	Ga.	22 yrs	80

CLASSIFICATIONS

MALE

6A	Married Owner or Operator Under 21	☐ 6A
6B	Married Owner or Operator 21 thru 24	☐ 6B
7A	Unmarried Not Owner or Principal Operator Under 21	☐ 7A
7B	Unmarried Not Owner or Principal Operator 21 thru 24	☐ 7B
8A	Unmarried Owner or Principal Operator Under 21	☐ 8A
8B	Unmarried Owner or Principal Operator 21 thru 24	☐ 8B
8C	Unmarried Owner or Principal Operator 25 thru 29	☐ 8C

FEMALE

5A	Unmarried Under 21	☐ 5A

BUSINESS

9	Business Use and No Operator requiring any of the previous Classes	☐ 9

NON-BUSINESS

4	No Business Use and No Operator requiring any of the Other Classifications	☒ 4

RATING
Assign Points to Each Applicant and/or Operator – No Exceptions

AGE OF YOUNGEST OPERATOR –

OVER 25 AND MARRIED	0	X	
25 TO 30 – SINGLE MALE	3		
UNDER 25 – MARRIED	3		
UNDER 25 – SINGLE	5		
UNDER 21	6		0 TOTAL

USAGE –

PLEASURE ONLY (To and from work – Less than 25 miles daily)	0		
PLEASURE ONLY (To and from work – More than 25 miles daily)	2		
BUSINESS USE – Travelers	3		
NOT GARAGED	3	X	3 TOTAL

DRIVING RECORD – Accident and Violations or claims (Loss) will be charged in date of violation.
Assign Points for each accident and/or charge against all operators in last 36 months

1. MOVING VIOLATION	1		
2. SPEEDING	2		
3. ACCIDENTS (Count each accident)	5		
4. LICENSE SUSPENSION ( ) CARELESS & RECKLESS ( ) D.U.I. ( ) HIT AND RUN ( )	10		
5. PRINCIPAL OPERATOR LICENSED LESS THAN 3 YRS. WITHOUT APPROVED DRIVER TRAINING CERTIFICATE	0		0 TOTAL

COLLATERAL –

"SPORTS TYPE" CAR (2 DOOR – ALL VARIETIES – PLAIN OR STICK SHIFT)	4		
HIGH PERFORMANCE CAR – DESIGNATED BY A † (DAGGER) IN RATING SYMBOL LIST	7		
FOREIGN CAR	4		0 TOTAL

IF 7 POINTS – STANDARD GUARANTY MUST BE WRITTEN

RATING – Total of points determines insurance and coverage –

0 to 6 POINTS	USE AMERICAN SECURITY RATE ✓
7 to 14 POINTS	USE STANDARD GUARANTY – A RATE
15 to 20 POINTS	USE STANDARD GUARANTY – B RATE
OVER 20 POINTS	OUTSIDE INSURANCE

GRAND TOTAL 3

I hereby declare the above statement to be true to the best of my knowledge and belief.

Five 71 Ford — Car

6-19-70 — Date

x J. M. Goodrisk — Personal Signature of Applicant x

E- 1209

CUSTOMER POLICY TRANSMITTAL LETTER

Here is the automobile insurance policy which you requested from the C&S Agency when you financed your vehicle. The premium is included in your monthly payment.

Thank you for giving us this opportunity to be of service to you. If you have any questions concerning your policy, please let us know.

Sincerely,

_____

Phone # _____

RENEWAL TRANSMITTAL LETTER

The policy insuring your_____ will expire on _____. Here is your policy # _____ which becomes effective on _____ and will expire on _____. The premium is $_____.

To make certain that you are protected without lapse in your insurance coverage, our standard procedure is to pay the premium for you, and add this amount plus finance charge to your loan.

However, you may want to use another method of payment. If so, please check the appropriate box below, and return this letter to us.

☐ CASH - My check or money order for the total premium is enclosed.

☐ CAS - Please add the amount of the premium to my Charge Account Service account # _____.

If we have not heard from you by _____, we will follow our standard procedure of adding it to your loan. Please call if you have any questions.

E-1210

_____

NEW BULLETIN

PREMIUM NOTICE

THE CITIZENS AND SOUTHERN AGENCY, INC.

POLICY PERIOD _____ TO _____
POLICY NUMBER _____
VEHICLE INSURED _____

TOTAL PREMIUM $ _____
(DUE ON EFFECTIVE DATE OF COVERAGE)

NOTICE TO BRANCH:

PREMIUM MUST BE RECEIVED BY C&S AGENCY BY _____ OR NOTICE OF CANCELLATION WILL BE MAILED TO CUSTOMER.

SEND THIS COPY WITH CHECK FOR PREMIUM TO:

C & S AGENCY, INC.
9 North Avenue – Atlanta

BRANCH COPY

POLICY CANCELLATION NOTICE

To:

Re: Insured _____
Loan Number _____
Policy Number _____
Dealer _____

This policy has been cancelled because of _____.
If you have credited your dealer's contingent reserve for the placement of this coverage, you should debit this reserve account to recover the full amount.

The Citizens and Southern Agency, Inc.

By _____

NOTE: This is a sample notice to a Sales Finance branch of Policy Cancellation within the first 60 days of policy term.

E - 1611

CANCELLATION CONFIRMATION

As you requested, we cancelled policy # , insuring your _____ on _____. The unused portion of the premium has been forwarded to the office handling your loan.

If you have any questions, please contact your local C&S Office.

NOTICE TO BRANCH OF NON-RENEWAL

The Citizens and Southern Agency, Inc.

33 North Avenue N.E. Atlanta, Georgia 30308

TO:

RE: Insured _____

Policy # _____

Loan # _____

Dealer _____

This policy will expire on _____. The renewal premium for _____ months will be $_____. Because of this we will not automatically renew the policy but will wait for instructions from you.

Georgia law requires that we send out a notice to the customer not later than _____. We must hear from you prior to that date.

The Citizens and Southern Agency, Inc.

By _____

E- 1212

NEW BULLETIN

ACTION NOTICE TO BRANCH

To:

RE: Insured _____

Loan # _____

Policy # _____

Dealer _____

We will be unable to continue this insurance because _____,
_____.

Cancellation notice will be forwarded to customer on _____
and will notify him that coverage will terminate on _____.

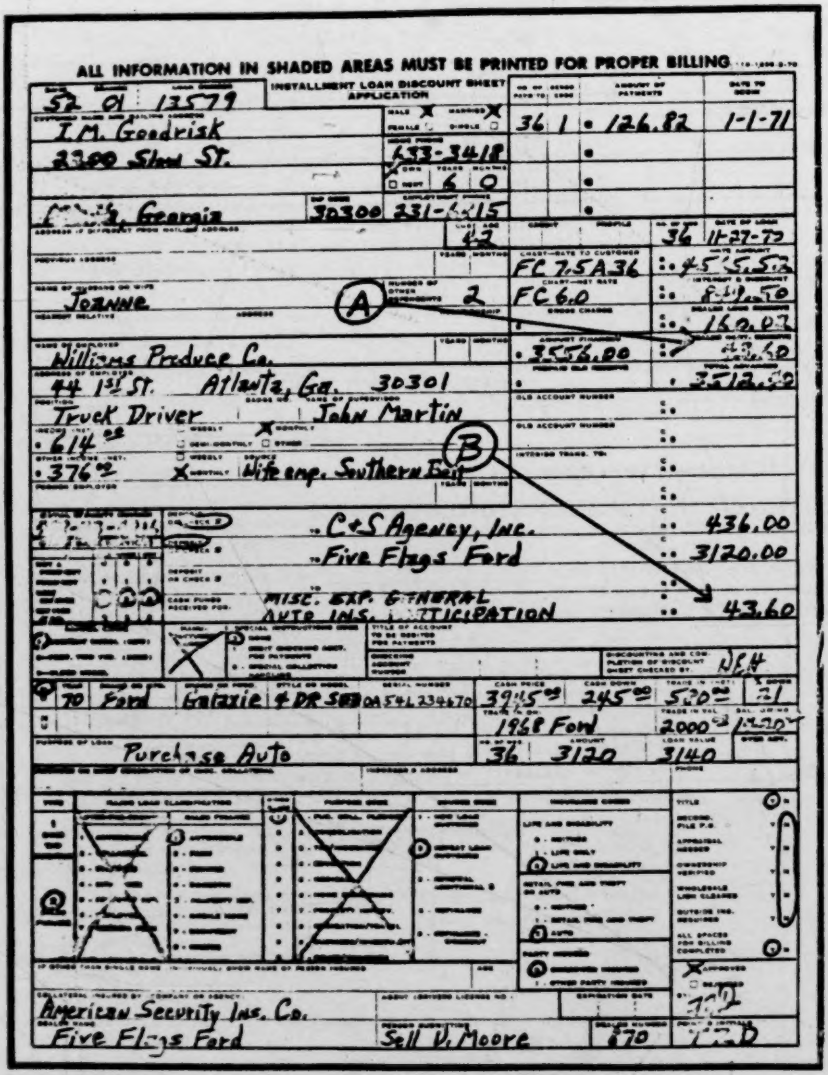
The return premium will be $_____ and unless we receive instructions to the contrary, we will forward this amount to you for credit to the customer's account.

☐ We can issue another policy using higher rates. The new annual premium will be $_____. If customer desires this coverage, attach check for $_____ (the difference in the new annual premium and the return premium on the existing policy) to this form and return to The Citizens and Southern Agency, Inc., 9 - North Avenue, Atlanta.

☐ We cannot issue another policy using higher rates.

The Citizens and Southern Agency, Inc.

By _____



ALL INFORMATION IN SHADED AREAS MUST BE PRINTED FOR PROPER BILLING

INSTALLMENT LOAN DISCOUNT SHEET
APPLICATION

52 01 13579

I.M. Goodrisk

2300 Slow St.

[illegible], Georgia 30300 231-[illegible]15

433-3418

6 0

42

36 1 • 126.82 1-1-71

36 11-27-70

FC 7.5 A 36 • 45.54

FC 6.0 • 8.41 • 150.50

• 160.03

• 3556.00 • 4.9.60

• 3512.50

Joanne (A) 2

Williams Produce Co.

44 1st St. Atlanta, Ga. 30301

Truck Driver John Martin

• 614.00

• 376.00 Wife emp. Southern Bell

(B)

C+S Agency, Inc. 436.00

Five Flags Ford 3120.00

MISC. EXP. GENERAL AUTO INS. PARTICIPATION 43.60

NEW

70 Ford Galaxie 4 DR SED 0A59L234470 3915.00 245.00 520.00 21

1968 Ford 2000.00 1320

Purchase Auto

36 3120 3140

American Security Ins. Co.

Five Flags Ford Sell V. Moore 870

1214

AUTOMOBILE

Apv. 145-851

11-27-70

Atlanta

32101-870

I. M. GOODRISK No. 0-520734

2200 Slow Street

Atlanta Fulton Georgia

Truck driver Date of Birth 4-16-28

Williams Produce Company, 44 First Street, Atlanta, Georgia

Joanna - wife Date of Birth 3-24-30 No. 0-723841

Year of Model	Trade Name	Body Type Model	Motor or Serial Number	New or Used	Purch. Pers. / Business
1970	Ford	Galaxie 500 4dr	0A54L234670	N	

POLICY ORDER

DEALER NAME FINE ELAGA FORD

DEALER COMPENSATION [illegible]

ACCOUNT NUMBER 18362

- [X] DEALER PLACEMENT
- [ ] BANK PLACEMENT
- [ ] OVER-THE-COUNTER

DATE OF LOAN 11-27-70

Policy Periods (Mo. Day Yr.) (36 Months) From 11-27-70 To 11-27-73

	Coverages	Kinds of Liability	Amt. Deductible
A1	COMPREHENSIVE--Excluding Collision	Actual Cash Value	
A	PERSONAL EFFECTS		
B	COLLISION		
C	FIRE, LIGHTNING		
D	THEFT		
E	COMBINED ADDITIONAL		
F	TOWING AND LABOR		

This is copy #3 of the Credit Inquiry form, and is the application for insurance. This copy and copies 2, 3, and 4 are sent to C&S Agency, Atlanta, with a check for the premium. Branch should send copy #1 (original) to Retail Credit Company, using envelopes provided.

TOTAL PREMIUM $ 45.00

Year of Model	Trade Name	Model	Body Type, Trade Level, Cylinders	Motor or Serial Number	Number of Cylinders
1970	FORD		GALAXIE 500 4-dr. SED.	0A54L234670	6

F.O.B. List Price of Delivered Price at Factory	Actual Cost When Purchased	Purchased Month, Year	New or Used	Manufacturer	Number	Amount of Loss	Date Sold and Removed or Place Loss Occurred
$	$ 3945	M T 11-70	N	$ 1408	36	$	1-74

☐ ARC-FAMILY ☐ ARC-BASIC ☐ STANDARD GUARANTY

D 1145-870

E-1215

STANDARD GUARANTY SINGLE INTEREST

GEORGIA — C & S AGENCY, INC., 9TH FLOOR, 33 NORTH AVENUE, ATLANTA, GEORGIA 30308 - PHONE 588-2494

BALANCES	TERM IN MONTHS																								
	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
$ 0- 200	$ 22	$ 24	$ 26	$ 28	$ 30	$ 32	$ 34	$ 36	$ 38	$ 39	$ 41	$ 43	$ 45	$ 47	$ 48	$ 51	$ 53	$ 54	$ 56	$ 58	$ 60	$ 62	$ 64	$ 66	$ 68
$ 201- 400	30	33	35	38	40	43	45	48	50	53	55	58	60	63	65	68	70	73	75	78	80	83	85	88	90
$ 401- 600	42	46	50	53	57	60	64	67	71	74	78	81	85	89	92	96	99	103	106	110	113	117	120	124	128
$ 601- 800	50	54	58	63	67	71	75	79	83	88	92	95	100	104	108	113	117	121	125	129	133	137	142	146	150
$ 801-1000	65	70	76	81	87	92	98	103	108	114	119	125	130	135	141	146	152	157	163	168	173	179	184	190	195
$1001-1200	72	79	85	91	97	103	109	115	120	127	133	139	145	151	157	163	169	175	181	187	193	199	205	211	218
$1201-1400	85	92	99	106	113	120	128	135	142	149	156	163	170	177	184	191	198	205	213	220	227	234	241	248	255
$1401-1600	90	98	105	113	120	128	135	143	150	158	165	173	180	188	195	203	210	218	225	233	240	248	255	263	270
$1601-1800	108	116	125	134	143	152	161	170	179	188	197	206	215	224	233	242	251	260	269	278	287	296	305	314	323
$1801-2000	115	125	134	143	153	162	173	182	192	201	211	220	230	240	249	259	268	278	288	297	307	316	326	335	345
$2001-2200	125	135	145	156	167	177	188	197	208	218	229	240	250	260	271	281	292	302	313	323	333	344	354	365	375
$2201-2400	133	144	155	166	177	187	199	210	221	232	243	254	265	276	287	298	309	320	331	342	353	364	375	386	398
$2401-2600	150	163	175	188	200	213	225	238	250	263	275	288	300	313	325	338	350	363	375	388	400	413	425	438	450
$2601-2800	157	171	184	197	210	223	237	250	263	276	289	302	315	328	341	354	368	381	394	407	420	433	446	459	473
$2801-3000	167	181	195	209	223	237	251	265	279	293	307	321	335	349	363	377	391	405	419	433	447	461	475	489	503
$3001-3200	175	189	204	219	233	248	262	277	291	306	321	335	350	365	379	394	408	423	438	452	467	481	496	510	525
$3201-3400	193	209	225	241	257	273	289	305	321	337	353	369	385	401	417	433	449	465	481	497	513	529	545	561	578
$3401-3600	198	214	230	247	263	280	296	313	329	346	362	379	395	411	428	444	461	477	494	510	527	543	560	576	593
OVER $3600	.055	.060	.065	.069	.074	.079	.083	.088	.093	.097	.102	.107	.111	.116	.120	.125	.130	.134	.139	.144	.148	.153	.158	.162	.167

E-1216

Single Interest Premiums (Fire, Theft & Collision)
$10.00 Minimum Earned Premium

Premiums for less than 12 months compute by pro-rating 12 month premium to nearest month.

RULES APPLYING TO SINGLE INTEREST COVERAGE

1. Single Interest coverage must be written for the term of the contract.
2. Premiums are based upon the unpaid balance due at the time coverage attaches.
3. Premiums apply only where the contract or loan agreement calls for equal monthly or quarterly installments. Single payment contracts - double the premium indicated above. All other - refer to Agency.
4. Rates and premiums apply only to private passenger automobiles, light commercial and trucks under 1-½ ton capacity. Taxi-cabs, jitneys, any public or livery conveyance, ambulances and emergency equipment, long haul commercial, heavy equipment and truck-trailer are not eligible.

OPERATING BULLETIN

SECTION	INSURANCE
SUBJECT	AUTOMOBILE PHYSICAL DAMAGE
TOPIC	SINGLE INTEREST COVERAGE
Page	1 of 5 **Date** 12-1-70

NEW BULLETIN

THIS COVERAGE SHOULD BE USED ONLY IN THOSE CASES WHERE WE ARE FACING A REPOSSESSION BECAUSE THE CUSTOMER FAILED TO FURNISH US WITH EVIDENCE OF ADEQUATE INSURANCE COVERAGE. Single Interest Coverage Insurance is physical damage insurance available to a creditor only. It provides protection only for us, and not for the customer. It should be used only in those cases when:

1. Dual interest coverage is cancelled after a loan is acquired, and/or,
2. Customer is unable to secure dual interest coverage, and/or,
3. Premium for dual interest coverage is so high that the customer is unable to make the payments.

NOTE: THIS COVERAGE SHOULD NEVER BE USED AT INCEPTION OF LOAN. This coverage provides protection for the creditor only, and applies only after repossession, when damage exists.

ELIGIBILITY

Presently eligible are C&S National Banks, its affiliate banks, and wholly owned subsidiaries.

PROCEDURE

Please use no form letters other than shown or mentioned in this bulletin. Here is the procedure:

1. Complete and mail to C&S Agency the APPLICATION FOR SINGLE INTEREST INSURANCE (see page 4). To determine amount of premium due, use the Single Interest Rate Schedule. Single Interest Rate Schedule is not shown in this bulletin. Obtain from C&S Agency, Atlanta.
2. Charge the customer's account with the premium and finance charge using the procedure described in the bulletin: INSURANCE-PAYMENT SCHEDULE-CHANGES.
3. C&S Agency will issue an Insurance Certificate to the branch. The customer DOES NOT get a copy.
4. No followup is needed.

NOTIFICATION OF PARTIES

It is our duty to notify endorsers and dealers (recourse) of any material change in the amount that affects their liability. It is vital that we give immediate notification to all parties involved of this type of insurance placement. Prepare and send the "Single Interest Letter" (page 5) to:

1. The customer. Send by certified mail.
2. The recourse dealer (if applicable).
3. The endorser (if applicable).
4. The adjuster for information only at this point.
5. Customer file. Attach copy of certified mail Certificate of Mailing.

NEW BULLETIN

The dealer's (or endorser's) liability has increased now, and we should make it clear to him by typing, rubberstamping, or attaching the following message to the Single Interest Letter:

> "The premium and applicable finance charges have been added to this account. This premium becomes fully earned upon payment of any claim under this policy."

CANCELLATIONS

These can occur because of a payoff of the account, or because the customer belatedly took steps to get dual interest coverage, and we were given notice of this after we had already written single interest coverage. When either occurs, you should immediately figure the rebate and take steps to cancel the coverage, and reschedule the account.

Single Interest Coverage cancellations are always computed on the 78ths method. Use Standard Installment Loan Rebate Chart. Indicate clearly on the Single Interest Certificate the date of cancellation and amount of return premium. Send it to the C&S Agency, who will forward the return premium check to the branch.

Note 1. Minimum earned premium is $10.00.
2. There is no rebate on policies on which a claim has been paid.

CLAIMS PROCEDURE

When the insured automobile has been permanently repossessed after it has been severely damaged(or destroyed) by fire, theft, or collision. notify the person in your area assigned to handle insurance losses. This person will assign the loss to a qualified insurance adjuster who will establish the amount of loss by applying the 4-way formula shown below.

1. Value of the car before the loss $_____
   Less net salvage value _____
   Insurance Company pays _____
2. Cost of repairs _____
   Insurance Company pays _____
3. Unpaid balance _____
   Less net salvage value _____
   Insurance Company pays _____
4. Unpaid balance _____
   Plus cost of repairs _____
   Less agreed value of car after repairs _____
   Insurance Company pays _____

The insurance company's liability will be the lowest total.

NEW BULLETIN

The unpaid balance will include payments NOT MORE than sixty (60) days past due. The unpaid balance is the gross balance, less the rebate of unearned finance charges.

The value of the car before the loss will never be considered to exceed the wholesale value as shown in current used-car guide books, such as NADA or Red Book.

The cost of repairs will include damage incurred in the collision, fire, etc., but will NOT include an accumulation of minor damage, motor re-conditioning, etc.

ORDERING FORMS

FORM NO.	DESCRIPTION	ORDER FROM
None	Application for Single Interest Insurance	C&S Agency, Atlanta
None	Single Interest Rate Schedule	C&S Agency, Atlanta
None	Single Interest Letter	Produce locally

RELATED BULLETINS

INSURANCE - THE CITIZENS AND SOUTHERN AGENCY, INC.
INSURANCE - AUTOMOBILE PHYSICAL DAMAGE
INSURANCE - PAYMENT SCHEDULE - CHANGES

OVER THE COUNTER - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

SALES FINANCE - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

APPLICATION FOR SINGLE INTEREST INSURANCE

DATE: FROM: Office _____

TO: C&S Agency, Inc. Name _____

1. Customer's Name _____
2. Loan Number _____
3. Amount of Note _____

   Insurance Term Requested _____ Mos. _____

   Last Payment Due _____
4. Present Balance _____
5. Premium for _____ months remaining $_____
   (Should be remaining term of note)
6. Effective Date of Coverage _____
7. Summary of efforts to secure dual interest and reason for placing Single Interest Coverage _____
8. Dealer _____
   If over-the-counter loan - show "none"

INSTRUCTIONS

1. Send original Application For Single Interest Insurance to C&S Agency, Atlanta.
2. Attach premium check to original application.
3. Place copy of application in customer file.

SINGLE INTEREST LETTER

When you purchased your automobile, you agreed to secure comprehensive and collision insurance, and to furnish us with evidence of this coverage. Since you have not done so, we have secured insurance coverage to protect our interest in the vehicle.

The premium for this "single-interest" insurance, along with finance charges, has been added to your loan. This amount and the amount of your new monthly payment are shown below. A new payment book will be sent to you in the next few days.

Premium and Finance Charge For Remaining Term	New Monthly Payment	Beginning Month
$	$	

PLEASE SEND THE FIRST PAYMENT TO MY PERSONAL ATTENTION, USING THE ENCLOSED ENVELOPE AND PAYMENT COUPON.

The insurance that we have secured protects only our interest in the vehicle. This "single-interest" policy provides NO protection for you. Please contact us if you have any questions or if we can be of assistance in any way.

Sincerely,

Phone # _____

E-1221

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT BOATS & MOTORS

TOPIC

 Date 1-1-64

Replaces Bulletin: "INSURANCE - BOATS AND MOTORS", Dated 1-31-62

Effective January 1, 1964, our present Boat and Motor Insurance policy is being cancelled and reissued. The new policy (number MAR-6651) will be issued by the same carrier, American Southern Insurance Company; however, the general agent (The Farm Agency) is being eliminated. In general, procedures for issuing certificates and handling losses are unchanged, except that all contact will now be made directly with the American Southern Insurance Company instead of The Farm Agency.

Certificate copies, premium remittance and loss reporting should be made to:

American Southern Insurance Company
56 Tenth Street, N. E.
Atlanta 9, Georgia

Telephone number (873-2251)

A change in procedure has also been made with regard to extensions. Please review the paragraph covering these procedures on page 7.

We will continue to work with The Farm Agency using the existing procedures and forms until 1-1-64. This bulletin becomes effective on that date and the procedure contained herein must then be followed. Prior to 1-1-64, a representative of the American Southern Insurance Company will call on all ILD managers of offices where Boat and Motor insurance is written. New procedures will be reviewed, questions answered and new supplies delivered. Those managers involved should review this bulletin immediately so that all questions may be resolved during this visit.

All boat and motor dealers must be notified of these changes and be instructed in the new procedure for reporting losses.

DEALER "PACKAGE" Our "all risk" (exclusive of "liability" coverage) group insurance policy covering outboard boats and motors, inboards, sailboats, trailers, and accessories enables us to offer a complete financing "package" to boat dealers. This "complete" plan stands on a competitive basis with plans offered by other major purchasers of boat dealer paper. (See Operating Guide Bulletin: SALES FINANCE - BOAT AND MOTOR FINANCING). In addition, our "package" offers dealers a number of distinct advantages because of the inclusion of insurance coverage:

1. The dealer can complete the closing of his sale. It is not necessary for him to quote a boat price and then obtain an insurance quote from an outside source.

2. The dealer is able to place immediate coverage upon delivery and is provided with protection in the event of a rejection.

3. The dealer is able to offer "all risk" (less liability) insurance to his customer at the lowest possible rate.

Replaces Bulletin: "INSURANCE - BOATS AND MOTORS", Dated 1-31-62

4. The dealer is able to provide "one stop" sales service for his customers.

5. The dealer is assured of additional business in repairs and replacement sales and thus is better able to retain his customer.

From the bank's standpoint, the existence of this policy eliminates the need for insurance follow-up or Coverage Failure Insurance and also provides us with a dealer "selling tool" in the form of a complete "financing package".

We should continue to make every effort to sell all boat dealers on utilizing this insurance coverage. In a few cases, the boat dealer will also be an insurance agent or have a retrospective association with an insurance company. In these instances, insistence on the use of our plan may be unwise and there is no objection to working with the dealer under such an arrangement. However, in the majority of cases, in the acquisition of new dealers, our complete "package" inclusive of an "all risk" low rate insurance policy will be both attractive and advantageous to the dealer, the customer and the bank.

INSURANCE CARRIER Coverage is provided by individual certificates issued under a master policy, MAR-6651, written by American Southern Insurance Company. The master policy is on file in the Central Installment Department, Atlanta. The individual certificate constitutes a copy of the master policy (see page 2).

ASSUREDS This is a multi-interest policy protecting the purchaser, dealer and the Bank as their interest may appear on an "all risk" (less liability coverage) basis consistent with the provisions of the policy. (See subsequent paragraph - "PERILS COVERED").

MERCHANDISE ELIGIBLE FOR COVERAGE Any outboard boat and/or motor, inboard boat or sailboat together with any equipment (including trailers) listed on our Conditional Sales Contract may be covered under the policy. This policy makes no distinction between marine equipment to be used in fresh or salt water. Prospective purchasers of inboard cabin cruisers and large sailboats will probably desire more protection than afforded under this policy. In such cases, the customer and/or dealer may provide insurance from an outside source as long as the coverage afforded is inclusive of the perils covered under our policy. (Important - See subsequent paragraph "COVERAGE FROM OTHER SOURCES").

PERILS COVERED Any loss or damage to the merchandise insured, consistent with the conditions, exclusions and provisions of the policy, is covered. Review of these exclusions and conditions should be made from the illustration on the Certificate of Insurance on page 2.

EFFECTIVE DATE Coverage is effective as of the date funds are disbursed on a direct loan or on the date of delivery in the case of dealer paper.

Replaces Bulletin: "INSURANCE - BOATS AND MOTORS", Dated 1-31-62

DEALER PROTECTION FOR DELIVERED REJECTIONS In the few cases where the dealer makes delivery prior to approval by the Bank (Saturday afternoon, etc.) and where he has sold coverage under our policy, this policy will provide the dealer with protection for a 5 day period beginning with the date the dealer is notified of the rejection. When the contract is rejected, the dealer should be notified by telephone and a letter of confirmation mailed to him the same day. A copy of this letter is to be sent to the American Southern Insurance Company. The expiration time of this "binder coverage" will be 12:01 A. M. on the sixth day (including date dealer is notified). This protection for the dealer is provided so that he may have time to contact the customer and either discount the contract elsewhere or repossess the merchandise. No certificate need be issued to initiate this "binder coverage".

SAMPLE DEALER REJECTION LETTER

Dear (Mr. Dealer):

This will confirm our telephone conversation earlier today. For reasons already discussed, we are unable to purchase your contract on (customer's name) which is enclosed.

Since the merchandise involved has been both delivered and covered under our insurance plan, protection will extend to you until 12:01 A. M. (date). At that time, all coverages under the policy will become cancelled.

Sincerely,

Should a claim arise during this binder period, the selling dealer should contact the American Southern Insurance Company and the details of handling will be worked out on an individual basis. Rejections where delivery has not yet been made or where our insurance coverage is not involved should be handled in the normal manner.

LIMITS OF LIABILITY As in most casualty insurance policies, the rate of premium is dependent on our loss experience. In order to eliminate the many inconsequential losses that will occur, all claims are subject to a $25 deductible provision. Total losses are limited to the actual cash value of the merchandise at the time of loss (less salvage). Partial losses are limited to the cost of repairs or replacement.

SINGLE INTEREST PROTECTION FOR THE BANK In the event of a single interest settlement to the Bank, the policy will pay the cost of repairs, or in the case of a "total loss", either the Bank's net unpaid balance or the actual cash value of the merchandise at the time of loss (less salvage), whichever is less.

Because certificates are written with an expiration date matching the due date of the final installment, additional automatic protection for the Bank during the handling

of past due final installments has been written into the policy. This affords us with single interest coverage for 60 days after individual certificates expire.

Coverage Failure Insurance should not be placed on any transaction covered under this policy because of the single interest protection afforded the Bank.

TERMINATION OF COVERAGE Coverage under this policy terminates on the expiry date shown on each individual certificate or upon cancellation by the assureds (customer or bank) or by the insurance company. (See subsequent paragraph - "CANCELLATION").

COST OF COVERAGE The premium rate is $4 per hundred per year of the TOTAL CASH SELLING PRICE excluding sales tax for outboard boats, motors, trailers and accessories. The rate of inboard boats, sailboats, trailers and accessories is $5 per hundred per year of the TOTAL CASH SELLING PRICE, excluding sales tax.

ISSUING CERTIFICATES AND PAYMENT OF PREMIUMS As loans are made and contracts are received that are to covered by insurance:

1. Compute the cost of insurance at the appropriate rate per year on the TOTAL CASH PRICE. Show the cost of insurance on the Discount Sheet as a credit to the American Southern Insurance Company.

2. Complete the insurance certificate by filling in the spaces provided which are self-explanatory (see previous illustration). Be sure the name of your bank is shown in the space provided in the center of the certificate.

3. Mail the original to the purchaser in a window envelope (9-311).

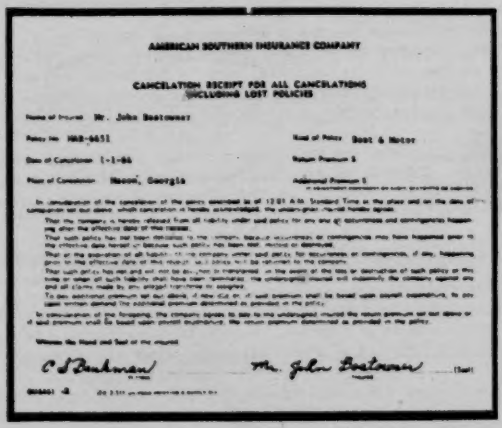
4. Fill in the amount of premium in the space provided on "Lienholder's Copy" and the "Company Copy". The "Company Copy" should be sent to the American Southern Insurance Company on a daily basis, with a check (payable to American Southern) to cover the total premium on all certificates issued that day.

5. The "Lienholder's Copy" should be retained in file as evidence of coverage.

CANCELLATION When an account is paid before final maturity, insurance does not have to be cancelled, but may be left in force until the certificate expires. If a customer specifically requests the cancellation of his coverage when paying off in advance, he should be directed to send the original certificate to the American Southern Insurance Company for cancellation. The insurance company will then compute the return premium and remit a draft (payable to the customer and the Bank) to the Bank. Verification that the account has been paid out should be made before endorsing the draft and forwarding it to the customer.

If the customer cannot produce the original certificate, he should be given a Lost Policy Release to complete.

REPLACES BULLETIN: INSURANCE - BOATS AND MOTORS, Dated 1-31-62



AMERICAN SOUTHERN INSURANCE COMPANY

CANCELATION RECEIPT FOR ALL CANCELATIONS
INCLUDING LOST POLICIES

Name of Insured Mr. John Boatowner

Policy No. HAB-6451 Kind of Policy Boat & Motor

Date of Cancelation 1-1-64 Return Premium $

Place of Cancelation Macon, Georgia Additional Premium $

In consideration of the cancelation of the policy described as of 12:01 A.M. Standard Time at the place and on the date of cancelation set out above, which cancelation is hereby acknowledged, the undersigned hereby requests

That the company, its agents, officers from all liability under said policy for any loss or occurrences and contingencies happening after the effective date of this receipt.

That such policy has not been terminated by the company because of occurrences or contingencies may have happened prior to the effective date hereof or because such policy has been lost, mislaid or destroyed.

That at the expiration of all liability of the company under said policy for occurrences or contingencies, if any, happening prior to the effective date of this receipt, all notices will be returned to the company.

That such policy has not and will not be sold, loaned or transferred, or the event of the loss or destruction of such policy or the loss or theft of such liability shall have been terminated, the undersigned insured will indemnify the company against any and all claims made by any person or persons in connection.

To pay additional premium for any change in the risk or if said premium shall be based upon payroll expenditure, to pay upon written demand the additional premium determined as provided in the policy.

In consideration of the foregoing, the company agrees to pay to the undersigned insured the return premium set out above or if said premium shall be based upon payroll expenditure, the return premium determined as provided in the policy.

Witness the hand and seal of the insured.

C S Bankman

Mr. John Boatowner (Seal)

Where the bank requests cancellation due to repossession, all that is needed is a letter to that effect sent to the insurance company. The return premium will be sent directly to the bank and should be applied to the customer's account. The letter requesting cancellation must give a specific date for cancellation. This date should be the date the merchandise was sold by the Bank on the date the contract was repurchased by the dealer.

EXTENSIONS When accounts are extended past their original final maturity, insurance must likewise be extended. The procedure will be the same as in the past except that the extended coverage will be placed under the new policy. Do not extend coverage using a Farm Agency certificate. The cost of insurance in such cases will be computed on the ORIGINAL CASH SELLING PRICE at the original premium rate per year. The annual premium thus obtained should then be divided by 12 and multiplied by the number of months which the account is to be extended. A new AMERICAN SOUTHERN CERTIFICATE should be issued showing the previous expiry date in the space "From (Date of Contract)" and the new extended expiry date in the space "Date of Final Payment". In addition, the word "EXTENSION" should be typed on the certificate above the "(Date of Contract)". With the above modifications, the handling of the extension certificate will be the same as the handling of the certificate on new contracts.

RATE CHART INSERT For the benefit of dealers and their salesmen, a new rate chart insert has been prepared describing this coverage. This insert should be included in all rate chart books supplied to dealers using this insurance plan.

E- 1226

Replaces Bulletin: "INSURANCE - BOATS AND MOTORS" Dated 1-31-62

OVER-THE-COUNTER LOANS Over-The-Counter transactions may be insured following the general procedures outlined for dealer-originated contracts.

BANKS OTHER THAN CITIZENS AND SOUTHERN The coverages under this policy are available to any correspondent bank on the same basis as C&S Banks. Any correspondent bank desiring this coverage should be referred to the System Consumer Credit Department, Atlanta.

COVERAGE FROM OTHER SOURCES Whenever our policy is not used and the dealer is not on a retrospective plan with American Southern Insurance Company, (see subsequent paragraph on "RETROSPECTIVE PLAN AVAILABLE"), equivalent coverage must be provided by the customer. In such cases, the bank should be named "Loss Payee". All such loans or contracts should be covered with Coverage Failure Insurance, (if eligible - $5,000 or less being financed). If Coverage Failure Insurance is requisitioned, a Statement of Insurance must be obtained signed by the customer and the dealer.

REPORTING LOSSES

American Southern Insurance Company, working with the selling dealer, will adjust all losses. This arrangement is advantageous for the customer, the dealer, and the Bank.

For the customer, it means faster adjustment service, since in most cases an estimate of repairs or replacement, supplied by the selling dealer, will be all that will be necessary and the merchandise can then be repaired locally with less delay.

For the dealer, it helps to assure that the selling dealer will get the repair or replacement business and thus not lose his customer to another dealer.

For the Bank, such an arrangement takes us completely out of the adjustment picture and, more important, helps us to sell the advantages of our "package plan" because of the insurance company working closely with the selling dealer.

All claims should be reported directly to the American Southern Insurance Company, 56 Tenth Street, N. E., Atlanta, Georgia 30309, (873-2251) by the purchaser, the dealer, or the Bank.

IMPORTANT

1. Do not assign the loss to a commercial insurance adjustor.
2. No repairs should be made before the loss is reported to the insurance company. An estimate of repairs should be submitted, by the selling dealer, to American Southern to assist in their adjustment of the loss.

Drafts in payment of partial losses will be made payable to the customer and the repairing dealer and remitted directly to the customer. Drafts in payment of total losses will be made payable to the customer and the Bank and sent to the Bank. Single interest settlements will be payable to the Bank.

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT BOATS AND MOTORS

TOPIC

 Date 1-1-64

Replaces Bulletin: "INSURANCE - BOATS AND MOTORS" Dated 1-31-62

RETROSPECTIVE INSURANCE PLAN AVAILABLE The American Southern Insurance Company, is prepared to set-up any of our volume boat dealers as insurance agents under a retrospective plan. (Such a plan is feasible only with volume dealers.) This kind of an arrangement is satisfactory to us. In such instances the insurance provided will be equivalent to our group policy from a coverage standpoint, but will not be issued under our policy. The selling dealer will issue his own certificate and a copy of the certificate must accompany each contract submitted to us. Where the cost of the premium is financed in our contract, it should be remitted to the dealer along with the proceeds of the contract.

If the bank should need to request cancellation due to repossession, a letter to that effect should be sent to the dealer who issued the policy. The return premium will be sent to the bank and should be applied to the customer's account.

In a retrospective plan, the dealer becomes a licensed insurance agent and, as such, should deal directly with the American Southern Insurance Company. We do not want to become involved any more than we would with any insurance agent. Should a dealer (or a prospective boat dealer) indicate interest in this retrospective plan, the American Southern Insurance Company should be notified and they will handle directly with dealer from that point forward.

Under this type of plan, the insurance company has agreed to furnish the bank with single interest coverage in the event that cancellation becomes necessary by them or the dealer (agent). For this reason, and because the certificate is obtained with the contract, it is not necessary to provide Coverage Failure Insurance for transactions originating from dealers who are retrospective agents under American Southern.

ORDERING FORMS Requirements of Certificates and Lost Policy Releases should be ordered from the American Southern Insurance Company.

RELATED BULLETIN SALES FINANCE - BOAT AND MOTOR FINANCING

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT THE CITIZENS AND SOUTHERN AGENCY, INC.

TOPIC

Page 1 of 1 **Date** 12-1-70

NEW BULLETIN

The Citizens and Southern Agency, Inc., a wholly owned subsidiary of the C&S Holding Company, has been formed to handle insurance coverage that is directly related to customer loans with eligible banks. The Agency is presently developing various insurance programs. Bulletins describing each program will be issued as soon as each becomes available.

ELIGIBILITY

Presently eligible are C&S National Banks, affiliate banks, and wholly owned subsidiaries.

SPECIAL EXCLUSIONS

The C&S Agency does not handle:

1. Such property insurance, workmen's compensation, blanket bonds, and general liability bonds as required to cover bank property, employees, or liability. These coverages remain the responsibility of the Comptroller's Department.

2. Insurance not directly related to a loan.

3. Coverages that are Employee Benefits. These continue to be the responsibility of the Personnel Department.

INCOME AND LOSS ALLOCATION

Where practical, profits will be pro-rated to individual branches based on their own insurance experience and/or premium volume.

REPORTS AND ORDERING FORMS

C&S Agency will automatically furnish each branch with statistical information as needed. Information on ordering forms will be given in each individual bulletin.

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT COVERAGE FAILURE

TOPIC

 Date 12-4-67

NEW BULLETIN: File in front of bulletin dated 4-18-62

For many years we have had worthwhile savings in clerical expense by using Coverage Failure Insurance in lieu of following for evidence of insurance on automobiles that we finance. Starting in 1966, however, the loss ratio under this blanket insurance policy has progressively increased to the point that our insurance premium would need to be increased substantially to continue the coverage. In addition, all indications point to progressively higher premiums as time goes on.

After a careful review of the cost factors involved, we have concluded that the best course of action is to discontinue Coverage Failure Insurance and return to a strict followup for individual policies protecting our interest as well as the customer's equity.

American Southern Insurance Company will continue to insure loans made up to 1-1-68, however, followup for outside insurance should start immedately upon receipt of this bulletin.

EXISTING INSURED LOANS

Loans on which a Coverage Failure Insurance premium has been paid will still be covered; however, it is extremely doubtful if the unearned premium held by the insurance company will be sufficient to cover future losses unless we take additional steps to prevent claims. We have agreed to try to minimize losses by taking these steps:

1. Whenever any indication of lapse of insurance or possible lapse of insurance is received (i.e. premium notice, cancellation notice, checks covering losses, etc.), immediately verify the existence of insurance coverage and maintain a followup until you have a policy meeting our requirements.

2. As file folders on automobile loans are pulled for collection or any other purposes, check to be sure that you have insurance for the life of your loan. If you do not have a policy - take action to get one and maintain a followup. If you have a policy which expires prior to the end of your loan (other than automatic renewable policies, i.e., State Farm and Allstate) - prepare a followup card to come up 30 days in advance of the expiry date.

3. If any sales finance dealers are aware that you have had Coverage Failure Insurance, be sure that they are told that our Coverage Failure Insurance is cancelled. Dealers should not know that you are covered on unavoidable losses.

If these precautions are followed religiously, it should not become necessary to take the further step of verifying coverage on all outstanding auto loans.

NEW BULLETIN: File in front of bulletin dated 4-18-62

CLAIMS ON EXISTING INSURED LOANS

After exhausting all possible collection efforts short of legal action, claims will still be handled as outlined in our bulletin of 4-11-62.

INSURANCE REQUIREMENTS - AUTO LOANS

It is an accepted fact that automobiles that are pledged as collateral must be adequately insured against loss or damage. This is sound business practice for the borrower as well as the lender. In connection with C & S automobile loans:

1. Comprehensive and at least $100 deductible collision insurance is mandatory.

2. We require a copy of the insurance policy with our interest named in the policy.

3. Liability insurance is not a loan requirement, but our customers should be encouraged to have this coverage for their own protection.

4. The customer should be encouraged to include insurance for the full term of the loan.

It is important that we point out the customer advantage of full term insurance -- no annual or semi-annual premium coming due at a time that may not be convenient -- financing the total amount provides insurance protection without lapse for the period of the loan. The insurance premium can be financed as part of the automobile loan on a monthly basis. The total payment can be paid direct or deducted from a checking account. Additionally, the customer has the advantage of not being subject to any increase in rate during the policy period.

From our own standpoint, insurance for the term of the loan decreases cost of handling and increases our profit by virtue of the additional amount financed.

FOLLOWUP PROCEDURES

1. As part of completing an auto loan, be sure the "Statement of Insurance" on the reverse of the Automobile Note - Security Agreement is fully completed and signed.

2. Wherever practical, talk to the insurance agent, verify coverage and give him the exact name and location of your bank (or branch). The exact address is particularly important in the Atlanta area and other multiple office cities to avoid delay in handling and followup.

NEW BULLETIN: File in front of bulletin dated 4-18-62

3. Prepare a Collateral Followup Card (19-984) and:

   a. Follow by phone or letter 30 days from date of loan and every 10 days thereafter until a policy in proper form is received.

   b. If a policy is not received by the 60th day, consider the credit of your customer very carefully and whether the automobile should be stored under our control until properly insured.

RECEIPT OF POLICIES

1. Immediately upon receipt of an outside policy verify the name of the insured, correct description of the vehicle, satisfactory physical damage coverage, Bank named as loss payee and expiry date.

   a. Maintain followup for correction endorsement if needed.

   b. If policy expires before the date of final payment, reset followup for 30 days prior to the expiry date.

2. If policy does not cover one of your loans, determine proper destination through CIF or otherwise and send the policy to that point promptly.

3. In the Atlanta area, the central mail room will send unidentified policies directly to CIF for distribution.

BANK PLACEMENT OF INSURANCE

We are currently working with American Bankers Insurance Company of Miami on a program that will enable us to place insurance on behalf of our customer in event that he fails to provide us with evidence of coverage within a reasonable time or if he requests that we do so. Under this program we will also have loss protection in those cases where an uninsured loss might take place despite our followup procedures. We expect to be able to have this program completed shortly after the first of next year.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

CITIZENS AND SOUTHERN NATIONAL BANK, et al.

On Appeal from the United States District Court for the Northern District of Georgia

JOINT APPENDIX

INDEX

VOLUME I

	Page
Relevant Docket Entries	1
Complaint by the United States Filed November 2, 1971	9

Answer to Complaint Filed by the Defendants May 5, 1972 24

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia Commencing September 25, 1972:

Appearances [2] 45

Testimony of W. D. Padgett—
Direct examination [7] 49
Cross-examination [74] 89

Testimony of William Farr, III—
Direct examination [85] 96
Cross-examination [123] 118

Testimony of Herbert Leonard Megar—
Direct examination [151] 135
Cross-examination [161] 142
Redirect examination [171] 148

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 26, 1972:

Testimony of James A. Parker—
Direct examination [180] 151
Cross-examination [227] 178
Redirect examination [245] 188

Testimony of Charles B. Ginden—
Direct examination [256] 195
Cross-examination [296] 219
Redirect examination [309] 226

Testimony of Warren Jackson—
Direct examination [312] 228
Cross-examination [352] 251

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 27, 1972:

Testimony of Warren Woolsey—
Direct examination [361] 257
Cross-examination [408] 284
Redirect examination [424] 292

Testimony of Samuel L. Skogstad—
Direct examination [425] 293
Cross-examination [426] 294
Redirect examination [476] 322
Recross-examination [494] 333

VOLUME II

Testimony of Mills B. Lane—
Direct examination [508] 343
Cross-examination [539] 361
Redirect examination [562] 374

Transcript of Proceedings Held Before the Hon. Charles A Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 28, 1972:

Testimony of Howard S. Starks—
Direct examination [582] 386
Cross-examination [604] 400
Redirect examination [633] 417

Testimony of Joseph Hall—
Direct examination [637] 420
Cross-examination [683] 445
Redirect examination [744] 481

Testimony of Robert Daniel Handley, Jr.—
Direct examination [747] 483
Cross-examination [765] 494
Redirect examination [774] 499
Recross-examination [774] 500

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 29, 1972:

Testimony of Warren L. Berry—
Direct examination [777] 501
Cross-examination [784] 505
Redirect examination [802] 516

Testimony of Roy B. Holland—
Direct examination [802] 517
Cross-examination [805] 519

Testimony of Hubert Harris—
Direct examination [808] 521
Cross-examination [812] 523

Testimony of Lewis C. Beasley—
Direct examination [815] 524
Cross-examination [821] 528

Testimony of Joseph M. Ream—
Direct examination [824] 530

Testimony of Henry T. Collingsworth, Jr.—
Direct examination [830] 534
Cross-examination [837] 538

Testimony of Gordon B. Trulock, Jr.—
Direct examination [842] 542
Cross-examination [853] 548

Testimony of Ben C. Cook—
Direct examination [854] 548
Cross-examination [859] 552

Testimony of Merrill Autry, Jr.—
Direct examination [862] 554
Cross-examination [865] 555

Testimony of L. R. Gellerstedt, Jr.—
Direct examination [873] 559
Cross-examination [881] 564

Testimony of King Cleveland—
Direct examination [888] 569
Cross-examination [892] 571

Testimony of W. M. Jackson—
Direct examination [895] 573
Cross-examination [905] 579

Testimony of Evans Bruner—
Direct examination [932] 594
Cross-examination [940] 599

VOLUME III

Testimony of J. Mack Robinson—
Direct examination [942] 601
Cross-examination [946] 603

Testimony of Walter Eaves—
Direct examination [953] 607
Cross-examination [956] 609

Testimony of E. D. Dunn—
Direct examination [960] 611

Testimony of Nevins Dennis Baxter—
Direct examination [974] 619
Cross-examination [1004] 636

Depositions:

Warren Lanham Berry—
(GX-198) 671

Dr. William M. Cason—
(GX-199) 4.1-6.13 739

Gus Lockett Connelly—
(GX-200) 4-29.3; 53.13-54.22 741

Thomas E. Cook—
(GX-201) 4-26.4 760

Edward E. Elson—
(GX-202) 10.23-12.7 774

Louis J. Fortuna—
(GX-204) 19.6-22.3 775

Hubert L. Harris—
(GX-206) 4-28.7 778

T. Robert Hazelrig—
(GX-207) 4-28.13 793

Dr. W. Andrew Irvin—
(GX-208) 12.4-12.21; 18.10-18.24 811

Hugh F. Lane—
(GX-209) 812

Alva G. Maxwell—
(GX-211) 4-6.13 848

Dalton F. Scott—
(GX-215) 34.24-36.3 851

Economic Report (Excerpts):

Volume 1—[5-14]
[83-84]
[114 "E"-130 "B"]
[139-147] 852

Volume 2—Exhibits 20, 28, 29, 53, 54, 55, 69 877

Government Exhibits:

GX-33 B E-1

GX-33 C E-5

GX-33 D E-7

GX-33 E E-10

GX-35 ..... E-13

GX-36 ..... E-24

GX-37 ..... E-28

GX-38 ..... E-38

GX-104 ..... E-57

GX-105 ..... E-89

GX-106 A E-113

GX-107 ..... E-121

GX-108 ..... E-122

GX-109 ..... E-123

GX-110 ..... E-124

GX-111 ..... E-125

GX-112 ..... E-126

GX-113 ..... E-127

GX-114 ..... E-128

GX-115 ..... E-132

GX-116 ..... E-133

GX-117 ..... E-134

GX-118 ..... E-135

GX-119 ..... E-137

GX-120 ..... E-139

GX-121 ..... E-140
GX-122 ..... E-141
GX-123 ..... E-142
GX-124 ..... E-143
GX-125 ..... E-145
GX-126 ..... E-146
GX-127 ..... E-147
GX-128 ..... E-148
GX-134 ..... E-153
GX-136 ..... E-155
GX-138 ..... E-156
GX-139 ..... E-158
GX-140 ..... E-160
GX-142 ..... E-161
GX-148 ..... E-162
GX-151 ..... E-164
GX-153 ..... E-165
GX-162 ..... E-166
GX-163 ..... E-172
GX-164 ..... E-198
GX-166 ..... E-204
GX-169 ..... E-206
GX-170 ..... E-215
GX-177 [1-15.6] E-217
GX-177 B E-232
GX-177 D E-235

GX-188 ..... E-240
GX-189 ..... E-241
GX-190 ..... E-242
GX-191 ..... E-243
GX-192 ..... E-249
GX-193 [1-6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 28] ... E-251
GX-194 ..... E-268
GX-216 ..... E-269

Defendants' Exhibits:

DX-94 ..... E-305
DX-113 ..... E-329
DX-125 ..... E-330
DX-152 ..... E-331
DX-266 ..... E-337
DX-267 ..... E-460
DX-268 ..... E-502-2
DX-269 (Sections A, D, F, K and V) E-572
DX-270—Vol. I, GOG 9.27 and GOG 9.6 ..... E-692
Vol. II, GOG 26.01 and 26.011 ..... E-699
DX-277 ..... E-703
DX-278 ..... E-705
DX-300 ..... E-706
DX-301 ..... E-835
DX-302 ..... E-840
DX-310 ..... E-860

DX-311 ..... E-1024
DX-313 ..... E-1717
DX-316 ..... E-1804
DX-317 ..... E-1816
DX-318 ..... E-1822
DX-320 ..... E-1826

Notice of Appeal filed March 25, 1973 ..... E-1841
Order Noting Probable Jurisdiction dated October 29, 1974 ..... E-1842

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT COVERAGE FAILURE

TOPIC

 Date 4-18-62

Replaces Bulletin: GENERAL OPERATIONS - INSURANCE - COVERAGE FAILURE, Dated 11-29-56

For the past several years we have been placing Coverage Failure Insurance on those eligible secured loans where insurance on the collateral is required. Our original purpose in acquiring this policy was to eliminate, to a great extent, the clerical handling that is necessary to verify that collateral taken as security is adequately covered by outside insurance and that the bank's interest is properly indicated in the policy.

Subsequent experience has proved the cost of this coverage to be substantially less than that of the clerical help required to maintain complete insurance followup. Use of the policy has also given us the added benefit of protection from the possibility of accidental error during insurance followup. Further savings have been realized inasmuch as the use of this coverage has greatly reduced the amount of time our auditors must spend in checking insurance coverage.

Since the inception of this policy, we have found opportunities to both broaden the policy coverages and to streamline the procedures involved in its use. This bulletin sets forth these changes and attempts to clarify those areas of the policy's coverage which have appeared to be somewhat troublesome in the past.

POLICY INTENT This policy is designed to provide the bank with single interest protection on those eligible secured loans on which casualty insurance for the collateral is required. It protects us against any direct loss we may sustain as a result of being prevented from obtaining the benefits of insurance coverage, previously agreed upon between the bank and the customer, by reason of:

(1) Failure of any customer to place, have placed, and/or maintain insurance agreed upon.
(2) Failure of any insurance company to pay claims within the limits of the insurance agreed upon because of violation of policy conditions by the customer.
(3) Failure of any insurance company or its agent to pay an unearned premium to the bank if the bank has originally advanced the premium.

INSURANCE CARRIER AND AGENCY Insurance coverage is provided by the American Southern Insurance Company under policy no. IM-428, through Marsh and McLennan, agents.

EFFECTIVE DATE Insurance coverage is effective as of the date funds are disbursed on a direct loan, or on the date of approval and delivery in the case of dealer paper.

ELIGIBLE LOANS Any loan except real estate, regardless of classification, on which outside insurance is normally required, may be insured under our Coverage Failure policy provided it does not exceed 36 months, except mobile home transactions which may be insured for 60 months. In addition, the limit of liability under this policy is $5,000 to any one customer on ordinary transactions and $7,500 on mobile homes (based on the amount financed - not the total note amount). As a

matter of policy, we do not wish to insure transactions above the limit of liability; however, in rare cases where customers warrant, insuring transactions that do not exceed the limit of liability by more than 10% is in order. This can be a matter of judgment on the part of the lending officer.

LIMITS OF LIABILITY This is a single interest policy protecting the bank only. Total losses are limited to the net unpaid balance less the salvage value of the collateral. If, for any valid reason, the bank is unable to obtain the proceeds of the value of the salvage, the policy will pay the full net unpaid balance. Partial losses are limited to the cost of repairs.

Losses under Coverage Failure (partial or total) are not affected in any way by the deductible feature of collision coverage in the customer's outside insurance policy.

TERMINATION OF COVERAGE Coverage under this policy expires when the loan is paid in full. Coverage Failure Insurance continues in effect after a repossession until such time as the collateral is disposed of.

POLICY EXCLUSIONS This policy does not insure against:

(a) any loss where the bank does not have a State of Insurance, properly signed by the customer
(b) any loss resulting directly or indirectly from any dishonest or criminal act of any officer, agent or employee of the bank
(c) any loss resulting from forgery
(d) any loss sustained by reason of insolvency of any insurance company
(e) that portion of a loss which exceeds $5,000 to any one customer.

STATEMENT OF INSURANCE A Statement of Insurance is required on each transaction that is to carry Coverage Failure Insurance. Dealers, borrowers, and/or purchasers should be instructed to furnish insurance with the bank named as loss payee. However, instead of following for a copy of the policy, we rely on the "Statement of Insurance" which is obtained from the purchaser or borrower at the time the loan is executed. Be sure that the Statement of Insurance is signed in good faith and that there is no reason to doubt the customer's intention to place the required insurance.

Ruling 2002 of the Insurance Commissioner provides in part (1) original policies may be given to the insured only and (2) unearned premium must be paid to the insured and loss payee jointly. The Insurance Commissioner has later ruled that the insured may waive these requirements in writing and the Statement of Insurance provides for this among other things.

The Statement of Insurance now appears on the reverse side of both the Automobile Note - Bill of Sale to Secure Debt (19-906, Rev. 11-61) and the new Vehicle-Farm-Equipment Conditional Sales Contract (19-986, Rev. 4-61). Wording has been incorporated in the face of both instruments so that when the customer signs the instrument he automatically signs the Statement of Insurance which is used if needed.

REPLACES BULLETIN: GENERAL OPERATIONS - INSURANCE - COVERAGE FAILURE, Dated 11-29-56

The Statement of Insurance form (19-843) illustrated below is to be used in all cases where the statement does not appear on the reverse side of the instrument of indebtedness. This form must be signed by the customer.

STATEMENT OF INSURANCE

TO Wheel & Deal Automobile Agency
(Name or Bank)

In consideration of a loan or time sale this day made to me, evidenced by a Bill of Sale to Secure Debt or Conditional Sales Contract or other security instrument (a copy of which is attached hereto and made a part hereof) covering property securing the loan or being purchased on time, I agree that I will insure the property so covered against the following hazards:

(Check Applicable Spaces)

Fire ☐ Collision $50 Ded. ☐
Theft ☐ $100 Ded. ☑
Comprehensive ☑
Other _____

I further agree that the insurance policy shall (1) be of a type normally placed on such property, (2) be maintained so long as any indebtedness exists under the loan or time sale in an amount sufficient to cover such indebtedness at all times, (3) contain a clause making loss payable to you as your interest may appear, you having full power of subrogation thereunder in the event you assign your rights in the attached security instrument and to notify me (if the policy is not yet procured) or the insurer (if the policy has been procured) and (4) be delivered to you or your assigns to be held so long as any indebtedness exists under the loan or time sale.

You, or in the event you assign your interest in said security instrument to another, your assigns, are hereby constituted and appointed my attorney in fact (1) to hold the original insurance policy, (2) to cancel and give notice of cancellation of said policy, (3) to make claims for loss under said policy, (4) to endorse my name to checks received in payment of claims or unearned premiums under said policy and apply such funds to any indebtedness existing under the loan or time sale contemporaneously made. It is understood and agreed that this power shall be terminated when I am no longer in debt to you or your assigns and that any funds handled by you under this agreement over and above the amount of my indebtedness shall be returned to me.

April 11, 19 62 _____
(Borrower or Purchaser)

ACKNOWLEDGMENT ON AGENT ORIGINATED TRANSACTIONS

Insurance is being written in conformance with the above agreement and the powers conveyed to you thereby are hereby acknowledged.

Wheeler's Insurance Agency

April 11, 19 62 _____
(Agent)

ASSIGNMENT BY DEALER

For value received, the undersigned transfers, conveys and assigns to The GLS National Bank, Atlanta, Ga. all his right, title and interest arising out of the above Statement of Insurance, including all powers contained therein.

Wheel & Deal Automobile Agency

This 11 day of April 19 62

By _____
(Agent)

19-843—1M

Please study the Statement of Insurance carefully since it contains a number of important provisions relating to your rights in dealing with your borrower and his insurance company.

E- 1235

REPLACES BULLETIN: GENERAL OPERATIONS - INSURANCE - COVERAGE FAILURE, Dated 11-29-56

Repair Plan Contracts. No new Statement of Insurance is necessary when the insured collateral is currently securing an open account for which a signed Statement of Insurance is in the customer's file.

Renewals. No new Statement of Insurance is necessary unless additional money is advanced (see subsequent paragraph - COST OF COVERAGE) if original loan carried Coverage Failure Insurance and a signed Statement of Insurance is in the customer's file.

Transfers of Equity. If the loan carries Coverage Failure, a new Statement of Insurance should be executed by the transferee who is responsible for adequate outside insurance for the balance of the term of the loan.

REQUISITIONING INSURANCE COVERAGE Coverage may be requisitioned by checking the appropriate insurance space on the Discount Sheet. In the case of renewals, no additional premium is required as long as no new money is advanced. Under such circumstances, do not requisition Coverage Failure on the new Discount Sheet or obtain a new Statement of Insurance (see preceding paragraph - STATEMENT OF INSURANCE).

COST OF COVERAGE The Central Billing Department will charge you monthly at the rate of 50¢ for each new transaction covered. This is a retrospective policy and dividends will be prorated to each office.

EFFECT ON BANK-AGENT PLAN - Since this policy makes no change in our insurance requirements, the operation of our reciprocal arrangements with insurance agents will not change. On agent originated transactions, the agent will furnish a Statement of Insurance which he also signs in the space provided. (If using revised instruments which incorporate the Statement of Insurance, the agent must still sign the Statement in the space provided.) Agents should be instructed to furnish a copy of the policy but we will not make a followup.

DEALER ORIGINATED TRANSACTIONS In all cases where outside insurance is required on dealer-originated paper, our dealer is either an insurance agent or has a source for placing insurance. Normally when we finance the cost of insurance, a copy of the insurance policy or a binder will accompany the contract. In such cases it will not be necessary to place Coverage Failure Insurance on that paper, even though a Statement of Insurance does accompany all contracts.

Under our arrangement with American Southern Insurance Company agents, where we are protected by a single interest insurance policy (See Bulletin: INSURANCE - ERRORS & OMISSIONS COVERAGE - AUTOMOBILE DEALERS), Coverage Failure Insurance is definitely not required. On other dealer-originated paper, it will be a matter of judgment in determining whether we are sufficiently protected at the outset that Coverage Failure may be waived. Coverage Failure should be placed when the borrower is to furnish his own insurance.

DISPOSITION OF POLICIES, RENEWAL NOTICES AND CANCELLATION NOTICES As policies and renewal notices are received, they may be sent directly to file. Checking for expiry date, extent

of coverage, etc., is not necessary.

Cancellation notices are generally sent out only where insurance companies consider the insured to be a poor risk (poor insurance risk and poor credit risk frequently go together). All Notices of Cancellation must be followed with the customer until we obtain evidence of new coverage in compliance with the Statement of Insurance as signed at the time the loan was made.

AUTOMOBILE LOANS INVOLVING MINORS When making an automobile loan to a minor (with parental endorsement), there always exists the distinct possibility that the obtaining of insurance may be a problem. Many agents are required to submit such deals to their home office for approval and it often takes two or three weeks to find out that the agent's company will not insure. In such cases, if the insurance can be obtained at all, it will be through a "high rate pool" and the customer may not be able to pay for such coverage "out of his pocket."

Whenever possible, we want to finance the cost of automobile insurance coverage and in making automobile loans to minors it should be standard practice to follow for the original issuing of an insurance policy, even if the loan is covered with Coverage Failure Insurance.

TIME LOANS The coverages under this policy are also available, under the same conditions, for time loans made through the Loan and Discount Department. The first of each month the following report form will be sent to the Installment Loan Officer-in-Charge of each office. He is responsible for seeing that the Loan and Discount Department reports to the Central Installment Department, Atlanta, no later than the 10th of the month, all loans covered with Coverage Failure Insurance during the preceding month.

LOAN & DISCOUNT DEPARTMENT
MONTHLY REPORT OF LOANS TO BE COVERED WITH
COVERAGE FAILURE INSURANCE

This report must be returned to: The C&S National Bank, Central Installment Department, Atlanta, Georgia no later than the 10th of each month.

TO 1-B DATE APR 1 1962

Please enter below the number and description of the loans made last month by your department which were covered under our COVERAGE FAILURE POLICY. (Maximum coverage per loan - $5,000). If none - so state.

Number of Loans 4

Name of Borrower	Collateral	Amount of Note
David D. Douglas	1960 Ford, Country Squire #0A-68Y171170	$650.00
William F. Garren	1956 Jaguar, 2 dr. 9676278	$450.00
Herrian B. Carole	1962 Buick, Special, 4 dr. #A11548510	$495.00
Mrs. Wanda B. Wilts	1962 Chevrolet, Impala, 2 dr. #21847A149707	$225.00

E-1237

POLICY IS CONFIDENTIAL Borrowers, purchasers, dealers, and insurance agents should not be told of the existence of this coverage. Insofar as they are concerned, the Statement of Insurance is required because of Ruling 2002 of the Insurance Commissioner and to clarify the exact coverage on each transaction.

COPIES OF THE POLICY The original signed insurance policy is on file in the Central Installment Department, Atlanta.

REPORTING LOSSES

Requirements Before Reporting Losses. A loss does not occur under this policy until all collection action short of suit has been taken against the maker of the note. Because the policy requires that we use "due diligence" (doing all things reasonable and practicable to avoid or diminish any loss arising under the policy) and because both the premium rate and any dividends returned are predicated upon our loss experience, all potential losses must be handled as zealously as though the insurance did not exist. If it is necessary to accelerate our instrument and we can collect the entire balance from the customer, we should do so without filing a claim. If the balance due at the time we discover a potential Coverage Failure claim is small enough so that we would extend a like amount of credit to the customer on an unsecured basis, then arrangements should be made to collect the balance on a monthly basis without making claim against this policy. Provided credit factors warrant and additional new collateral can be obtained a "Rework" note may be executed (without releasing the original instruments) in attempting collection action before filing claim.

SALVAGE With respect to total losses, the policy will pay the net balance less salvage as long as we are able to acquire the salvage value of the collateral. Salvage bids (3) should be obtained in writing and the amounts included in the first notification which you give to Central Installment. When collection arrangements are anticipated that will postpone the claim, particulars concerning the condition of the salvage, where stored and your recommendations as to disposal should accompany your memorandum of notification. In such instances the salvage will usually be sold and the proceeds applied to the reduction of the customer's indebtedness at the time we enter into the collection arrangements with him.

NOTICE OF LOSS The policy requires that we give notice of a potential loss as soon as possible. We want to notify the insurance company of any collection arrangements which we may make with the customer that will postpone the filing of the claim. When a potential loss situation developes and all collection effort has not been completed (or whenever collection arrangements are made) notify the Central Installment Department, Atlanta, by memorandum giving all pertinent particulars.

When all collection effort, short of litigation, has been made and it is felt that a claim exists, the "Coverage Failure Questionnaire", illustrated on page 7, should be completed in duplicate and both copies forwarded to the Central Installment Department together with the entire customer file on the account.

E-1239

COVERAGE FAILURE QUESTIONNAIRE

Office Tenth Street - Atlanta

Please answer as completely as possible all of the following questions which apply to your pending Coverage Failure claim.

1. Information on Borrower
   a. Name Charles C. Customer
   b. Address Unknown
   c. Name of Employer Unknown
   d. Business Address Unknown
   e. Approximate Salary $ Unknown
   f. Other Assets Unknown
   g. Name of friend or relative who may know where he is Wife - Mrs. Charles C. Customer

2. What action has been taken to collect from the customer? (Tell what his attitude is toward payment - who contacted him - why he has not been contacted.) Customer's wife who is still living at 608 16th St., N.W., Atlanta, Georgia contacted bank in latter part of March and stated that customer had left Atlanta looking for a job and had wrecked car in Douglasville, Georgia. He called his wife and said he was leaving the car and going with a friend to try to find a job. He did not tell her where he was going or when he would return. Mrs. Customer says that her husband had not contacted her since then. She professes to know nothing about her husband's whereabouts.

3. Why is bank unable to effect further collection from the customer? Cannot locate Customer. Wife refuses to pay since she is unemployed and receives no money from any source.

4. Information on Collateral
   a. Car (x) or Truck ( ) Other ( ) Specify
   b. Make and Model 1959 Chevrolet - 4 Dr. c. Motor Number C59A-017733 Bel Aire
   d. Unpaid Balance (Net of Rebate, Insurance) $ 278.10
      Less Salvage $ 50.00 (High bid on salvage)
      Net Loss $ 228.10

5. Failure of Insurance Coverage
   a. Kind of insurance coverage that Failed Collision - $100 deductible
   b. Nature of loss Collision
   c. Amount of Loss $ 268.38 (low bid on repair estimate)
   d. Name of Insurance Company Acme Insurance Agency
      1. Address 1302 Grandview Building, Atlanta, Georgia
      2. Name of person contacted at Insurance Company Mr. Acme

Failure of Insurance Coverage (Continued)

e. Reason for denial of liability Never placed insurance with them. Wife says husband never obtained any insurance for car.)

f. What efforts have been made to collect from the Insurance Company? Discussed with Mr. Acme - says customer never contacted them.

g. Why are we unable to obtain a Single Interest settlement? Insurance never placed.

Salvage

Coverage Failure Insurance is Single Interest coverage protecting the bank on a "loss salvage" basis. Whenever possible, salvage should be repossessed and sold to the highest bidder. (Obtain 3 bids.)

a. Salvage bids obtained from:

	Name	Address	Bid Amount
1.	Brady Body Shop	Douglasville, Ga.	$ 30.00
2.	Glen Paint & Body Shop	Douglasville, Ga.	$ 40.00
3.	Williams Motor Sales	Atlanta, Ga.	$ 25.00

b. Salvage sold to:
   1. Salvage has not been sold - waiting on disposition of claim.

c. If salvage has not been sold
   Where located - in whose possession
   1. Name Williams Motor Sales
   2. Address Atlanta, Ga.

d. Why is bank unable to repossess and sell salvage? Bank has repossessed and can sell

Give any other details which may not be covered above, and which would help to present the entire picture of what happened. Customer agreed to place insurance with Acme Insurance Agency (see Discount Sheet - we did not finance cost of insurance). Did not do so.

REPLACES BULLETIN: GENERAL OPERATIONS - INSURANCE - COVERAGE FAILURE, Dated 11-29-56

All questions are self-explanatory and every applicable question should be answered so that the entire history of the account is clearly apparent. Care and thought should be exercised in the preparation of the questionnaire. Your customer file should be completed and in good order. All collection memoranda should be in chronological sequence and legibly written. All salvage bids should be included in the file.

When the insurance company issues a draft in payment of the claim, the Central Installment Department will request your instruments of indebtedness. All Notes, Bills of Sale, Recording Slips, Conditional Sales Contracts, etc., must be assigned "without recourse" to the American Southern Insurance Company.

ORDERING FORMS The Coverage Failure Questionnaire may be ordered by memorandum from the Central Installment Department, Atlanta. The Statement of Insurance (19-843) may be requisitioned in the normal manner from the Purchasing Department, Atlanta.

RELATED BULLETIN INSURANCE - ERRORS AND OMISSIONS - AUTOMOBILE DEALERS

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT CREDIT LIFE

TOPIC

 Date 4-15-71

Replaces Bulletin: INSURANCE - CREDIT LIFE - Dated 7-8-69

Increased credit life insurance coverage of amounts to be financed and terms are now available to our borrowing customers. The new rate charts include separate insurance premiums for the optional selection of credit life (under Regulation Z provisions) for installment notes, conditional sales contracts and time notes. The new rate charts are effective May 1, 1971 and include the extended coverages of maximum amounts to be financed of $15,000 and terms of ten years. Insurance premiums are not a part of the finance charge and annual percentage rate. Customers are charged the actual premium rate paid by the bank which remains below the cost of term insurance and below that of many other Credit Life policies. Therefore, our "financing package" is attractive both to borrowers and to purchasers through dealers.

INSURANCE CARRIER

ALL installment loans of The Citizens and Southern National Bank Offices and The Citizens and Southern Financial Corporation are insured through The Citizens and Southern Life Insurance Company (formerly American Southern Life Insurance Company) under group policy number GL-3. All other participants are insured under Prudential Insurance Company of America, group policy GL-281.

ELIGIBLE BORROWERS AND PURCHASERS

Any borrower or installment purchaser is eligible for Credit Life Insurance if:

1. He is 61 years of age or less;
2. His contract or note is repayable in periodic installments over a period of ten years or less; and,
3. The balance to be financed is $15,000 or less.

EFFECTIVE DATE

Insurance coverage is effective as of the date funds are disbursed on a direct loan or on the date of approval and delivery in the case of dealer paper. This protects the dealer for the period between his delivery of the merchandise and the disbursement of funds by the bank.

EXTENT OF COVERAGE

Upon receipt of the necessary claim forms, the insurance company will pay the gross balance due on the customer's note, with a maximum of $15,000 including previously paid disability benefits. The $15,000 maximum applies to the total indebtedness of the borrower whether it is one transaction or multiple transactions or whether the multiple transactions are with the same bank or in different banks insured under this policy. The policy also contains a suicide clause which applies to all notes

N insured after May 1, 1971. The clause states that a note must be continuously insured under the policy for two years before a death claim by suicide can be paid.

R Transactions involving a principal balance in excess of $15,000 are not eligible for coverage in any part.

TERMINATION OF INSURANCE

The insurance automatically terminates at the time the indebtedness is paid in full, at the time of repossession (by Bank or dealer), if judgment is entered in any court, or when the loan is charged off (past due loans not charged off may be carried up to a maximum of six months).

In considering loans in default, reworking for collection purposes, etc., it should be kept in mind that it is not the purpose of this policy to substitute a possible insurance loss for a probable credit loss. The insurance policy is intended to protect the borrower and the bank on normal transactions from their inception.

The Georgia Insurance Code requires that a refund of the unearned insurance premium be made if a customer pays out his note in advance. It also requires that the refund be computed by the "78ths" method. However, it states that a refund need not be given if it amounts to less than $1. We comply with the Code on refunds in our rebate procedures. Those banks on the manual installment loan system should use the Rebate Debit Ticket, #19-923, if their general ledger is also on a manual system. The Rebate Debit Ticket #19-925 should be used if the installment loans are on a manual system and their general ledger is automated. Banks with installment loans on the automated system use computer Rebate Debit Ticket #19-1240.

RATE TO CUSTOMER

R The charge to the customer is 92¢ per thousand per month based on the reducing unpaid balance on insured loans (actual permiums paid by the bank). The symbol "C" on the monthly rate charts identifies the insurance premiums separately.

INSURANCE ELECTION STATEMENT

All installment notes and contracts are printed with the insurance election statement. This provides for acceptance, refusal, date of birth and signature of the borrower. Only signer or co-signer of the note may be insured and only the person to be insured must sign the insurance election statement. Where the R customer is ineligible for insurance (age, health, amount or terms) the election statement need not be signed. In any event, the person being insured must always sign the contract or note and the Insurance Election Statement.

Replaces Bulletin: INSURANCE - CREDIT LIFE - Dated 7/8/69

REQUISITIONING INSURANCE COVERAGE

Credit Life coverage may be requisitioned by checking the appropriate insurance space on the Discount Sheet (computer form #19-1295 - manual form #19-898). Coverage will automatically be placed in the name of the person shown at the top of the Discount Sheet. Only one signer may be insured.

In husband and wife transactions, the husband should be insured whenever he is eligible even though he may be acting as endorser for his wife. If the note is in the name of a business or trade style, the life of an individual in the business may be insured by designating this on the Discount Sheet and having the person to be insured sign the Insurance Election Statement on the note or contract.

If coverage is to be placed on someone other than the person shown at the top of the Discount Sheet, or if the note is in the name of a business, the person to be insured must be designated in the space provided at the lower left of the Discount Sheet. The person to be insured must sign the contract or note and the Insurance Election Statement and indicate the date of birth.

When Credit Life Insurance is ordered, a Credit Life Certificate will be enclosed with the payment card book.

INELIGIBLE TRANSACTIONS - SALES FINANCE

To provide dealers with enough rate charts to take care of the few ineligible insurance transactions would be burdensome and confusing. Dealers should be provided with CJ charts (life and disability) in all cases; when transactions are received that are not eligible by virtue of policy limitations, an adjustment must be made for the amount of the premium. Both the amount of the premium and the financing charges thereon must be reversed. The amount of the insurance premium should be applied to the appropriate flat rate chart (without insurance included) and the "Total Note Amount" therefore will be the amount which should be deducted from the last payment, interest and discount and the total note amount of the ineligible transaction. DO NOT ALTER THE CONDITIONAL SALES CONTRACT.

Since it is possible that the dealer failed to tell the customer of his ineligibility, the letter shown below should be sent to the customer when an adjustment is allowed.

Replaces Bulletin: INSURANCE - CREDIT LIFE - Dated 7-8-69

February 15, 1969

Dear Mr. Customer:

We have purchased a Conditional Sales Contract from _____ (Dealer) _____ covering your recent purchase of _____ (Merchandise) _____ and you will soon receive a coupon book showing the amount and due date of your monthly payments.

The charge made for handling this transaction includes (Credit Life Insurance), (Disability Insurance), (Credit Life and Disability Insurance); however, we find that you are not eligible for this coverage under the provisions of the insurance policy because (age, etc.).

Therefore, the final payment in your coupon book has been reduced by $_____, representing a refund of the insurance premium.

We are glad to handle this transaction for you and welcome the opportunity to become "your" bank.

Sincerely,

PAYMENT OF PREMIUMS

The premium rate, paid by the bank, is 92¢ per thousand dollars per month based on the reducing unpaid balances of insured loans. The Monthly Insurance Report (19-921) of insurance premiums should be prepared on Business and Real Estate Loans only for those banks on the Automated System. Other banks should prepare the Report for Individual, Business and Real Estate. All reports should be sent to Consumer Insurance Services, Atlanta, by the 10th of each month. Complete instructions for computing and reporting these premiums are outlined in the bulletin: INSURANCE - REPORTING AND PREMIUM PAYMENT.

CORRESPONDENT BANKS

This coverage is available to our correspondent banks on the same basis that it is to C&S Banks except for claims procedure. New participants may be brought under this policy by signing three copies of the Application to Participate, which may be obtained from Consumer Insurance Services, Atlanta.

Replaces Bulletin: INSURANCE - CREDIT LIFE - Dated 7-8-69

PAYMENT OF CREDIT LIFE INSURANCE CLAIMS

Since the life insurance company will pay the gross amount outstanding on the note, we need to refund the unearned charges to the estate of the deceased along with the delivery of the paid-in-full papers. The life insurance premium becomes fully earned upon payment of a death claim. Therefore, use the method outlined below in place of the former rebate procedure.

REBATES

The unearned disability or retail fire and theft premium (if included)on the loan should be rebated as well as all unearned finance charges.

This is an example of a Sales Finance loan. (Over-the-Counter procedures are the same except for the dealer reserve entries).

Original loan for $3,000, using chart CD-8.00AM36. Terms are 36 @ $108.23.

NOTE	LIFE	DIS.	CHG.	TOTAL INS. & CHG.
3,896.28	66.24	75.98	754.06	896.28

Credited to Int. & Disc.	716.28
Credited to Dlr. Reserve	180.00
	896.28

Paid by Credit Life Claim after 12 months. Balance $2597.52.
(Rebate factor - .451)

1. Determine amount of unearned life insurance premium. (This will not be refunded to customer's estate because it becomes fully earned upon death.)

Life Premium	66.24
Rebate Factor	.451
Unearned Premium	29.87

2. Obtain payoff information from computer. (Remember, it will be overstated by the amount of the "unearned" life insurance premium of $29.87 found in Step 1.)

   Increase net payoff - and decrease interest and discount rebate - by the amount (29.87) of the "unearned" life premium.

Replaces Bulletin: INSURANCE - CREDIT LIFE - Dated 7-8-69

COMPUTER RESPONSE TO PAYOFF INQUIRY		ADJUSTMENT	ADJUSTED TOTAL
Loan Balance	2597.52		
Late Charge Due	10.00		
Interest & Discount Rebate	281.90	- 29.87 =	252.03
Reserve Rebate	81.18		
Net Payoff	2244.44	+ 29.87 =	2274.31

Prepare computer entries as follows:

INSTALLMENT LOAN — **DEBIT INTEREST & DISCOUNT REBATE**

ACCOUNT NUMBER	REBATE ALLOWED	TRAN. CODE	DATE REBATED
52 01 12345	252.03	68R	5-1-71
2 7	12	20	46

THIS SECTION MUST BE COMPLETED FOR ALL MANUALLY CALCULATED REBATES.

$ 66.74 TOTAL Life c&s — 36 TOTAL NO. MONTHS

— $ ACQUISITION CHARGE (SEE REVERSE) — 17 NO. MONTHS LOAN HAS RUN

= $ 66.74 NET CHARGES x .451 REBATE FACTOR = $ 252.03 REBATE AMOUNT

EXPLAIN ON REVERSE IF REBATE ALLOWED ABOVE DOES NOT AGREE WITH REBATE AMOUNT BELOW. Total Rebate 281.90 Unearned Life Prem. 29.87

PAID BY CREDIT Life Claim

CUSTOMER NAME John Anderson

DATE CALCULATED 5-1-71
CALCULATED BY HM
APPROVED BY ST

19-1240

INSTALLMENT LOAN — **CREDIT LOAN BALANCE PAYOFF**

ACCOUNT NUMBER	AMOUNT	TRAN. CODE	DATE
52 01 12345	2607.52	57	5-1-71
2 7	12	20	46

		ENTER CODE ABOVE	DESCRIPTION OF TRANSACTION
LOAN BALANCE	$ 2597.52	52	REGULAR PAYOFF
+ LATE CHARGE DUE	$ 10.00	53	REPURCHASE BY DEALER
= AMOUNT OF TRANSACTION	$ 2607.52	54	REFINANCE—C&S
— INT. & DISC. REBATE	$ 252.03	55	PAYOFF BY ANOTHER LENDER
— DEALER RES. REBATE	$ 81.18	56	REPOSSESSION PROCEEDS
= NET PAYOFF AMOUNT	$ 2274.31	57	PAID BY LIFE INSURANCE
		59	CHARGE-OFF

CUSTOMER'S NAME John Anderson — PREPARED BY HM

19-1239

E-1246

Replaces Bulletin: INSURANCE - CREDIT LIFE - Dated 7-8-69

INSTALLMENT LOAN **DEBIT** DEALER RESERVE **REBATE**

ACCOUNT NUMBER	REBATE ALLOWED	TRAN. CODE	CLASS	DEALER NO.	DATE REBATED
5701 17345	81.18	88R	10	173	5-1-71

THIS SECTION MUST BE COMPLETED FOR ALL MANUALLY CALCULATED REBATES

$ _____ DEALER LOSS RESERVE
+ $ _____ PREPAID RESERVE
= $ _____ TOTAL DEALER PARTICIPATION IN FINANCE CHARGE
X _____ TOTAL NO. OF MONTHS / NO. OF MONTHS LOAN HAD RUN = REBATE FACTOR
$ _____ REBATE AMOUNT

CUSTOMER NAME John Anderson
DEALER NAME Smith Motors
DATE CALCULATED 5-1-71
CALCULATED BY HM
APPROVED BY ST

19-1248

3. Use excess of insurance draft over net payoff to purchase check to "Estate of John Q. Deceased".

Insurance draft	2597.52
Net payoff	2274.31
Check to Estate	323.21

The procedure is the same for those banks not automated and for Business and Real Estate Insured Loans. Since the computer payoff calculates the rebate retaining the acquisition charge, only the unearned life premium need be manually figured. However, when calculating the rebate on manual Individual, Business and Real Estate Loans subtract the acquisition charge and the total life premium before applying the rebate factor.

Total Interest and Discount (including Acquisition Charge and Insurance)	716.28
Less Acquisition Charge	-25.00
	691.28
Less Life Premium (fully earned)	66.24
	625.04
Rebate Factor	.451
Rebate	281.90

Replaces Bulletin: INSURANCE - CREDIT LIFE - Dated 7-8-69

DOCUMENTATION OF CLAIMS

R Four documents are required to support the claim for payment of Credit Life Insurance: Proof-of-Death, a Creditor Beneficiary Statement, copy of the note, and copy of the Discount Sheet.

PROOF OF DEATH

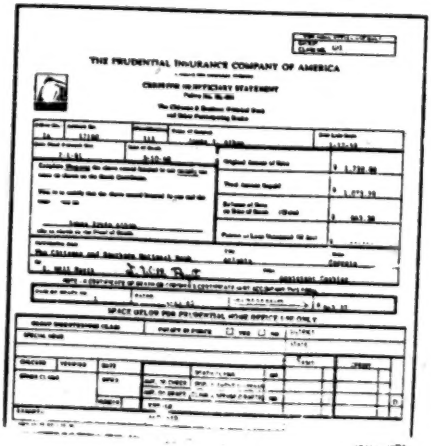
Obtain a Certificate of Death, a Coroner's Statement, or the sworn statement of the physician attending at the time of death to be used as Proof-of-Death. Insurance laws make all other types of documents unacceptable as Proof-of-Death. Photostatic, Verifax, Xerox, or 3M Copier copies may be used in lieu of the original document; however, Thermo-Fax copies cannot be used because they are not permanent when exposed to heat or sunlight.

CREDITOR BENEFICIARY STATEMENT

Complete all applicable spaces on the Creditor Beneficiary Statement as shown below. If the name of the insured on this statement is not exactly the same as that shown on the Proof-of-Death, complete the statement of identity on the Creditor Beneficiary Statement.

The insurance policy specifically limits payment to the amount actually outstanding on the date of the customer's death. If a customer elects to prepay a portion of his installments and then dies, the policy will pay only that amount outstanding at his death -- NOT the amount that was originally scheduled to be outstanding.

If payments have been made on a loan after the insured's death, these payments should be refunded to the person who made them. The Total Amount Prepaid and the Balance of Note on Date of Death should then be adjusted so that the amount claimed is the actual gross balance at the time of death.


THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

E- 1248

Replaces Bulletin: INSURANCE - CREDIT LIFE - Dated 7-8-69

CORRESPONDENT BANK DIVISION

Because of the difficulties in audit control, the insurance company has ruled that the decentralization of claims procedure cannot be extended to our Correspondent Banks participating under this policy. Consequently, Correspondent Bank claims will continue to be paid through Consumer Insurance Services, Atlanta, with Drafts on the Prudential Insurance Company of America.

Upon receiving notice of death of an insured customer, a properly completed Creditor Beneficiary Statement (see paragraph DOCUMENTATION OF CLAIMS on page 8), a Proof-of-Death, a copy of the note and a copy of the Discount Sheet should be sent to Consumer Insurance Services, Atlanta.

C&S BANK PROCEDURE

C&S offices will continue to pay their own claims on a direct basis. The procedure for processing these claims is as follows:

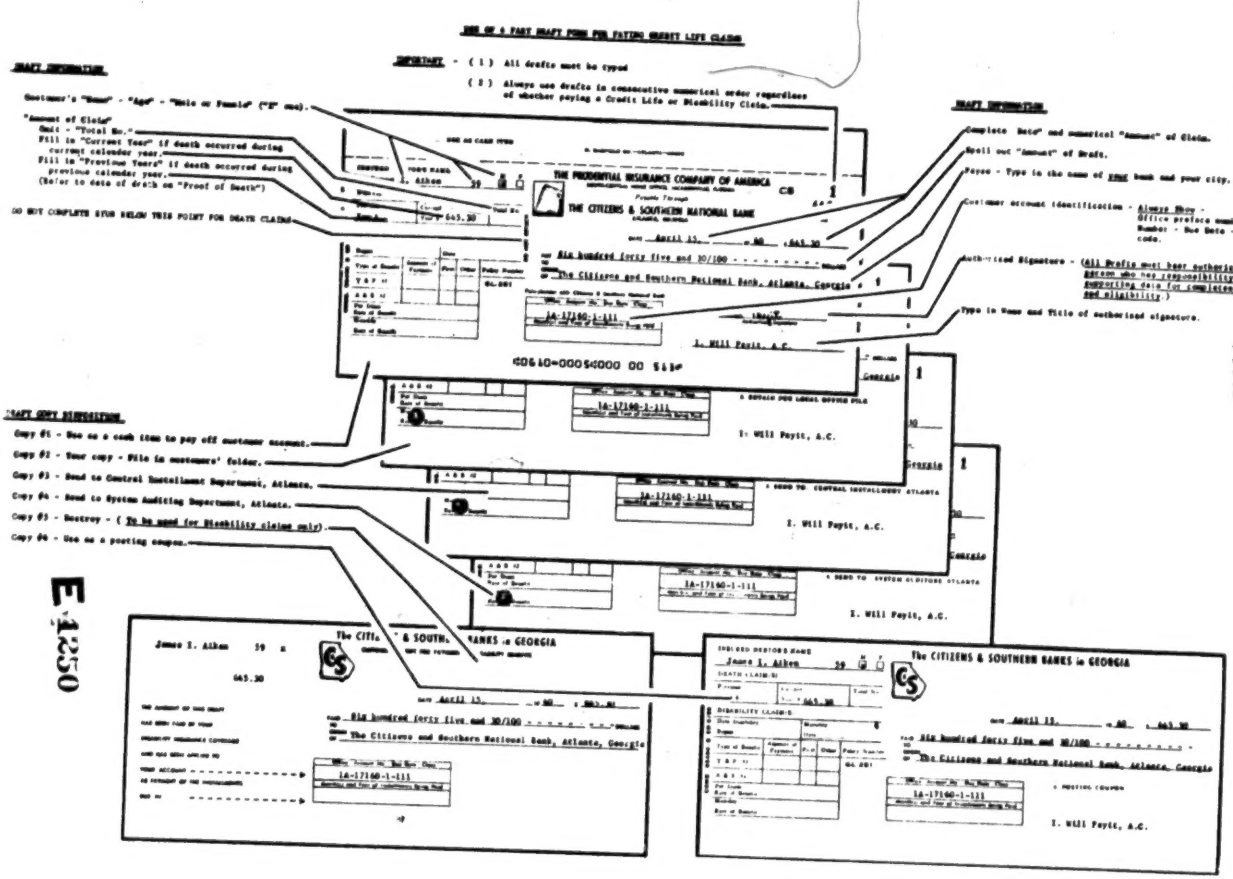
1. Obtain Proof-of-Death and complete a Creditor Beneficiary Statement (see paragraph DOCUMENTATION OF CLAIMS on page 8).
2. All national bank offices should use the American Southern Life 6-part snap-out Draft form to pay the claim. All other participants should use the Prudential 6-part snap-out form. Each applicable space must be completed; Drafts will not be honored if they are incomplete. A completed illustration with explanation is shown on page 10. Although the Prudential draft is illustrated, the instructions also apply to the American Southern draft. Use one draft for each account that is being paid off. If you are paying off more than one account for the same customer, use a separate draft for each account.

   IF AN ERROR IS MADE ON THE FACE OF THE DRAFT, IT WILL BE NECESSARY TO VOID IT; A DRAFT WITH ERASURES OR ERRORS IS NOT ACCEPTABLE. THEREFORE, EXTREME CARE SHOULD BE USED IN PREPARING DRAFTS.

   Drafts are assigned to each office by number, and each of these drafts must be accounted for. To comply with this requirement when you void a draft --

   a. Write with a RED pencil the word VOID across the face of copies 1, 2, 3, and 4 of the Draft.
   b. Tear off and discard the signature space on copy 1.
   c. Send all six copies of the Draft to Consumer Insurance Services, Atlanta.

AFTER THE DRAFT HAS BEEN COMPLETED, TYPE IN THE DRAFT NUMBER AND THE DATE AND AMOUNT OF THE DRAFT IN THE SPACE PROVIDED ON THE CREDITOR BENEFICIARY STATEMENT AS INDICATED IN THE ILLUSTRATION (see page 8).


USE OF 4 PART DRAFT FORM FOR FILING CREDIT LIFE CLAIMS
IMPORTANT - (1) All drafts must be typed
(2) Always use drafts in consecutive numerical order regardless of whether paying a Credit Life or Disability Claim.
DRAFT INFORMATION
Customer's "Name" - "Age" - "Male or Female" ("Z" out).
"Amount of Claim"
Omit - "Total Due"
Fill in "Current Year" if death occurred during current calendar year.
Fill in "Previous Years" if death occurred during previous calendar year.
(Refer to date of draft on "Proof of Death")
DO NOT COMPLETE STUB BELOW THIS POINT FOR DEATH CLAIMS
DRAFT INFORMATION
Complete Date* and numerical "Amount" of Claim.
Spell out "Amount" of Draft.
Payee - Type in the name of your bank and your city.
Customer account identification - Always Show - Office prefix number - Account Number - Due Date - Classification code.
Authorized Signature - (All Drafts must bear authorized signature by person who has responsibility of reviewing all supporting data for completeness, accuracy, and eligibility.)
Type in Name and Title of authorized signature.
DRAFT COPY DISPOSITION
Copy #1 - Use as a cash item to pay off customer account.
Copy #2 - Your copy - File in customers' folder.
Copy #3 - Send to Central Installment Department, Atlanta.
Copy #4 - Send to System Auditing Department, Atlanta.
Copy #5 - Destroy - (To be used for Disability claims only)
Copy #6 - Use as a posting coupon.
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
THE CITIZENS & SOUTHERN NATIONAL BANK
April 15, 19 60 $45.30
One hundred forty five and 30/100
The Citizens and Southern National Bank, Atlanta, Georgia
1A-17160-1-111
I. Will Payit, A.C.
DEAD TO CENTRAL INSTALLMENT DEPT ATLANTA
DEAD TO SYSTEM AUDITORS ATLANTA
POSTING COUPON
James I. Aiken 59 M
45.30
The CITIZENS & SOUTHERN BANKS in GEORGIA
DISABILITY CLAIM-D
04.001

E-1250

3. Make disposition of the copies of the Draft as follows:

   a. Use copy #1 as a cash item to pay off the customer's account.
   b. File copy #2 in the customer's file folder.
   c. Send copy #3 to Consumer Insurance Services, Atlanta on the same day the Draft is drawn.
   d. Send copy #4 to System Audit Department, Atlanta, on the same day the Draft is drawn.
   e. Destroy copy #5. It is used only for disability claims.
   f. Use copy #6 as a posting coupon if on the manual system. If on the automated system, destroy copy #6 and prepare computer payoff form #19-1225, code 57 Paid by Life Insurance

4. All participating banks should batch mail Proof-of-Death documents, Creditor Beneficiary Statements and copies of the note and the Discount Sheet to Consumer Insurance Services - North Avenue - Atlanta with copy #3, on a daily basis. Forward the documents on all claims paid that day. Be sure to attach each Proof-of-Death document with the corresponding Creditor Beneficiary Statement, note and discount sheet before they are mailed.

5. Delivery of paid-in-full papers to the beneficiary should be accomplished by a representative of the Bank. If this is not practicable, a letter should be sent, preferably signed by someone in the bank who is known to the family. A suggested letter is shown on page 12; however, it should be modified to fit individual circumstances.

ORDERING FORMS

Consumer Insurance Services will supply all necessary forms upon request (Creditor Beneficiary Statement, Draft forms, Prudential envelopes and the Monthly Insurance Report).

RELATED BULLETINS

INSURANCE - DISABILITY
INSURANCE - DISABILITY CLAIMS PROCEDURE
INSURANCE - REPORTING & PREMIUM PAYMENT

Replaces Bulletin: INSURANCE - CREDIT LIFE - Dated 7-8-69

March 19, 1971

Administrator
Estate of John Q. Deceased
2243 Toney Lane
Decatur, Georgia

Dear Sir:

The enclosed note is marked "Paid-in-Full" because Mr. Deceased's loan was covered by Credit Life Insurance.

Since the insurance company paid the entire balance outstanding on the note, the estate is entitled to a refund of the unearned charges. Enclosed is our check for $, covering this refund.

Please tell us if there is any way we can be of further help to you.

Sincerely,

Clifton B. Bone
Assistant Vice President

Sales Finance - bc: To Dealer

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT CREDIT LIFE - L & D LOANS

TOPIC CHANGE IN INSUROR

 Date 1-23-69

NEW BULLETIN

Effective 2-1-69, all L&D Loans of Correspondents and Associate Correspondents will be insured through Prudential Insurance Company of America under policy number GLV-281. All other participants will continue to be insured by American Southern Life Insurance Company.

CLAIMS

Any claim originating on or after 2-1-69 is to be paid under the Prudential policy. The date of death determines whether the claim should be filed through American Southern (1-31-69 and prior) or Prudential (2-1-69 and later).

PREMIUMS

Premium reporting continues unchanged.

BULLETIN CHANGES

INSURANCE - CREDIT LIFE - L&D LOANS is the only bulletin affected by this change. The name "Prudential Insurance Company of America" should be substituted for "American Southern Life Insurance Company". Policy number GLV-281 replaces 1150. No other changes are needed, so this bulletin will not be reissued at this time.

OTHER CHANGES

Some correspondent banks participating under this policy use a maturity tickler which has an American Southern Certificate printed on the back of the Customer's Notice copy. These banks will be furnished with a "VOID" rubber stamp which should be used on the back of the customer's copy before mailing. (When the Maturity Tickler is reprinted, the Certificate of Insurance will be omitted entirely).

A hand-out certificate for the Prudential policy will be furnished to all correspondents and should be given to the customer being insured at the time the loan is made.

ORDERING FORMS

An initial supply of all necessary Prudential forms has been sent to each bank affected. Forms should be requisitioned in the usual manner.

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT CREDIT LIFE

TOPIC L&D TIME LOANS

Replaces Bulletin: INSURANCE - CREDIT LIFE - L&D TIME LOANS - Dated 7/8/69

R Our Credit Life Insurance Program covering L&D Loans is now being administered by Insurance Services. Effective July 1, 1972, the premium rate on newly-insured loans is being changed to $.92 per $1,000 per month, which is equivalent to a 1.104% per annum rate. Customers will now be eligible provided they have not reached their sixty-sixth birthday on the date the loan is made. Other provisions of the program remain unchanged. The Automated Commercial Loan System has caused some change in procedure for banks that use it.

R In order to enjoy favorable claims experience, Insurance should be placed on a large percentage of the eligible notes. All lending officers should be completely familiar with the entire program, so they can explain its advantages to their customers. However, under no circumstances may our Credit Life Insurance coverage be made a condition of granting a loan. Under the provisions of Regulation Z, we have elected to make Credit Life Insurance an optional selection on our consumer time loans. In this way, the Insurance Premium will not become a part of the Finance Charge and Annual Percentage Rate.

CARRIER

R All C&S National Banks and Affiliates are covered under Citizens and Southern Life Insurance Company's Group Creditors Life policy #TL-1 on loans made after 7/1/72 and on policy #1150 on loans made prior to 7/1/72. All correspondent associates and correspondent banks are covered by The Prudential Insurance Company of America's group Master Policy GLV-281.

COPIES OF THE POLICY

Policies under both carriers are identical as to rate, provisions, and conditions. Each Master Policy is on file in Insurance Services. Correspondent banks have a signed copy of the accepted Prudential application in their possession.

ELIGIBLE NOTES

Any note provided:

R 1. The borrower has not reached his 66th birthday at the time the loan is made.

2. The total principal amount is not more than $5,000, and the customer's TOTAL INSURED INDEBTEDNESS, including the new note, does not exceed $5,000.

3. The note has a maturity date not exceeding one year. DEMAND LOANS ARE NOT ELIGIBLE FOR COVERAGE.

R 4. The indebtedness is to an individual or to a closely held corporation. Loans to proprietorships may be covered. Loans to small individually owned corporations may be insured so long as the

person to be insured personally guarantees the loan. Loans to partnerships, associations, or other types of corporations may not be insured.

Notes do not have to be of single payment maturity, however, the final maturity date may not exceed ONE YEAR.

Notes with a principal balance in excess of $5,000 are not eligible for coverage. NOTES CANNOT BE COVERED IN PART. NO NOTE (EVEN THOUGH IT IS LESS THAN $5,000) CAN BE INSURED WHERE ITS AMOUNT ADDED TO THE AMOUNT ALREADY INSURED UNDER ANOTHER NOTE(S) WILL EXCEED $5,000.

If a note for less than $5,000 is insured and a later note is made which cannot be insured because of the amount already covered, the first note may be insured again, at the time of renewal, if the amount being renewed and the amount of any other insured notes does not exceed $5,000.

COMMERCIAL TRANSACTIONS

Transactions that are essentially commercial (see LENDING GENERAL - REGULATION Z - SUMMARY FOR TYPES OF LOANS COVERED) are not covered by Regulation Z, but some will be eligible for insurance. Where insurance is desired on such eligible transactions, use the Consumer Note (form #15-1100, Unsecured, or #15-1105, Secured). This will allow us to have one consistent method of acquiring and reporting insured L&D time loans.

INSURABILITY

In addition to the age limit, we do not wish to insure any borrower known to have any illness, disease or pre-existing condition which should make him uninsurable for any other type of life insurance coverage. While we are not expected to go into detail as to our customer's insurability, frequently the lending officer will know his customer well enough to be aware of a heart condition or other such health problem which makes the customer ineligible. In such cases, the loan should not be insured.

R If the customer specifically asks for credit life insurance, particularly after having a series of uninsured loans, then most certainly questions should be asked concerning health. Inquiry should be made by the lending officer as to whether the borrower could pass a physical examination for the purpose of life insurance. If the answer is negative, then the borrower is uninsurable under this policy. We do not wish to insure any borrower who could not obtain a standard life insurance policy elsewhere.

Replaces Bulletin: INSURANCE - CREDIT LIFE - L&D TIME LOANS - Dated 7/8/69

TERMINATION OF INSURANCE

Insurance automatically terminates when:

1. The indebtedness is discharged.
2. The indebtedness is transferred to another borrower.
3. The group policy terminates.

N 4. Past due more than six months beyond original maturity date.

N 5. Collateral repossessed or judgment entered in court.

REBATE ON PRE-PAID NOTES

R The Georgia Insurance Code requires that a rebate of unearned insurance premiums be given if a note is paid in advance. Premium rebates should be calculated on the Daily Pro-Rata Basis. The Automated Commercial Loan System calculates this in figuring the balance due each day.

COVERAGE ON PAST DUE NOTES

R While the insurance does not terminate for six months after maturity (as shown above), coverage should not be maintained on a pastdue note for more than 30 days unless, in the opinion of the lending officer, special circumstances warrant. (In the event of a claim on a delinquent note, explanation must be given as to such circumstances. See section - FILING CLAIMS).

Since premiums are paid on outstanding balances, those pastdue notes insured will automatically be included. Lending officers and L&D personnel, however,

R must collect the pastdue premium along with the pastdue interest. The interest figures provided by the Commercial Loan System include additional premium on pastdue loans.

RATE TO THE BORROWER

The premium charge to the borrower is $.92 per $1,000 per month, corresponding to a 1.104% per annum rate.

PREMIUM ACCOUNTING AND REPORTING

R ALL BANKS PARTICIPATING UNDER THIS POLICY WILL PAY PREMIUMS MONTHLY ON THE NET OUTSTANDINGS INSURED. Premiums will be paid on the net balance (principal, premium, base charge, and accrued interest) for each note insured at the rate of $.92 per thousand dollars on loans made on or after July 1, 1972. Premiums on loans made prior to July 1, 1972 will be paid at $1.00 per $1,000.

C&S BANKS AND AFFILIATES

C&S Banks and affiliates are on the Automated Commercial Loan System. The

R premium for newly-insured notes (at 1.104% per annum) is credited to Interest and Discount-Time Loans at the time the loan is made. When the Commercial Loan Discount Sheet (form #15-3000 Rev.6/70) is prepared, list the insurance premium

in the appropriate block, and include in the Total Loan Amount. Circle the appropriate code:

1. Credit Life
2. Ineligible
3. Refused

R The Commercial Loan System furnishes Insurance Services with an Insured Loan Report for each office or bank. This report provides figures for premium payment. Insurance Services will debit banks other than Atlanta National. When the debit advice is received, credit C&S National Bank - Atlanta and debit your "Interest and Discount - Time Loans" general ledger account. Insurance Services will debit the "Interest and Discount-Time Loans" general ledger account of the Atlanta National Bank.

No Monthly Insurance Report will be necessary from C&S National Banks and affiliates.

CORRESPONDENT BANKS

R Correspondent Associate Banks using the Automated Commercial Loan System will follow the procedure for National Bank offices and Affiliates. Other banks should use the following procedure:

R The total premium on insured notes (at 1.104% per annum) should be credited daily to the appropriate general ledger account, i.e., "Interest and Discount - Time Loans".

Pay premiums on the original gross note (principal plus insurance premium, base charge, and total interest for the term of the note) at $.92 per N $1,000 for loans made on or after July 1, 1972. On loans made prior to July 1, 1972, pay at $1.00 per $1,000.

As of the 20th of each month the Credit Life Insurance - Time Loans - Monthly Premium Report should be prepared and sent to:

The C&S National Bank
Insurance Services
R 99 Annex
Atlanta, Georgia 30399

It is essential that this report be mailed so that it reaches us as soon after the 20th each month as possible.

The report illustrated on page 6 is self-explanatory and only a minimum amount of information is required; however, the report must always be completed in its entirety.

Replaces Bulletin: INSURANCE - CREDIT LIFE - L&D TIME LOANS - Dated 7/8/69

RENEWALS

Renewals should be treated as new notes and all criteria as to eligibility and insurability should be applied accordingly. The mere fact that the note was insured prior to renewal or that the customer might not have specifically been told of his ineligibility is not sufficient reason to insure an otherwise ineligible note.

INSURANCE STATEMENT

All consumer time loan notes (Consumer Note #15-1100, Unsecured, and #15-1105, Secured) are printed with an Insurance Statement. This provides for acceptance, refusal, date of birth and signature of the borrower. Only a signer or co-signer of the note may be insured and the person to be insured must sign the Insurance Statement. Where the customer is ineligible for insurance (age, indebtedness in excess of $5,000 or health) space is provided on the note for indicating that the customer is ineligible for insurance. In such cases the customer does not have to sign the Insurance Statement. In all other cases the customer must sign the Insurance Statement indicating either acceptance or refusal.

DISCOUNTED NOTES OR TRADE ACCEPTANCES

Discounted notes or trade acceptances should not be insured unless signed in the bank. If the maker of such notes is not our customer and not known to be insurable, we do not want to take the risk of covering him with life insurance. Where there is a Sales Finance installment loan relationship involved in Discounted Notes, such notes can be serviced as installment accounts and covered under our installment loan credit life policies.

EFFECTIVE DATE

Coverage is effective with the date of the note.

EXTENT OF COVERAGE

R Upon receipt of the necessary claims forms, the appropriate insurance company will pay the net balance due as of the date of death (principal, premium, base charge and interest to date) on the customer's note with a maximum of $5,000. THE $5,000 MAXIMUM APPLIES TO THE TOTAL INDEBTEDNESS OF THE BORROWER whether it is one note or multiple notes so insured or whether the several notes are with the same office or bank or different banks insured under this same policy. Multiple note claims will be paid on a FIFO (first in first out) basis with respect to date of note. Each note will be paid for its net balance at date of death until the $5,000 limit is used.

R This policy contains a suicide clause which provides that a note must be continuously insured under this policy for two years before a suicide death claim can be paid. In the event of suicide, the insurance premium must be returned to the customer's estate.

Replaces Bulletin: INSURANCE - CREDIT LIFE - L&D TIME LOANS - Dated 7/8/69

MAIL BY THE 20TH OF EACH MONTH TO:
The C&S National Bank
Insurance Services
99 Annex
Atlanta, Georgia 30399

CREDIT LIFE INSURANCE
TIME LOANS
MONTHLY PREMIUM REPORT
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
Policy No. GLV-781

BANK or OFFICE Crestal City Bank DATE June 1972

NUMBER OF INSURED BORROWERS 203

Total Amount of Insured Outstandings	Premium Due @ $.92 Per $1,000
$ 120,650.95	$ 120.66

NUMBER OF ELIGIBLE NOTES MADE DURING MONTH 33

NUMBER OF NOTES MADE DURING MONTH THAT WERE INSURED 28

IS YOUR CHECK PAYABLE TO THE C&S NATIONAL BANK ATTACHED?

Draw a check against the appropriate general ledger account (i.e., "Interest and Discount - Time Loans" etc.) for the amount of the monthly premium($1.00 per $1,000 for loans made prior to July 1, 1972; $.92 per $1,000 for loans made on or after July 1, 1972.) The check must accompany the Monthly Premium Report.

Accounting procedures will vary in correspondent banks. Each correspondent participant under this policy will have to determine the most efficient method for tabulating notes insured and computing monthly outstandings. In all cases, individual notes should be marked to indicate the existence of insurance coverage and the age of the borrower.

Monthly, notes may be thumbed to tabulate the number and dollar amount of outstandings to be insured or if ledgers are marked to indicate which loans are insured the tabulation may be done from them. Whether using notes or ledgers list those loans in the minority; i.e., if the majority of loans are covered with insurance, list those not insured and subtract from the total control to obtain the insured outstandings.

CERTIFICATE OF INSURANCE

A Certificate of Insurance must be issued for each insured note at the time it is made or renewed. The certificate should list the insured person's name. In addition, the bank-branch code, gross loan amount, and loan date should be noted in the upper left corner of the certificate. Blank copies of the certificate should be under control of the L&D Teller. The C&S Life Insurance

Replaces Bulletin: INSURANCE - CREDIT LIFE - L&D TIME LOANS - Dated 7/8/69

Company's certificate is illustrated below. A similar certificate is available for banks insured by Prudential.

CERTIFICATE OF INSURANCE

On the Life of

Under

GROUP CREDITORS LIFE INSURANCE POLICY

Issued by

THE CITIZENS AND SOUTHERN LIFE INSURANCE COMPANY

ATLANTA, GEORGIA

CHARGE FOR INSURANCE: The charge made to the debtor for this insurance is consistent with a rate computed on the basis of [$0.92] per month per $1,000 of life insurance.

FILING CLAIMS - C&S BANKS

DOCUMENTATION

R Two documents are required to support a claim for payment of credit life insurance under the Citizens & Southern Life policy: A Proof-of-Death and a Creditor Beneficiary Statement.

PROOF-OF-DEATH

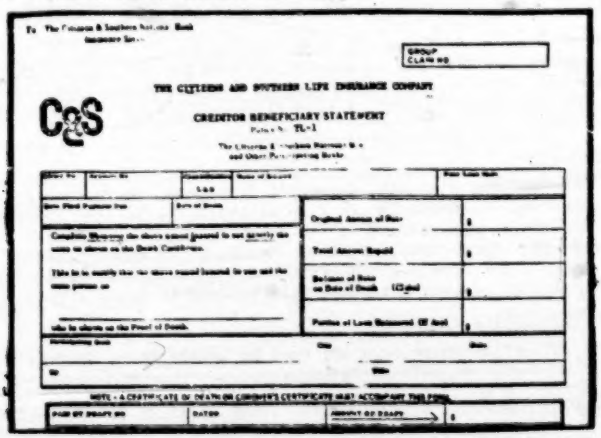
Obtain a Certificate of Death, Coroner's Statement, or the sworn statement of the physician attending at the time of death, to be used as Proof-of-Death. Insurance laws make all other types of documents unacceptable as Proof-of-Death. Photostatic, Verifax, Xerox, or 3M Copier copies may be used in lieu of the original document; however, Thermofax copies cannot be used because they are not permanent when exposed to heat or sunlight.

Replaces Bulletin: INSUANCE - CREDIT LIFE - L&D TIME LOANS - Dated 7/8/69

CREDITOR BENEFICIARY STATEMENT

N This form (as shown below) must be completed in quadruplicate. Distribution should be made as follows:

Copies 1 and 2 - send with Proof-of-Death to Insurance Services, Atlanta, along with a copy of the note and the commercial loan discount sheet.
Copy 3 - send to your local auditor.
Copy 4 - retain as an office file copy.



THE CITIZENS AND SOUTHERN LIFE INSURANCE COMPANY

CREDITOR BENEFICIARY STATEMENT

PROCEDURE

R When completing the Creditor Beneficiary Statement, use your bank/branch number. The "original amount of note" is the principal, base charge, and accrued interest and insurance premium to date of death. Claims must be calculated as of date of death, even if the bank doesn't learn of the death until a later date. In this event, recalculate the net charges, including insurance premiums, as if it were a new loan having a term equal to the period from the loan date to the date of death. Interest and charges accrued after date of death in excess of $10.00 must be charged to "Other Losses and Recoveries". The "balance of note on date of death" is the "original amount of note" less the actual amount paid. Send the original and one copy of the Creditor Beneficiary Statement and the Death Certificate to Insurance Services, Atlanta. A draft will be returned to you by Citizens and Southern Life.

NOTE: If the date of death shown on the Death Certificate is more than 30 days after the maturity date of the note, an explanation as to why the pastdue note was insured must appear on the reverse of the original of the Creditor Beneficiary Statement (see preceding paragraph - COVERAGE ON PAST DUE NOTES.)

After payment, the note marked "paid" should be given to a lending officer (the one who made the loan, if possible) so that proper delivery to the estate or survivor can be made. Delivery should be made in person; however, if this is not practical, then an appropriate cover letter should be written.

FILING CLAIMS - CORRESPONDENT ASSOCIATES AND CORRESPONDENTS

DOCUMENTATION

Four documents are required to support a claim for payment of credit life insurance under the Prudential policy: A Proof-of-Death, a Creditor Beneficiary Statement (green), a copy of the note, and a copy of the discount sheet.

PROOF-OF-DEATH

Obtain a Certificate of Death, Coroner's Statement, or the sworn statement of the physician attending at the time of death, to be used as Proof-of-Death. Insurance laws make all other types of documents unacceptable as Proof-of-Death. Photostatic, Verifax, Xerox, or 3M Copier copies may be used in lieu of the original document; however, Thermofax copies cannot be used because they are not permanent when exposed to heat or sunlight.

CREDITOR BENEFICIARY STATEMENT

This form (illustration on page 10) must be completed in quadruplicate. Distribution should be made as follows:

Copies 1 and 2 - send with Proof-of-Death, and a copy of the note and discount sheet to Insurance Services, Atlanta.
Copy 3 - send to your local auditor.
Copy 4 - retain as an office file copy.

PROCEDURE

When completing the Creditor Beneficiary Statement form use the office code number which has been assigned to your office or bank for this purpose. For banks on the Automated Commercial Loan System, the "original amount of note" is the principal, base charge, and accrued insurance premium and interest to date of death. Other banks should use the total note amount. However, the unearned portion of the interest charge must be refunded to the borrower's estate. Send the original and one copy of the Creditor Beneficiary Statement, along with the Death Certificate and a copy of the note and discount sheet to Insurance Services, Atlanta. A draft will be returned to you.

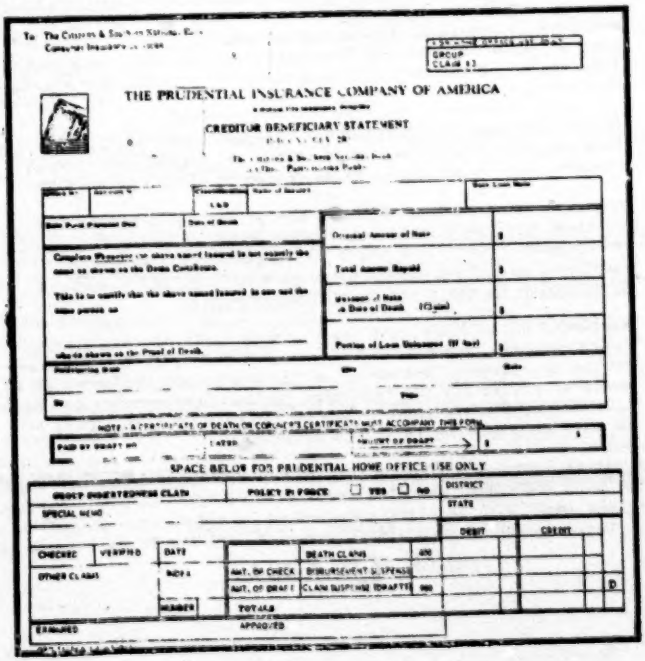
Replaces Bulletin: INSURANCE - CREDIT LIFE - L&D TIME LOANS - Dated 7/8/69

NOTE: If the date of death shown on the Death Certificate is more than 30 days after the maturity date of the note, an explanation as to why the pastdue note was insured must appear on the reverse of the original of the Creditor Beneficiary Statement (see paragraph on page 4 - COVERAGE ON PAST DUE NOTES).

After payment the note marked paid should be given to the lending officer (the one who made the loan, if possible) so that proper delivery can be made to the estate or to a survivor. Delivery should be made in person; however, if this is not practical, then an appropriate cover letter should be written.

ORDERING FORMS

The Consumer Note #15-1100 (Unsecured) and #15-1105 (Secured) may be requisitioned in the usual manner from Purchasing Department, Atlanta. All other forms may be obtained from Insurance Services, Atlanta.



THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

CREDITOR BENEFICIARY STATEMENT

L&D

SPACE BELOW FOR PRUDENTIAL HOME OFFICE USE ONLY

E-1263

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT CREDIT LIFE

TOPIC REAL ESTATE LOANS

 Date 4-6-65

Replaces Bulletin: "GENERAL OPERATIONS - INSURANCE, CREDIT LIFE - REAL ESTATE LOANS Dated 12-8-59

Since June 15, 1959, we have made available Credit Life Insurance for first mortgage real estate loans. This bulletin has been revised to update and clarify procedures.

Continued emphasis should be given to placing this coverage on all eligible new loans so as to build up our insured outstandings. The protection provided should be thoroughly explained to each customer and he should be urged to take advantage of the opportunity of obtaining this insurance at a cost below that of ordinary mortgage term insurance. Only in this manner can we obtain a high percentage of participation and diversification of risks.

Each real estate lending officer in each bank should keep available for distribution to all prospective mortgagors a supply of the leaflet which explains the benefits of the policy. This may be obtained from System Consumer Credit, Atlanta.

INSURANCE CARRIER Coverage is provided through METROPOLITAN LIFE INSURANCE COMPANY - Creditors Group Policy Number 18886-G.

ELIGIBLE LOANS This insurance is available to customers with first mortgage loans on dwellings they own and occupy or intend to occupy provided:

A. Mortgage is repayable in monthly or quarterly installments over a period in excess of five years but not more than twenty-five years and is scheduled to mature before mortgagor attains age seventy or,

B. If the mortgage is scheduled for repayment over a period of five years or less, the mortgagor may be insured even though the mortgage is scheduled to mature on or after age seventy.

C. Mortgages with balloon payments may be insured provided the original monthly payments will have fully amortized the mortgage in twenty-five years (300 months) or before the mortgagor will have attained age seventy. No adjustment of the premium is necessary on balloon payments.

D. Mortgages on multiple dwellings, with a limit of four family dwelling units, may be insured provided the owner occupies one of the apartments. Mortgages on buildings, part of which is a store or office and the remaining portion apartments - one being occupied by the mortgagor - may be included provided there are no more than four units in the building.

Many of our real estate loans will thus be eligible for coverage under our regular Credit Life policy with PRUDENTIAL and also under this policy. To avoid conflict, any "baby real estate loan" with interest computed on an add-on rate should be insured with PRUDENTIAL. Those amortized at a simple interest rate should be insured with METROPOLITAN.

PLEASE CHECK THIS CAREFULLY AND FILL IN THE NECESSARY INFORMATION

PART I—To Be Completed If You Want the Life Insurance.

I want to participate in the Group Mortgage Redemption Plan.
I authorize you to add the cost of this insurance to my monthly mortgage payment.

1. FULL NAME of Proposed Insured (Print)
JAMES. J. JONES
(Full First Name) (Middle Initial) (Last Name)

2. Residence (Print)
No. 205 Street West Main Street, N.W.
City or Town Atlanta Zone State Ga. 30305

3. (a) Place of Birth Georgia (State or Country) (b) ☒ Male ☐ Female (c) ☒ Married ☐ Single ☐ Widow(er) ☐ Divorced ☐ Separated

4. Date of Birth Month 9 Day 12 Year 1923

5. Present Occupation
(a) Job Title Office Manager
(b) Duties (State fully the nature of the work performed)
Supervision of office personnel

6. Employer's Name Ace Electronics

7. Are you now in active full time work for the above Employer? (If "no" state reason)..... ☒ Yes ☐ No

8. What is your height and weight? 5 ft. 7 ins. 155 pounds.

9. (a) When did you last consult a doctor? 9-15-64 (Date) Dr. J.R. Black (Name of Doctor)
(b) For what reason Annual Check-up (Ailment or Treatment) (Duration)
(c) Doctor's diagnosis In excellent health

10. Have you, during the past five years, had any other diseases, ailments or injuries which required treatment, examination or advice by a doctor or at a clinic, hospital, dispensary or sanatorium? YES or NO: Yes

11. Have you ever been advised to modify or restrict your eating, drinking or living habits because of any health condition? No

12. Have you ever been treated for or been told that you had any of the following:
(a) Heart trouble, dizzy spells or high blood pressure?
(b) Tuberculosis, asthma, bronchitis or pleurisy? No
(c) Ulcers, diabetes, gallstones or any disease of the liver?
(d) Epilepsy, paralysis or any mental disorders? No
(e) Cancer, tumor, goiter or any blood disease?
(f) Rheumatism, nephritis or any disease of the kidneys? No

13. Do you have any deformity, loss of limb or any known impairment of sight or hearing? No

14. Do you contemplate any surgical operation or hospital confinement, or has any operation or confinement been advised and not performed? No

15. Have you, within the past five years, been declined, postponed, or offered a policy other than applied for, by this or any other company or association in connection with an application for Life, Accident or Sickness Insurance? If "Yes" give details including names of companies, dates and action taken. No

16. If question 10, 11, 12, 13, 14, or 15 is answered "Yes" give full details including:

Question number	Date	Ailment or treatment	Duration	Name of doctor or institution, etc.
10.	11/61	- Pneumonia - 3 weeks -		Dr. J.R. Black-City Hosp.

It is understood and agreed that the foregoing statements and answers are correct and wholly true and that they are the basis on which insurance may be issued under the Group Policy, and if this insurance is issued and the statements and answers made are in any way incorrect or untrue, the Metropolitan Life Insurance Company shall for a period of one year during the insured's lifetime commencing with the effective date of such insurance be under no liability by reason of the issuance of such insurance. Furthermore, it is understood and agreed that the Insurance Company reserves the right to request that I be examined by an accredited medical examiner.

Dated at Atlanta, Georgia this 15th day of March 1965

Witness to Signature Stanley S. Smith Signature of Mortgagor James J. Jones

PART II—If You Do Not Want the Insurance Please Sign Below.

I do not want to participate in this Plan, understanding that I may not have the opportunity to join at a later date.

Date

Signature of Mortgagor

APPLICATION - STATEMENT OF HEALTH

(See Page 3 - "PERSON TO BE INSURED")

E- 1265

Replaces Bulletin: "GENERAL OPERATIONS - INSURANCE, CREDIT LIFE - REAL ESTATE LOANS" Dated 12-8-59

PERSON TO BE INSURED The purpose of this insurance is to insure the person responsible for the monthly payments, so in the event of his death, the remaining balance of the mortgage may be reduced or discharged entirely. Therefore, on all loans made jointly to man and wife or to the wife only and endorsed by the husband, the husband will be insured in all cases.

If, on the other hand, more than one person, not husband and wife, but for example two sisters, signed the mortgage and both wish to be insured, satisfactory evidence of insurability will be required of each person. In such cases, each person should complete the APPLICATION - STATEMENT OF HEALTH, number G859-CR-MTG (illustrated on page 2). This form, along with Part 3 of the ENROLLMENT - STATEMENT OF INSURANCE form, number G730-C-MTG-18886G (see page 4), should be forwarded to System Consumer Credit and you will be notified whether the application has been approved or disapproved by METROPOLITAN, and whether a medical examination will be necessary.

In those cases where more than one person is to be insured, the persons being insured will share equally in the total amount of insurance that would have been available if only one had been insured. For example, if two persons are insured, each would be insured for 50% of the total amount of insurance applicable to that mortgage. In no event shall the total amount of the insurance exceed the total amount of the mortgage.

EXTENT OF COVERAGE For mortgages with principal balances through $20,000, the outstanding principal balance will be insured. For mortgages with principal balances over $20,000, $20,000 of the insurance is provided initially and thereafter the insurance is a fixed percentage of the amount of the mortgage balance outstanding. For example, a loan of $25,000 will initially be insured for $20,000 which is 80% of the total, and thenceforth 80% of the principal balance will continue to be insured.

An individual may be insured only for the exact principal amount of his mortgage. He may not select a higher or lower amount.

TERMINATION OF INSURANCE The insurance automatically terminates at the time the indebtedness is paid in full, when it has been decided to foreclose, or when the loan is charged-off (past due loans not charged-off may be carried up to a maximum of six months but not beyond the original maturity date). The insurance also terminates upon the request of the mortgagor or upon transfer, assignment, or sale of the mortgage.

In the event of the death of a customer whose payments are past due for more than sixty days, the insurance settlement may be limited to the amount which would have been payable had the monthly installments been paid on schedule. On loans past due for less than sixty days, the insurance company shall pay the total principal balance due on the date of death.

OPERATING BULLETIN

SECTION INSURANCE **Page** 4 of 11

SUBJECT CREDIT LIFE

TOPIC REAL ESTATE LOANS **Date** 4-6-65

E- 1267

Replaces Bulletin: "GENERAL OPERATIONS - INSURANCE, CREDIT LIFE - REAL ESTATE LOANS" Dated 12-8-59

COST TO THE CUSTOMER The age and amount of insurance when the mortgagor first becomes insured determine the amount he pays each month for insurance coverage. Simply multiply the original principal balance by the appropriate cost per $1,000 to determine the amount to be included in the monthly payment. To determine the customer's insurance age, add six months to the effective date of his insurance; if his next birthday falls within that period, then the age of his next birthday will be used. Otherwise, his present age applies.

Insurance Age	Cost per $1,000
Under 25	.23
25 - 29	.26
30 - 34	.33
35 - 39	.43
40 - 44	.59
45 - 49	.83
50 - 54	1.20
55 - 59	1.76
60 - 64	2.62
65 - 69	3.91

ENROLLMENT - STATEMENT OF INSURANCE FORM On each customer insured under this policy, it will be necessary to prepare the three-part snap-out ENROLLMENT - STATEMENT OF INSURANCE Form, number G730-C-MTG (reproduced on page 4). This form should be typed when the note and other necessary documents are being prepared. Part 3 of this form should be signed by the customer in the place indicated, as evidence that he desires this coverage. All of the spaces on this form must be completed before the insurance can become effective. When completing this form, be certain to type in the full name of your bank below, and to the right of the form number on Part 1.

Part 1 of this form should be directed to the Installment Loan Department for accounting purposes and for preparation of the monthly premium statement.
Part 2 is a Statement of Insurance which should be "snapped-out" and given to the customer along with any other mortgage papers which he might receive.
Part 3 should be retained in the mortgage folder as evidence that the customer requested and received insurance coverage.

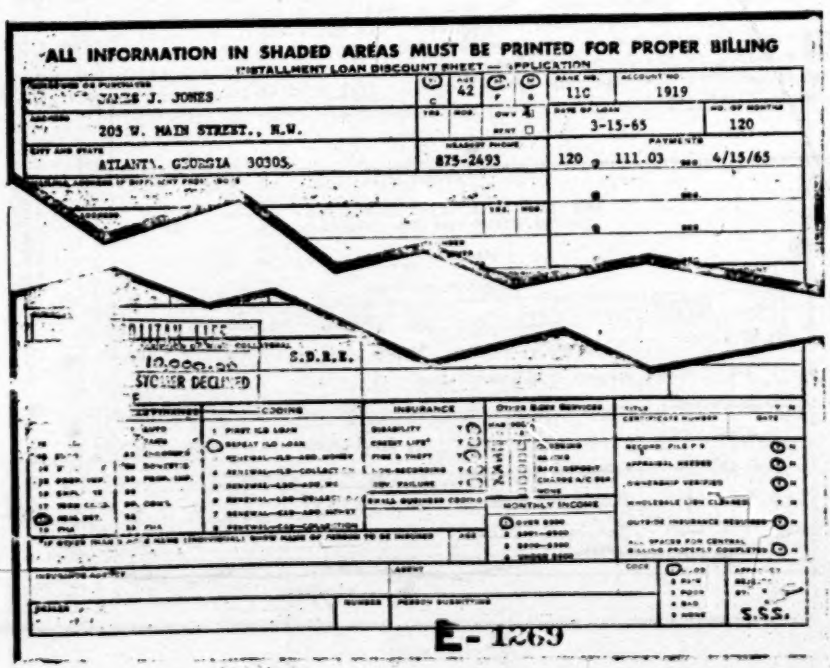
NOTES, SECURITY DEEDS AND OTHER PAPERS When preparing the note and any other documents which include the amount of payment and note amount, show only the amount being amortized. Do not include the insurance premium. When ordering amortization schedules, be sure to enter on the post card requisition form the amount of payment without the monthly insurance premium. This should be explained to your customer so that he understands that the amount of insurance premium in no way affects the normal amortization of the loan.

Inasmuch as in most of our offices the real estate loans originate with a commercial officer and are then forwarded to the Installment Loan Department for accounting

Replaces Bulletin: "GENERAL OPERATIONS - INSURANCE, CREDIT LIFE - REAL ESTATE LOANS" Dated 12-8-59

billing, it should be the responsibility of the commercial officer to designate which loans are eligible and ineligible, etc. To facilitate this, rubber stamps have been made available for all who need them. The person originating the transaction should imprint this on a piece of plain paper and circle the appropriate number before forwarding it along with the real estate papers to the Installment Loan Department. Only in this way can we be sure that the information we report to the insurance company is entirely correct.

DISCOUNTING PROCEDURES The Installment Loan discount clerk, upon receipt of new real estate loans, will follow the normal discounting procedure, and in addition will credit the total insurance premium due over the life of the loan to the General Ledger account "Unearned Insurance Premium on Installment Real Estate Loans - Metropolitan Life Insurance Company." (This account is included under "Other Liabilities" on the Bank's Statement of Condition.)


ALL INFORMATION IN SHADED AREAS MUST BE PRINTED FOR PROPER BILLING

INSTALLMENT LOAN DISCOUNT SHEET — APPLICATION

JAMES J. JONES — AGE 42 — BANK NO. 110 — ACCOUNT NO 1919

205 W. MAIN STREET., N.W. — DATE OF LOAN 3-15-65 — NO. OF MONTHS 120

ATLANTA, GEORGIA 30305 — HOME PHONE 875-2493 — PAYMENTS 120 @ 111.03 1ST 4/15/65

S.D.R.E.

10,000.00

STOCKER DECLINED

CODING — INSURANCE — MONTHLY INCOME

E-1269

Replaces: Page 7 of "INSURANCE - CREDIT LIFE - REAL ESTATE LOANS", Dated 4-6-65

In addition, the Installment Loan discount clerk will use the rubber stamp mentioned above to imprint in the collateral section on the discount sheet, and circle the appropriate number. On insured loans, enter the original amount of insurance. This information should appear on all real estate loans, whether we charge a real estate simple interest rate or an installment loan add-on rate, and whether it be a first mortgage or second mortgage. Those computed at an add-on rate with PRUDENTIAL coverage should be classified "ineligible" for METROPOLITAN. The Central Billing Department will then show the appropriate information on all records, for example, "MET 1-10,000," etc. This information will be shown immediately preceding a description of the collateral.

After entering the account number on the ENROLLMENT - STATEMENT OF INSURANCE form, it should then be forwarded to the person in the Installment Loan Department responsible for maintaining the control sheet on insured loans.

ACCOUNTING FOR INSURED LOANS To simplify our reporting procedures, it will be necessary to maintain a Control Sheet on loans insured under this policy, with a separate Control Sheet for each age group. This Control Sheet should be posted daily upon receipt of Part 1 of the ENROLLMENT - STATEMENT OF INSURANCE form. Be sure to post in the amount column only the amount of insurance applicable to each loan. In most cases, that will be the principal balance, but on loans over $20,000, post only $20,000. As ledger cards are returned by the Central Billing Department, they should be checked to be sure the eligibility code has been typed thereon. Part 1 of the enrollment form may then be discarded.

CONTROL SHEET

REAL ESTATE LOANS INSURED UNDER POLICY # 18886-G
OF THE METROPOLITAN LIFE INSURANCE COMPANY

AGE GROUP 40-44

PREMIUM RATE PER $1000 .59

Date	Account Number	Name	Ins Age	ORIGINAL INSURANCE NEW LOAN	ORIGINAL INSURANCE PAID LOAN	TOTAL INSURED LOANS No.	TOTAL INSURED LOANS AMOUNT
12-15-64	1811	THOMAS T. THOMAS	40	15,000.00		1	15,000.00
1-9-65	1874	GRANT G GRANTLY	41	17,519.25		2	32,519.25
1-21-65	1876	KLARK K KENT	42	16,073.40		3	48,592 65
2-4-65	1882	LOWELL L LOYDD	43	20,000.00		4	68,592 65
2-12-65	1874	GRANT G GRANTLY	41		17,519.25	3	51,073.40
3-9-65	1912	ADEL A ADEL	44	13,000.00		4	64,073.40
3-15-65	1919	JAMES J JONES	42	10,000.00		5	74,073.40

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT - CREDIT RECORD

OFFICE PEACHTREE NO. 110 DLR. DLR. NO.

BRTLAB	ACCOUNT NUMBER	CLASS	COLLATERAL DESCRIBED	% DOWN	CYCLE ADVANCE	NO. OF MONTHS	INS. COST Basic Rate					AMOUNT OF NOTE	INTEREST & INSURANCE	RAT
PDG	1899	182	NET 33			36	39	1				1836	336	11
PDG	1902	182	NET 33			36	40	1				1441	266	11
ABC	1915	183	NET 33			48	55	1				1984	364	15
PDG	1916	181	NET 33			60	63	1				3554	564	22
PDG	1917	183	NET 32			60	63	1				1833	427	19
PDG	1896	182	NET 1 51762			120	54	1				4060	560	20
ABC	1906	181	NET 2			120	56	1				6330	1076	35
ABC	1907	182	NET 1 1000000			120	44	1				11191	2576	29
PDG	1909	181	NET 1 3900000			120	33	1				14031	3323	29
PDG	1914	181	NET 1 2000000			120	40	1				5760	1298	21
ADC	1912	182	NET 1 1300000			120	44	1				30664	6319	84
PDG	1896	181			0004							18240	4319	
			12 0009									100994		
			12									100994		

Replaces Bulletin: "GENERAL OPERATIONS - INSURANCE, CREDIT LIFE - REAL ESTATE LOANS" Dated 12-8-59

As insured loans are paid out, it will be necessary to deduct them from the proper Control Sheet, being sure to deduct the same amount which was originally added as a new loan. The balances on these Control Sheets should be verified every six months by pulling out all insured ledger cards and listing the original amount of insurance.

PAYMENT OF PREMIUMS As of the end of each month, we must report to METROPOLITAN on the "GROUP INSURANCE PREMIUM STATEMENT". The information under "Determination of Current Premium Due" can be obtained simply by picking up the balances from each age group Control Sheet. The information under "New Loans Since Last Report" can be obtained from the copy of the IBM Credit Record prepared each month by the Central Billing Department (a sample is reproduced on page 8). The number eligible for insurance will be the total number of loans coded "MET 1" and "MET 2". The number insured for the month (MET 1) should agree with the total number of new loans added to your Control Sheets for the month. After all the appropriate spaces have been filled in, debit the General Ledger account "Unearned Insurance Premium on Installment Real Estate Loans - Metropolitan Insurance Company" for the total premium due and use this to purchase a check payable to The Citizens and Southern National Bank. Mail your report, along with the check, to System Consumer Credit, Atlanta, no later than the 10th of each month. A completed sample of this report is illustrated on page 10.

REWRITTEN AND REFINANCED LOANS Any change in the mortgage agreement which lengthens the term of the mortgage, or reduces or increases the monthly payments, will for the purposes of insurance, place the loan in the category of a new loan. Therefore, the loan will be handled as a new mortgage and the insurance will be based on the new amount of the mortgage and the newly attained age of the mortgagor as of the effective date of the new mortgage.

CLAIM PROCEDURE In the event of the death of an insured mortgagor, for any reason, send to System Consumer Credit, Atlanta: (1) A completed "REPORT OF MORTGAGOR'S DEATH" (form number 934-C-MTG - reproduced on page 11), (2) a copy of the certified death certificate, (3) the deceased mortgagor's Enrollment forms: "ENROLLMENT - STATEMENT OF INSURANCE" form, number G-730-C-MTG-18886-G - Part 3, and the "APPLICATION - STATEMENT OF HEALTH" form, number G859-CR-MTG (if one was obtained).

DELIVERY OF PAID-IN-FULL PAPERS The paid-in-full papers on accounts paid by this insurance should not be handled in the regular paid-in-full routine. Where practicable, personal delivery by a representative of the bank is desirable. Where this is not practicable, a personally typed letter should be sent, preferably signed by someone who is known to the family.

REBATES ON PREPAID ACCOUNTS Remember, on accounts which are prepaid in full, it will be necessary to debit the unearned insurance premium account for the total unremitted premium on that particular loan. This can be arrived at simply by multiplying the number of unmatured payments by the amount of premium being paid each month.

OPERATING BULLETIN

SECTION INSURANCE **Page** 10.of 14

SUBJECT CREDIT LIFE

TOPIC REAL ESTATE LOANS **Date** 4-6-65

METROPOLITAN LIFE INSURANCE COMPANY

GROUP INSURANCE PREMIUM STATEMENT

TO: The Citizens & Southern National Bank
Central Installment Department
P.O. Box 4899
Atlanta 2, Georgia

NAME OF CREDITOR	UNIT	INSURANCE COMPANY ACCOUNT NUMBER
The Citizens & Southern National Bank	Peachtree Office	18886-G

Premium Statement for Month Beginning: Month	Day	Year	For all outstanding insured mortgages as of the preceding day	NEW LOANS SINCE LAST REPORT: Number Eligible for Insurance	Number Insured
4	1	65		8	5

IF THIS IS A CORRECTED STATEMENT PLEASE INDICATE REASON ⟶

DETERMINATION OF CURRENT PREMIUM DUE

(1) AGE GROUPS	(2) NUMBER OF MORTGAGORS BY AGE GROUP (AGE NEAREST BIRTHDAY)	(3) ORIGINAL AMOUNTS OF INSURANCE BY AGE GROUP	(4) PREMIUM CALCULATED AT	(5) PREMIUM DUE BY AGE GROUP (COL. 3 X COL. 4)
Under Age 25	1	8,525.00	$ .23 per $1000	$ 1.96
Ages 25-29	3	37,575.75	.26 per $1000	$ 9.77
Ages 30-34	2	34,735.50	.33 per $1000	$ 11.46
Ages 35-39	2	22,000.00	.43 per $1000	$ 9.46
Ages 40-44	6	94,073.40	.59 per $1000	$ 55.50
Ages 45-49	2	35,700.00	.83 per $1000	$ 29.63
Ages 50-54			1.20 per $1000	$
Ages 55-59			1.76 per $1000	$
Ages 60-64			2.62 per $1000	$
Ages 65-69			3.91 per $1000	$
				$
				$
TOTAL	16	232,609.65	XXX	$

	TOTAL PREMIUM DUE	$ 119.78
4-6-65 (Date) Authorized By	ADJUSTMENTS IF ANY Debit	$
	Credit	$
FOR INSURANCE COMPANY USE: JOURNAL DATE / INITIAL / ADM. UNIT	NET AMOUNT DUE AND REMITTED	$ 119.78

© 1011 M.P.—Mg. (18886-G) (7-59) Printed in U.S.A.

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT CREDIT LIFE

TOPIC REAL ESTATE LOANS

Replaces Bulletin: "GENERAL OPERATIONS - INSURANCE, CREDIT LIFE - REAL ESTATE LOANS" Dated 12-8-59

CORRESPONDENT BANKS This policy is available to our correspondent banks on the same basis as C&S Banks. New banks may be brougnt under the policy by contacting System Consumer Credit, Atlanta.

ORDERING FORMS Supplies should be ordered from System Consumer Credit, Atlanta.

METROPOLITAN LIFE INSURANCE COMPANY
1 Madison Avenue
New York 10, New York

REPORT OF MORTGAGOR'S DEATH

Creditor's Statement

To: The Citizens & Southern National Bank
Central Installment Department
P. O. Box 1808
Atlanta 2, Georgia

To: Claim Division
Group Section

Group Number 18886-G

CONCERNING THE DECEASED:

NAME	ADDRESS
FRANK F. FEENEY	207 4th St., N. E., Atlanta, Ga.

CONCERNING THE MORTGAGE LOAN:
If more than one insured indebtedness, all such indebtedness should be reported below.

DATE OF LAST MONTHLY PAYMENT RECEIVED			THIS MORTGAGE ACCOUNT		AMOUNT OF INDEBTEDNESS AT DEATH	AMOUNT OF INSURANCE AT DEATH
Month	Day	Year	Is Not In Default	Is In Default (Date)		
3	15	65	X		9,000.00	9,000.00

IMPORTANT

Submit with this Form
(1) Certified copy of the death certificate, and
(2) Deceased mortgagor's enrollment form G.730-C-MFG-18886-G-Part I, and
(3) Statement of Health form G.859-CR-MFG-4, if any.

REMARKS

The Citizens & Southern National Bank - Peachtree Office
(Name of Creditor)

(Signature) Assistant Cashier
(Title)

140 Peachtree St., N. E., Atlanta, Ga.
(Address)

4-6-65

E-1274

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT DISABILITY

TOPIC

 Date 4/15/71

Replaces Bulletin: INSURANCE - DISABILITY - Dated 7-10-69

Since Disability Insurance is an optional selection (under the provisions of Regulation Z) on our installment notes and conditional sales contracts, the
R insurance premium is not a part of the finance charge and annual percentage rate. Monthly rate charts provide for separate disability insurance premiums.

The coverage has been increased to a maximum monthly benefit of $300 and maximum total benefits paid to $15,000 effective May 1, 1971

POLICY INTENT

The intent of this policy is to protect the customer in true emergency situations where an extended illness may occur with the resulting loss of income causing serious delinquency for which no adjustment can be made. (Under normal circumstances it is possible to make delinquency adjustments in the case of minor illness where the loss of income is for a short duration only).

Disability Insurance thus removes one of the uncertainties in committing an obligation to be paid out of future income. In cases of extended illness, payments on installment obligations are automatically taken care of, leaving other funds and income available for extra expenses which generally accompany such illnesses.

For these reasons Disability Insurance has become an integral part of installment financing and by its widespread acceptance has proved its value and worth to both customer and dealer. For the dealer Disability Insurance means:

1. Protection against repossession or repurchase in the event his customer suffers an extended illness.
2. Protection of the "good will" of his customer as well as the customer's payment record so that future repeat sales may be made.
3. Reduction of his collection effort and expense during a customer's period of extended illness.
4. An aid in selling the over-all financing charges. The cost of Disability Insurance is still less than that of other companies for comparable coverage.

Dealers must understand that while the customer has the choice of insurance coverage we really expect very little drop in the penetration. They must therefore present it in a positive manner and where necessary strongly emphasize the benefits to the customer. Selections available: (1) life and disability insurance (2) life insurance alone, (3) no insurance. NOT available: Disability insurance alone.

INSURANCE CARRIER

All installment loans of The Citizens and Southern National Bank offices and the Citizens and Southern Financial Corporation are insured through The Citizens and Southern Life Insurance Company (Formerly American Southern Life Insurance Company) under group policy number GL-3. All other participants are insured under Prudential Insurance Company of America, group policy GL-281.

Replaces Bulletin: INSURANCE - DISABILITY - Dated 7-10-69

WHAT CONSTITUTES DISABILITY

The definition of disability is "being prevented from performing any and every duty pertaining to the occupation of the insured". However, if the insured performs any work or engages in any business or other occupation for remuneration or profit, he shall not be deemed disabled under the policy. For example: A dentist loses a hand. He cannot practice dentistry so he is disabled as long as he does no other work. However, if he begins selling dental equipment, he then is no longer disabled even though he still cannot practice dentistry.

ELIGIBLE BORROWERS AND PURCHASERS

To be eligible for coverage:

1. The customer must be insured under the Credit Life portion of the policy.
2. The note must be repayable in equal monthly installments over a period not exceeding seven years. (Notes with balloon payments are not eligible). As the single exception, freezer food plan paper with unequal beginning monthly installments is eligible. Seasonal payments on farm equipment and other classes of business are not eligible.
3. The debtor must be 61 years of age or less.
4. The debtor must be gainfully employed during normal workweeks of at least thirty hours (either for others or for self) at the time the loan is made. DEBTORS WHOSE ENTIRE INCOME IS FROM INVESTMENTS, RENTALS, PENSIONS, ETC., ARE NOT ELIGIBLE.

EXCLUSIONS

Benefits under this policy are not payable if the disability of the debtor:

1. Was in existence at the time the loan was made or if disability from the same cause existed during the six months immediately preceding the date of the loan. (The customer is still eligible for benefits when disabled from any other cause than that creating the disability on date of loan or preceding six months).

   If such disability or history is known to exist at the time of the loan, Disability Insurance should not be placed.
2. Was the result of pregnancy, childbirth, abortion, or miscarriage.
3. Was the result of an act of war.
4. Was contracted outside of the continental limits of the Unites States, Hawaii or Canada.

Replaces Bulletin: INSURANCE - DISABILITY - Dated 7-10-69

EFFECTIVE DATE

Insurance coverage is effective as of the date funds are disbursed on a direct loan or on the date of approval and delivery in the case of dealer paper. This protects the dealer for the period between his delivery of the merchandise and the disbursement of funds by the Bank.

EXTENT OF COVERAGE

After 30 days of continuous disability (beginning the count on the day disability first occurs), this insurance will pay each monthly payment which matures during the interval before the insured returns to work. Where the 31st day of disability and the due date of an installment coincide, this payment will be covered by Disability Insurance.

As long as he is then continuously disabled, the insurance will pay each subsequent payment concurrently with due dates. To receive benefits your debtor must be disabled on the due date. It is possible for one customer to be disabled for 59 days and receive no benefits while another disabled for the same length of time would have a payment paid - depending upon the relationship between the date the disability started and the due date of his payments.

In those cases where disability occurs beginning in the month of February and the customer is still disabled in March, we will pay the second installment coming due after the beginning date of disability as long as a whole calendar month has elapsed, even though it may be only 28-29 days since the onset of the disability.

This rule applies only to disabilities originating during the month of February. The standard 30 day rule of eligibility will apply at all other times.

MAXIMUM COVERAGE

R The total amount paid to any one debtor shall not exceed $15,000, including death benefits and previously paid disability benefits. (This applies in the case of multiple offices having loans to the same individual as well as multiple loans within a single office). The total monthly benefits under this policy shall not exceed $300, whether on one loan or on more than one for the same customer.

OTHER BENEFITS

The insured has 90 days after the end of the first month of disability in which to file claim. Delinquencies at the scheduled maturity date are paid up to 6 months. (See: INSURANCE - DISABILITY - CLAIMS PROCEDURE).

Replaces Bulletin: INSURANCE - DISABILITY - Dated 7-10-69

RATE TO THE CUSTOMER

R The Citizens and Southern monthly rate charts with the symbol "CD" indicate separately the premium for Disability Insurance. The charge to the customer per annum of the note amount for disability is calculated at:

.65% for terms to 60 months
.61% for terms of 61 - 72 months
.58% for terms of 73 - 84 months

This is the equivalent of premiums paid by the bank.

INSURANCE ELECTION STATEMENT

All installment notes and contracts are printed with the insurance election statement. This provides for acceptance, refusal, date of birth and signature
R of the borrower. Only one signer or one co-signer of the note may be insured and only the person to be insured must sign the insurance election statement. Where the customer is ineligible for insurance (age, health, amount, terms or gainful employment) the election statement need not be signed. In all other cases the customer must sign the insurance statement indicating either acceptance or refusal.

REQUISITIONING DISABILITY COVERAGE

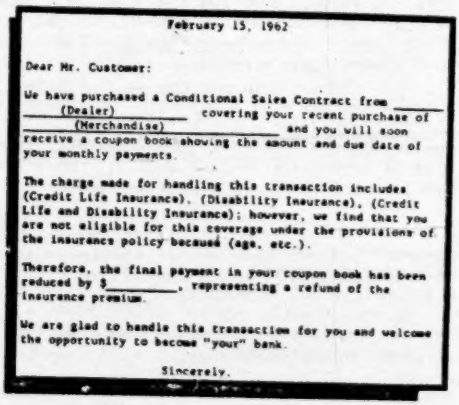
Disability coverage is requisitioned by checking the appropriate insurance space on the Discount Sheet. Where Disability Insurance is in force, Installment Loan Control will attach both the Credit Life and Disability Certificates to the Payment Card Book. (Disability can be placed only in conjunction with Credit Life)

INELIGIBLE TRANSACTIONS - SALES FINANCE

When transactions are received that are not eligible by virtue of policy limitations, an adjustment must be made for the amount of the premium. Both the amount of the premium and the financing charges thereon must be reversed. The amount of the insurance premium should be applied to the appropriate flat rate chart (without disability OR disability and life insurance included) and the "total note amount" therefore will be the amount which should be deducted from the last payment, interest and discount and the total note amount of the ineligible transaction. DO NOT ALTER THE CONDITIONAL SALES CONTRACT.

Since it is possible that the dealer failed to tell the customer of his ineligibility, the letter shown on page 5 should be sent to the customer when an adjustment is allowed.

Replaces Bulletin: INSURANCE - DISABILITY - Dated 7/10/69



February 15, 1962

Dear Mr. Customer:

We have purchased a Conditional Sales Contract from _____ (Dealer) _____ covering your recent purchase of _____ (Merchandise) _____ and you will soon receive a coupon book showing the amount and due date of your monthly payments.

The charge made for handling this transaction includes (Credit Life Insurance), (Disability Insurance), (Credit Life and Disability Insurance); however, we find that you are not eligible for this coverage under the provisions of the insurance policy because (age, etc.).

Therefore, the final payment in your coupon book has been reduced by $_____, representing a refund of the insurance premium.

We are glad to handle this transaction for you and welcome the opportunity to become "your" bank.

Sincerely,

PAYMENT OF PREMIUMS

R The premium rate, paid by the bank, is calculated at 1.08 per $1,000 of insured balances.

R The Monthly Insurance Report, #19-921 on insured premiums should include only Business and Real Estate Insured Loans for those banks on the Automated System. All other banks should prepare the Report for Individuals, Business and Real Estate computing and reporting premiums as outlined in the bulletin: INSURANCE - REPORTING AND PREMIUM PAYMENT. The report should be prepared and sent to Consumer Insurance Services, 9 North Avenue, Atlanta by the 10th of each month.

Replaces Bulletin: INSURANCE - DISABILITY - Dated 7-10-69

TERMINATION OF INSURANCE

The insurance terminates automatically at the time the indebtedness is paid in full, at the time of repossession (by Bank or dealer), if judgment is entered in any court, or when the loan is charged-off (past-due loans not charged-off may be carried up to a maximum of six months).

The Georgia Insurance Code requires that a refund of the unearned insurance premium be made if a customer pays out his note in advance. It also requires that the refund be computed by the "78ths" method. However, it states that a refund need not be given if it amounts to less than $1. We are already complying with the Code on refunds; consequently, no change is needed in our procedures.

CORRESPONDENT BANKS

This policy is available to our Correspondent Banks who participate in our Credit Life Insurance Policy, on the same basis that it is to C&S Banks except for claims procedure. New participants may be brought under this policy by signing three copies of the Application to Participate, which may be obtained from Consumer Insurance Services, Atlanta.

R Correspondent Banks using the billing service are eligible to participate and will have the coupon size certificate inserted in their payment books as part of their billing procedure.

RELATED BULLETINS

INSURANCE - DISABILITY - CLAIMS PROCEDURE
INSURANCE - CREDIT LIFE
INSURANCE - REPORTING & PREMIUM PAYMENT

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT DISABILITY

TOPIC CLAIMS PROCEDURE
C&S BANKS

 Date 7-29-69

Replaces Bulletin: INSURANCE - DISABILITY - CLAIMS PROCEDURE - Dated 12-1-66

C&S National Bank offices participating under the American Southern Life Insurance Company policy GL-2 will use that company's claims forms and drafts (identical to those of Prudential) for all claims originating 10-1-68 and later. Claims originating prior to 10-1-68 should be paid under the Prudential policy and the appropriate claims forms and drafts used. THE DATE THAT THE CUSTOMER BECAME DISABLED GOVERNS WHICH POLICY APPLIES (not the date eligible for his first payment). If disability occurred on or after 10-1-68 use American Southern - prior to 10-1-68 use Prudential.

CLAIMS PROCEDURE

Disability claims procedure is outlined below. Subsequent paragraphs of this bulletin and illustrations shown throughout contain detailed explanations of each step followed in completing the forms.

1. Notice of possible claim.
   A. Determine that a legitimate claim exists.
2. Obtain properly completed supporting report forms.
   A. Determine if customer and/or physician's statement is needed.
   B. Verify disability when required.
3. Complete 6-part draft form.
   (The same draft form that is used for Credit Life is used to pay Disability claims).
4. Check report forms, draft form and previous Disability claim forms for eligibility and correctness. Sign draft.
5. Distribute draft copies.
6. File claim papers.

NOTICE OF POSSIBLE CLAIMS (Step #1)

It is the responsibility of the customer to advise the bank of the possibility of a claim under this policy. The insured has 90 days after the end of the first month of disability in which to file claim (previously 60 days). Conversation with the customer, an inspection of the ledger card, and a review of the customer's file are of assistance in determining the probability of the existence of a claim. Before permitting a customer to inconvenience himself by filling out a claim form and securing the necessary doctor's statement, we should determine that a legitimate claim does exist.

1. Is the customer eligible for Disability coverage? Was he or she younger than 62 years of age at the time the loan was made? Was he or she gainfully employed (either by others or for self) at the time the loan was made?

2. Is the installment loan repayable in equal monthly installments over a period not exceeding seven years?

3. Was this particular disability in existence at the time the loan was made or for six months preceding the date of the loan?

4. Has the disability been, or will it have been, in existence for 30 days prior to the date of the payment for which claim is being made?

5. Is the disability due to an excluded cause, i.e., pregnancy, act of war, etc.?

QUESTIONABLE CLAIMS Whenever you have a questionable claim, submit it to Consumer Insurance Services, Atlanta, before paying, so that it may be discussed with the insurance company. Be sure the customer understands that no commitment has been made and that the insurance company must review the claim before payment can be made.

SUPPORTING REPORT FORMS (Step #2) Use the FIRST REPORT form (see illustration which follows) for all claims in which the 30 day waiting period is involved. All such claims must be supported by a First Report form, completed by both the customer (or his closest relative) and the physician.

Use the CONTINUANCE REPORT form (subsequently illustrated) for all continuing claims after the First Report form has been complied with. Continuance claims are of two major types - those where the physician is uncertain of the length of disability and those where the physician feels the customer to be totally and permanently disabled, either for a specified length of time, for a period which runs beyond the due date of the final installment of the customer's account, or for the remainder of the customer's life.

In cases of uncertain length of disability, a Continuance Report will need to be completed by the customer (or his closest relative) and the physician each time a claim is made. In cases where the disability is known to continue for a long period of time or for the length of the loan, it will not be necessary to obtain a Continuance Report signed by the customer and physician for each payment claimed. In such cases, each month as the payment becomes due, the hospital or other institution, the physician, or the employer should be called to verify that the customer is still disabled (unable to work). A Continuance Report should be filled out as shown in the following illustration, indicating the verification as shown.

POOR COPY

FIRST REPORT FORM

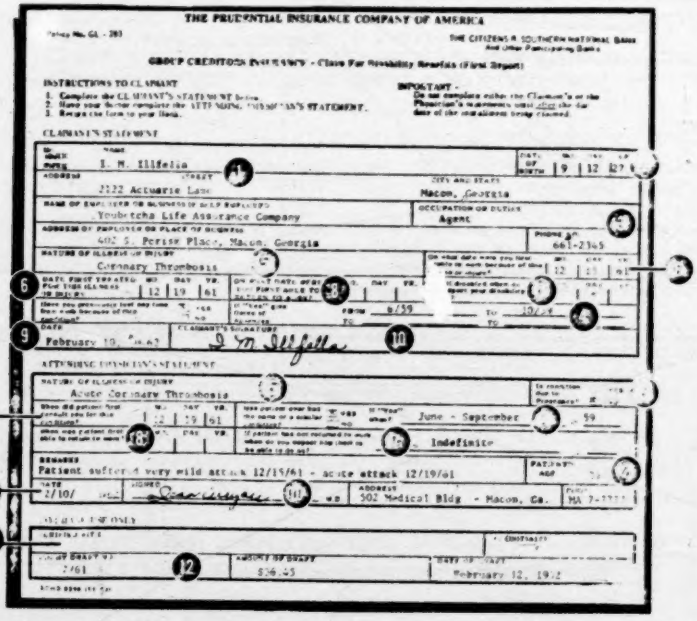
Must always be completed on first installment(s) being claimed at the beginning of each disability. (Use whenever 30 d y waiting period is required.)

SECTION INSURANCE **Page**

SUBJECT DISABILITY

TOPIC CLAIMS PROCEDURE

Date 12-1



THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

GROUP CREDITOR INSURANCE - Claim For Disability Benefits (First Report)

INSTRUCTIONS TO CLAIMANT

1. Complete the CLAIMANT'S STATEMENT below.
2. Have your doctor complete the ATTENDING PHYSICIAN'S STATEMENT.
3. Return this form to your lend...

IMPORTANT - Do not complete either the Claimant's or the Physician's statements until after the due date of the installments being claimed.

CLAIMANT'S STATEMENT

NAME: J. M. Illfelin (1)

ADDRESS: 2122 Accuracia Lane — CITY AND STATE: Macon, Georgia

NAME OF EMPLOYER OR BUSINESS IF SELF-EMPLOYED: Youbetcha Life Assurance Company — OCCUPATION OR DUTIES: Agent (3)

ADDRESS OF EMPLOYER OR PLACE OF BUSINESS: 602 S. Perish Place, Macon, Georgia — PHONE NO.: 661-2345

NATURE OF ILLNESS OR INJURY: Coronary Thrombosis (5)

(6) DATE FIRST TREATED FOR THIS ILLNESS OR INJURY: 12 | 19 | 61 — (3a) ON WHAT DATE WERE YOU LAST ABLE TO WORK? — (7) FROM: 8/59 TO: 10/61 (8)

(9) DATE: February 19, 19 62 — CLAIMANT'S SIGNATURE: J M Illfelin (10)

ATTENDING PHYSICIAN'S STATEMENT

NATURE OF ILLNESS OR INJURY: Acute Coronary Thrombosis (5)

(6) Was did patient first consult you for this condition? 12 | 19 | 61 — (4a) Was patient ever had this same or a similar condition before? YES NO If "Yes" when? June - September 59

(4b) When was patient first able to return to work? — (7a) If patient has not returned to work, when do you expect him (her) to be able to do so? Indefinite

REMARKS: Patient suffered very mild attack 12/15/61 - acute attack 12/19/61 — PATIENT'S AGE: 52

(9) DATE: 2/10/ — SIGNED: (11) MD — ADDRESS: 502 Medical Bldg - Macon, Ga. — PHONE: MA 7-1111

(11) ATTENDING SITE — (CONSULTED)

(12) AMOUNT OF CLAIM: $36.45 — DATE OF DRAFT: February 12, 19 62

(1) CUSTOMER'S NAME AND ADDRESS - For identification. Check for Exclusion of benefits
- Disability cannot be contracted outside U.S. or Canada.

(2) AGE - Check for eligibility. Customer cannot be 62 or older on date of loan

(3) EMPLOYMENT - Check for eligibility. Must be gainfully employed on date of loan.
- Use when necessary to verify dates "not worked."

(4) PREVIOUS DISABILITY FROM SAME CAUSE - Check for exclusion of benefits. Cannot have been disabled from same cause on date of loan or during preceding six months.

(5) NATURE OF DISABILITY - Check for exclusion of benefits. Disability due to pregnancy, Act of War, etc.
- Use when deciding method of handling Continuance Reports.

(6) BEGINNING DATE OF DISABILITY - Check for coverage - 31 day waiting period between date Disability began and date of first installment being claimed. Use when necessary to verify dates "not worked" with employer.

(7) LENGTH OF DISABILITY - Use when deciding method of handling for Continuance Reports.

(8) END OF DISABILITY - Date in either space terminates claim.

(9) DATE OF STATEMENTS - Must be on or after date of installment claimed.

(10) SIGNATURES OF STATEMENTS - Both statements must be signed. (Closest relative should sign if customer cannot.)
- Use physician's address and phone number for verification when required.

(11) VERIFICATION - Initiate [illegible] whenever necessary to verify any information on either statement.

(12) DRAFT IDENTIFICATION - After draft [illegible] Home Office will fill in for identification.

E-1283

Replaces Bulletin: "INSURANCE - DISABILITY CLAIMS PROCEDURE" - Dated 2-14-62

COMPLETION OF DRAFT FORM (Step #3) Use the six part snap-out draft form (illustration follows), completing it with care so as to avoid errors. No erasures on the face of the draft are permitted. If errors occur, it will be necessary to void the draft. (Refer to the paragraph "VOIDING DRAFTS" for procedure to follow when drafts must be voided.)

Use a separate draft form for each account on which claim is being paid. (See subsequent paragraph "MULTIPLE ACCOUNTS"). More than one installment on the same account may be paid by the same draft.

In the event insurance has been placed on a co-maker (both life and disability), be sure that the insured's name is typed in the upper left hand corner of the draft. To assist in account identification show the name of the maker (name loan is in) on the face of the draft near the account number.

AFTER COMPLETING THE DRAFT, TYPE IN THE DRAFT INFORMATION ON THE FIRST CONTINUANCE REPORT FORM (DRAFT NUMBER, AMOUNT, AND DATE OF DRAFT).

CHECK REPORT AND DRAFT FORMS FOR ELIGIBILITY AND CORRECTNESS (Step #4)

Before signing the draft, the supporting report form and the draft should be checked for eligibility, completeness and correctness. Use the following procedure.

A. First Report Claims

1. Check the five points of eligibility listed under "Notice of Possible Claims" (Step 1).

2. Use the customer's statement to determine previous disability (on the date of the loan or during the preceding six months).

3. Use physician's statement for dates of disability, both beginning and ending. (At times there will be a discrepancy between the beginning date of disability. Ordinarily we will use the physician's date, so long as it does not affect eligibility. Sometimes a customer may become disabled prior to the date he sees his physician. Should there be no more than seven day's variation, we will accept the date supplied by the customer, after verifying with the employer the date last worked.)

4. Check the date the customer indicates that he returned to work. (Customer must have been disabled on the date of installment being claimed.)

USE OF 6 PART DRAFT FOR PAYING DISABILITY CLAIMS

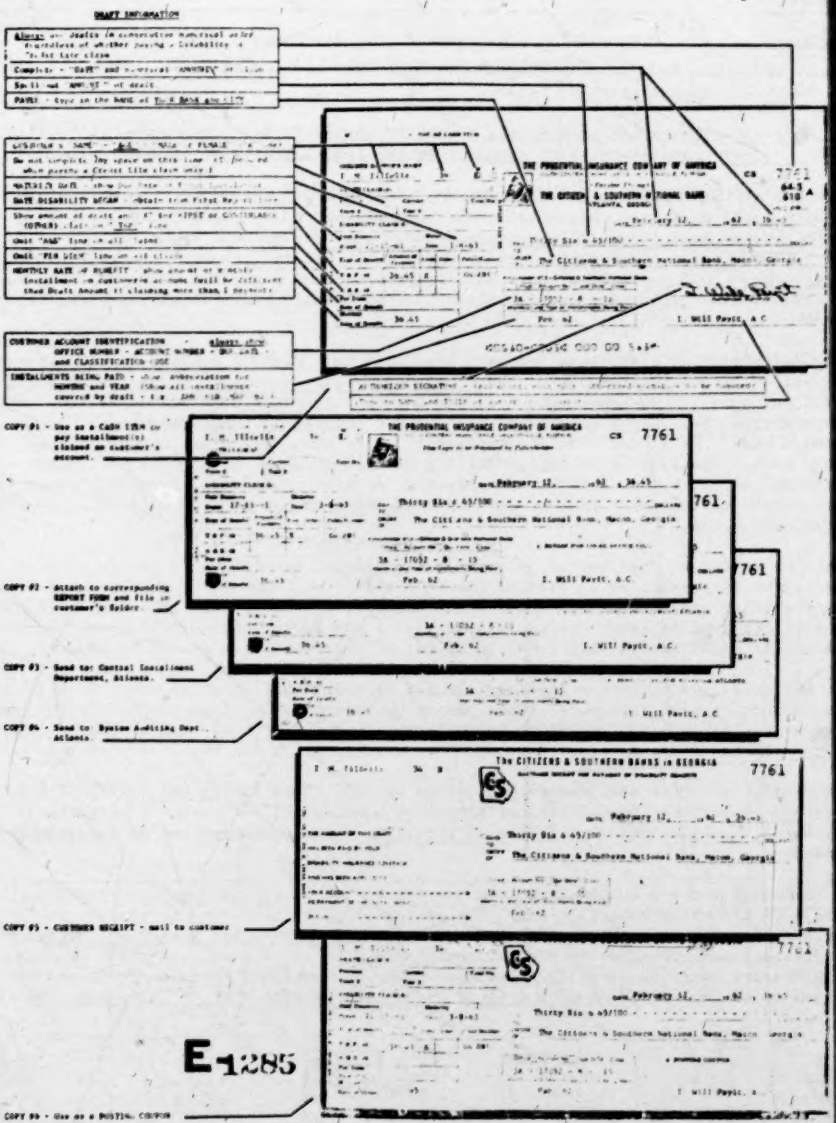
ALL DRAFTS MUST BE TYPED

SECTION INSURANCE **Page** 5

SUBJECT DISABILITY

TOPIC CLAIMS PROCEDURE

Date 12-1



B. Continuance Report Claims

1. Check the Continuance Report to determine that disability has been continuous since the date of the last installment claimed.

Occasionally you will have a claim where the customer indicates that he has returned to work (with or without his physician's consent) for a few days, but has had a relapse and has been disabled for the balance of the time between installments. Honor all such claims as long as the customer did not return to work for a period in excess of five days. If the time at work is in excess of five days, the 30 day waiting period is automatically reinvoked and the claim must be treated as if it were a First Report claim.

*The definition of disability has been broadened to: "Being prevented from performing any and every duty pertaining to the occupation of the insured". However, if the insured performs any work or engages in any business or other occupation for renumeration or profit he shall not be deemed disabled under the policy. For example: A dentist loses a hand. He cannot practice dentistry, so he is disabled as long as he does no other work. However, if he begins selling dental equipment he then is not longer disabled even though he still cannot practice dentistry and even though his physician states that he is unable to perform this occupation he was engaged in at the time the disability began.

*In some instances the insured is permitted to return to work for a couple of hours per day by his physician as part of his rehabilitation. Where this is the case and the physician states that the insured is unable to work more than this length of time, we will continue to honor claims as long as all the above factors hold true. If the insured is permitted to work ½ day (4 hours) or more the claim cannot be honored.

You may occasionally have a customer who may be originally disabled from one cause and, before returning to work, subsequently becomes disabled from another cause. As long as the disability (inability to work) has been continuous, such claims are to be treated as if the customer had had the same disability for the entire period.

Frequently customers will change physicians several times during the course of a disability. This in no way affects eligibility; however, in such cases a physician's statement should be obtained from each physician covering the period of time of his statement.

It is possible for a customer to lose his job during or even before his disability. This does not cause ineligibility. The policy requires that the customer be gainfully employed (workweek of not less than 30 hours) at the time the loan is made. If the customer subsequently becomes unemployed (for any reason), he still remains eligible for benefits under this policy. However, since the customer obviously has no job to return to, the ending date of disability will be that date shown by the

physician as the date his patient was first able to return to work. In claims of this sort, a customer's and physician's statement must be obtained each month.

Remember to check the present Continuance Report form against that of the preceding month (First or Continuance). Be certain that there is proper continuity between the report forms. Check the ledger card to be certain that the proper installment is being claimed. The due dates of installments being claimed (as shown on the various draft copies used to pay a continuing claim) must be in proper consecutive order.

Sign the draft.

DISTRIBUTE DRAFT COPIES (Step #5)

Copy #1 - Use as a cash item to pay the installment(s) being claimed on the customer's account.

CONTINUANCE REPORT FORM

To be used on all claims under the same continuing disability after the first report has been used on the initial claim.

SECTION INSURANCE

SUBJECT DISABILITY

TOPIC CLAIMS PROCEDURE

Date 12-1-66

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Policy No. GL - 281 — THE CITIZENS & SOUTHERN NATIONAL BANK And Other Participating Banks

GROUP CREDITORS INSURANCE - Claim For Disability Benefits (Continuance of Disability Report)

INSTRUCTIONS TO CLAIMANT
1. Complete the CLAIMANT'S STATEMENT below.
2. Have your doctor complete the ATTENDING PHYSICIAN'S STATEMENT
3. Return the form to your Bank.

IMPORTANT - Do not complete either the Claimant's or the Physician's statement(s) until after the due date of the installment being claimed.

CLAIMANT'S STATEMENT

NAME: I. M. Illfella

(2) Are you disabled? YES / NO — If "Yes" what is the nature of the illness or injury?

(3A) Have you returned to your regular work? If "Yes" when? NO. DAY YR.

(3B) If still disabled when do you expect to resume any work? NO. DAY YR.

(5) DATE: March 12, 19 62 — CLAIMANT'S SIGNATURE: I. M. Illfella (6)

ATTENDING PHYSICIAN'S STATEMENT

NATURE OF ILLNESS OR INJURY: Acute Coronary Thrombosis (2)

(4) When was patient first able to return to work? NO. DAY YR.

If patient has not resumed to work when do you expect him (her) to be able to do so? Approximately June 15, (3) 19 62

REMARKS:

(5) DATE: 3/14 19 62 — SIGNED: Attending Surgeon (6) — ADDRESS: 502 Medical Bldg. - Macon, Ga. — TELEPHONE No.: MA 7-7777

FOR BANK USE ONLY

VERIFIED WITH (7) — BY (INITIALS): A.W.P

PAID BY DRAFT NO.: 8102 — AMOUNT OF DRAFT: $36.45 — (8) DATE OF DRAFT: March 15, 1962

(1) * CUSTOMER'S NAME - For identification.

(2) CONTINUANCE OF DISABILITY - Disability must be continuous from date of last installment claimed.

(3) * LENGTH OF DISABILITY - Use in deciding method of handling future continuance claims.

(4) END OF DISABILITY - Date in either space terminates claim.

(5) DATE OF STATEMENTS - Must be on or after date of installment claimed.

(6) SIGNATURES OF STATEMENTS - Both statements must be signed (closest relative should sign if customer cannot)

(7) * VERIFICATION - Indicate with whom and initial whenever necessary to verify any information on either statement (see below).

(8) * DRAFT INFORMATION - After draft has been completed always fill in for identification.

WHEN MAKING A VERIFICATION

If the previous First or Continuance Report indicated disability of prolonged duration, no Continuance Report will have been mailed to customer with receipt for last installment. Verification (phone or mail) must be made with physician, institution, or employer that disability has been continuing since the last installment. Always use a Continuance Report to show such verification. When verification is by mail, attach letter (from physician, institution, or employer) to Continuance Report. Fill in customer's name and draft information. The above steps of completion which are marked with an asterisk (*) must appear on all verification report forms.

E-1288

- REMEMBER -

NEVER COMPLETE A DRAFT FOR DISABILITY PAYMENT WITHOUT HAVING A PROPERLY COMPLETED FIRST OR CONTINUANCE REPORT.

Replaces Bulletin: "INSURANCE - DISABILITY CLAIMS PROCEDURE" - Dated 2-14-62

Copy #2 - File in the customer's folder along with the corresponding report form. These (draft copy and report form) are subject to periodic audit by:

1. The local auditors.
2. System auditors during annual audit.
3. System Consumer Credit Department during Operational Training Visits.
4. The Prudential Insurance Company.

Copy #3 - Send to Consumer Insurance Services, Atlanta, the same day the draft is drawn.

Copy #4 - Send to System Auditing Department, Atlanta, the same day the draft is drawn.

Copy #5 - This should be mailed to the customer as a receipt, thereby giving him a record of payment. (Along with the receipt to the customer, the Important Notice form (19-844), illustrated below, and a blank Continuance Report form should be included if there is a possibility that this will be a continuing claim.)

The CITIZENS & SOUTHERN BANKS in GEORGIA

IMPORTANT

IF YOU ARE STILL DISABLED **ON THE DATE YOUR NEXT PAYMENT ON THIS ACCOUNT BECOMES DUE.** THE ENCLOSED CONTINUANCE REPORT SHOULD BE COMPLETED BY BOTH YOU AND YOUR PHYSICIAN. YOUR DISABILITY MUST CONTINUE UNINTERRUPTED IF YOUR DISABILITY INSURANCE IS TO PAY YOUR NEXT INSTALLMENT. IN MAKING APPLICATION FOR DISABILITY BENEFITS, PLEASE SEE THAT THE BANK HAS THE COMPLETED REPORT NO LATER THAN **5 DAYS** AFTER THE DUE DATE OF YOUR PAYMENT.

Cases in which no Continuance Report should be mailed:

(a) Paid out claims has paid final installment.
(b) Customer has returned to work.
(c) Physician's statement on current claim indicates total permanent disability for a prolonged period of time or for balance of the life of the loan.

Copy #6 - Use as a posting coupon, marking the ledger card "PD" in the payment coding space to indicate that payment was made by a Disability claim.

VOIDING DRAFTS Drafts must be prepared carefully so that they are correct and do not contain any erasures, strike-overs, etc. If, however, such an error is made, it will be necessary to void the draft. Since drafts are issued to each office in numerical sequence and each number must be accounted for, the following procedure must be used whenever a draft is voided.

1. Using a red pencil, write the word "VOID" on the face of copies 1, 2 and 3.

2. Tear off the signature space on copy #1 and destroy.

3. Be sure that the office designation is shown on the draft in the appropriate space so that the auditors may identify the office issuing the voided draft.

4. Send all six copies to Consumer Insurance Services, Atlanta.

FILING OF CLAIMS PAPERS (Step #6) The report forms should be filed in the customer's folder. Legal retention time for supporting report forms is five years from the ending claim date. When a claim is closed, all folders are being stripped and the file destroyed. Disability report forms should be filed alphabetically in a permenent file. The permanent file should be reviewed annually and report forms covering claims five years old should be destroyed.

NOTICE PROCEDURES When past-due notices are sent, the notice clerk should be on the look-out for all accounts where the last payment was coded "PD". These accounts should be immediately referred to the Collection Department to determine if the delinquency has developed because of failure to file a Disability claim.

PAST DUE ACCOUNTS

Effective 12-1-66 the policy benefits have been broadened so as to pay certain delinquent payments after the originally scheduled maturity date for up to 6 months provided the customer remains continuously disabled. If the account is past due at the time disability begins, these payments may now be claimed during the six months period following the date of final maturity. This will not cover any installment falling due during the 30 day waiting period.

Replaces Bulletin: "INSURANCE - DISABILITY CLAIMS PROCEDURE" - dated 2-14-62

However, if the customer does not remain disabled for the entire term of the loan and long enough afterwards to file monthly for those payments past due, collection of past due payments may be difficult at such a later date. At the initial contact with the customer, the length of disability should be considered. If it is obviously to be a short one or to cease before the final maturity date, arrangements must be made to take care of any unpaid installments not then eligible for Disability payment. In any case, the customer should be advised that if his disability ceases before final maturity date, the delinquent payments will not be covered by Disability.

In cases of unusual hardship and where credit factors warrant, an extension of past-due payments may be in order. However, in making such extensions, remember that you are shortening the six months period after the date of the originally scheduled final maturity.

*PREPAID ACCOUNT If disability occurs on a prepaid account, claims will be handled as if the account were not prepaid. The borrower is entitled to one payment each month (after the waiting period) whether the account is prepaid or past-due. The insurance company has ruled that, if a disability continues through the final installment, we must pay any pre-paid payments that would have been eligible for payment during the period of disability had the account not been pre-paid. However, these should not be paid until the final installment is claimed. At that time, make for all the pre-paid installments that the customer was entitled to as well as the final payment.

In preparing the draft form use in the space for "Month(s) and Year of Installment Being Paid", the date that would exist if the account were neither prepaid not past-due. This means that this date may not necessarily coincide with the next open due date on the ledger card. When making claim for prepaid installments, show all months being claimed in this space (actual date of pre-paid installments as they were originally scheduled to the ledger card.)

MULTIPLE ACCOUNTS When making a claim, be sure to check the customer's wheeldex card, ledger card and folder to be certain that claim is made for all eligible payments on all of the customer's accounts covered by Disability Insurance. When making claim for payments on more than one account for the same customer, only one First Report or Continuance Report is necessary; however, a separate Draft form (Snap-out) is required for each account. Remember that a total of $250 per month is the maximum amount payable under Disability Insurance.

ORDERING FORMS First and Continuance Report forms, and Drafts may be ordered from Consumer Insurance Services, Atlanta. The Important Notice (19-E-) may be requisitioned from the Purchasing Department, Atlanta. Please keep only a minimum supply of all necessary forms in your office.

RELATED BULLETINS INSURANCE-DISABILITY INSURANCE - CREDIT LIFE
INSURANCE - REPORTING & PREMIUM PAYMENT

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT DISABILITY

TOPIC CLAIMS PROCEDURE CORRESPONDENT BANKS

Pg. 1,2,9,10 ONLY

Replaces Bulletin: INSURANCE -DISABILITY - CLAIMS PROCEDURE-CORRESPONDENT BANKS Dated 12-1-66

Disability insurance, in addition to being a real protection for your customers, is a good-will builder. As such, it has become an important part of any retail installment financing package. A complete understanding of the provisions of the policy covering Disability insurance, as well as the procedures necessary for the handling of claims is absolutely essential to insure your customers the full benefits of this coverage. This bulletin will assist you in filing claims for your customers under the Disability insurance policy.

Claims are paid through Consumer Insurance Services, Citizens and Southern National Bank, P. O. Box #4899, Atlanta, Georgia 30302. Each legitimate claim should be paid as soon as possible. To avoid carrying claims in suspense over a prolonged disability, each installment is treated as a separate claim as it becomes eligible for insurance payment. You should give careful attention to completing the necessary forms in submitting your claims.

CLAIMS PROCEDURE The procedure for filing disability claims is outlined below. The illustrations shown throughout subsequent paragraphs of this bulletin contain detailed explanations of each step to be taken in completing the forms.

1. Notice of possible claim.
   A. Determine that a legitimate claim does exist.

2. Obtain properly completed supporting report forms.
   A. Determine if the customer's and/or physician's statement is needed.
   B. Verify disability when required.

3. Complete "Claim for Disability Benefits" (snap-out forms).

4. Check report forms, snap-out "Claim for Disability Benefits" forms, and previous disability claim form for eligibility and correctness.

5. Send report form and the snap-out "Claim for Disability Benefits" form to Consumer Insurance Services, Citizens and Southern National Bank, P. O. Box #4899, Atlanta, Georgia 30302.

6. When the draft and copy, customer's Receipt and Posting Coupon are returned, use the draft to pay the installment claimed. Using the Posting Coupon, post the ledger card, send customer his receipt, and file the draft copy in the customer's folder to use in filing subsequent claims.

Replaces Bulletin: INSURANCE - DISABILITY - CLAIMS PROCEDURE - CORRESPONDENT BANKS Dated 12-1-66

NOTICE OF POSSIBLE CLAIMS (STEP 1) It is the responsibility of the customer to advise the bank of the possibility of a claim under this policy. The insured has 90 days after the end of the first month of disability in which to file claim (previously 60 days). Conversation with the customer, an inspection of the ledger card, and a review of the customer's file are of assistance in determining the probability of the existence of a claim. Before permitting a customer to inconvenience himself by filling out a claim form and securing the necessary doctor's statement, we should determine that a legitimate claim does exist.

1. Is the customer eligible for Disability coverage? Was he or she younger than 62 years of age at the time the loan was made? Was he or she gainfully employed (either by others or for self) at the time the loan was made?

2. Is the installment loan repayable in equal monthly installments over a period not exceeding seven years?

3. Was this particular disability in existence at the time the loan was made or at any time during six months preceding the date of the loan?

4. Has the disability been, or will it have been, in existence for 31 days prior to the date of the payment for which claim is being made?

5. Is the disability due to an excluded cause, i.e., pregnancy, act of war, etc?

QUESTIONABLE CLAIMS Whenever you have a questionable claim, submit it to Consumer Insurance Services, P. O. Box 4899, Atlanta, Georgia 30302 so that it may be discussed with the insurance company. Be sure the customer understands that no commitment has been made and that the insurance company must review the claim before payment can be made.

SUPPORTING REPORT FORMS (STEP 2) Use the FIRST REPORT form (see illustration which follows) for all claims in which the 30 day waiting period is involved. All such claims must be supported by a First Report form completed by both the customer (or his closest relative) and the physician.

Use the CONTINUANCE REPORT form (subsequently illustrated) for all continuing claims after the First Report form has been complied with. Continuance claims are of two major types - those where the physician is uncertain of the length of disability and those where the physician feels the customer to be totally and permanently disabled, either for a specified length of time, for a period which runs beyond the due date of the final installment of the customer's account, or for the remainder of the customer's life.

FIRST REPORT FORM

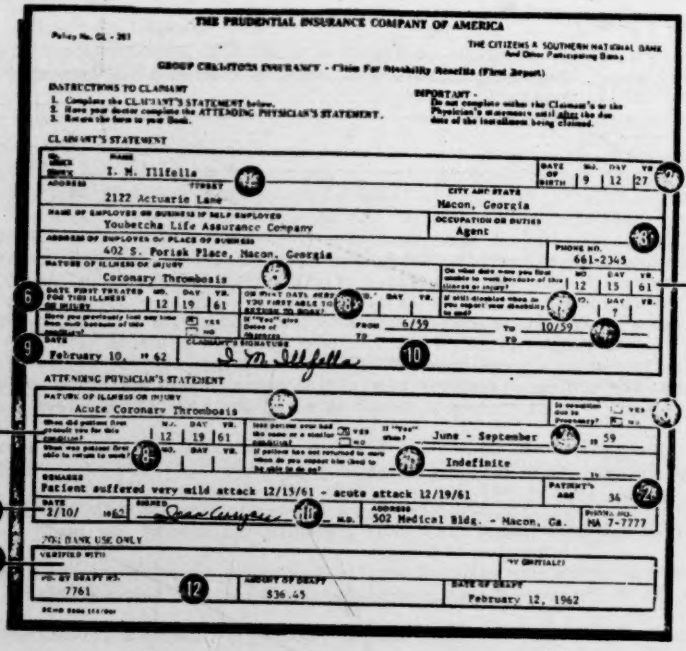
Must always be completed on first installment(s) being claimed at the beginning of each disability. (Use whenever 30 day waiting period is required.)

SECTION INSURANCE

SUBJECT DISABILITY

TOPIC CLAIMS PROCEDURE
CORRESPONDENT BANKS

Date 12-1-66



THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Policy No. GL - 201

THE CITIZENS & SOUTHERN NATIONAL BANK And Other Participating Banks

GROUP CREDITORS INSURANCE - Claim For Disability Benefits (First Report)

INSTRUCTIONS TO CLAIMANT
1. Complete the CLAIMANT'S STATEMENT below.
2. Have your doctor complete the ATTENDING PHYSICIAN'S STATEMENT.
3. Return the form to your Bank.

IMPORTANT - Do not complete within the Claimant's or the Physician's statements until after the due date of the installment being claimed.

CLAIMANT'S STATEMENT

(1) NAME: I. M. Illfella — ADDRESS: 2122 Actuarie Lane — CITY AND STATE: Macon, Georgia — DATE OF BIRTH: 9 | 12 | 27 (2)

NAME OF EMPLOYER OR BUSINESS IF SELF-EMPLOYED: Youbetcha Life Assurance Company — OCCUPATION OR DUTIES: Agent (3)

ADDRESS OF EMPLOYER OR PLACE OF BUSINESS: 402 S. Portsk Place, Macon, Georgia — PHONE NO.: 661-2345

NATURE OF ILLNESS OR INJURY: Coronary Thrombosis (5)

(6) DATE FIRST TREATED FOR THIS ILLNESS OR INJURY: 12 | 19 | 61 — (4) Have you previously had any knee from accident or illness: YES / NO — (7) On what date were you first unable to work because of this illness or injury? 12 | 15 | 61 — If still disabled when do you expect your disability to end? — (8) ON WHAT DATE DID YOU FIRST ABLE TO RETURN TO WORK? — If "Yes" give Source of Insurance: — FROM 6/59 TO 10/59 — TO — (8A)

(9) DATE: February 10, 19 62 — CLAIMANT'S SIGNATURE: I. M. Illfella (10)

ATTENDING PHYSICIAN'S STATEMENT

NATURE OF ILLNESS OR INJURY: Acute Coronary Thrombosis (5) — Is recurrence due to Pregnancy? YES / NO (5A)

(6) When did patient first consult you for this condition? 12 | 19 | 61 — Was patient ever employed by the same or a similar occupation? YES / NO — If "Yes" When? June - September (4A) 19 59

(8) When was patient first able to return to work? — (7A) If patient has not returned to work where do you expect him/her to be able to do so? Indefinite

REMARKS: Patient suffered very mild attack 12/15/61 - acute attack 12/19/61 — PATIENT'S AGE: 34 (2A)

(9) DATE: 2/10/ 1962 — SIGNED: Jane Surgeon M.D. (10) — ADDRESS: 302 Medical Bldg. - Macon, Ga. — PHONE NO.: MA 7-7777

(11) BANK USE ONLY

VERIFIED WITH — BY (INITIALS)

PD. BY DRAFT NO.: 7761 (12) — AMOUNT OF DRAFT: $36.45 — DATE OF DRAFT: February 12, 1962

DEMO FORM 111/001

(1) **CUSTOMER'S NAME AND ADDRESS** - For identification. Check for Exclusion of benefits.
- Disability cannot be contracted outside U.S. or Canada.

(2) **AGE** - Check for eligibility. Customer cannot be 62 or older on date of loan.

(3) **EMPLOYMENT** - Check for eligibility. Must be gainfully employed on date of loan.
- Use when necessary to verify dates "not worked."

(4) **PREVIOUS DISABILITY FROM SAME CAUSE** - Check for exclusion of benefits. Cannot have been disabled from same cause on date of loan or during preceding six months.

(5) **NATURE OF DISABILITY** - Check for exclusion of benefits. Disability due to pregnancy, Act of War, etc.
- Use when deciding method of handling Continuance Reports.

(6) **BEGINNING DATE OF DISABILITY** - Check for coverage - 31 day waiting period between date Disability began and date of first installment being claimed. Use when necessary to verify dates "not worked" with employer.

(7) **LENGTH OF DISABILITY** - Use when deciding method of handling for Continuance Reports.

(8) **END OF DISABILITY** - Date in either space terminates claim.

(9) **DATE OF STATEMENTS** - Must be on or after date of installment claimed.

(10) **SIGNATURES OF STATEMENTS** - Both statements must be signed - (Closest relative should sign if customer cannot.)
- Use physician's address and phone number for verification when required.

(11) **VERIFICATION** - Initial here when and initial whenever necessary to verify any information on either statement.

(12) **DRAFT IDENTIFICATION** - To be completed by Central Investment Department, C&S Bank, Atlanta.

E-1294

REPLACES BULLETIN: INSURANCE - DISABILITY - CLAIMS PROCEDURE
CORRESPONDENT BANKS - Dated 3-9-62

In cases of uncertain length of disability, a Continuance Report will need to be completed by the customer (or his closest relative) and the physician each time a claim is made. In cases where the disability is known to continue for a long period of time or for the length of the loan, it will not be necessary to obtain a Continuance Report signed by the customer and physician for each payment claimed. In such cases, each month as the payment becomes due, the hospital or other institution, the physician or the employer should be called to verify that the customer is still disabled (unable to work). A Continuance Report should be filled out as shown on the preceding illustration, indicating the verification as shown.

COMPLETION OF "CLAIMS FOR DISABILITY BENEFITS" SNAP-OUT FORM (STEP 3)

This three part snap-out form was designed to expedite payments of claims with a minimum of clerical effort. This form is used in filing all claims - First and subsequent Continuance claims. All applicable spaces must be completed as shown in the illustration which follows.

Send all tickets with the completed First Report, or Continuance Report to Consumer Insurance Services, P. O. Box #4899 Atlanta, Georgia, 30302. Tickets #2 (Customer's Receipt) and #6 (Posting Coupon) will be returned with a Draft and draft copy to the bank making the claim.

Ticket number 2 is the customer's receipt and instructs him what to do if he is still disabled when his next payment becomes due. This should be mailed each time an installment is paid by Disability insurance. The man handling the claim must decide whether or not a Continuance Report will have to be completed by the customer and physician for the next month's claim.

Cases in which no Continuance Report should be mailed:

(a) Current claim has paid final installment

(b) Customer has returned to work

(c) Physician's statement on current claim indicates total permanent disability for a prolonged period of time or for balance of life of loan.

Ticket number 6 is the posting coupon and should be used in the regular manner. As the payment is posted, mark the ledger card "PD" in the space for payment coding to indicate that payment was made by a disability claim.

CHECK REPORT FORM AND SNAP-OUT TICKET FOR ELIGIBILITY AND CORRECTNESS (STEP 4)

After the snap-out ticket has been typed, but before it is signed, the supporting report forms and the snap-out ticket should be checked for eligibility, completeness, and correctness. The following procedure should be used:

CLAIM FOR BENEFITS - SNAP-OUT FORM

(1) **Date** - Day and year upon which the snap-out ticket is completed.

(2) **Amount of Payment** - Amount of monthly installment.

(3) **Date Disability Began** - Obtain from First Report form.

(4) **Date Periods Which Benefits Previously Paid** - When filing a First Report claim indicate "none". When filing a Continued Report claim show the "month, day and year" of the last installment previously claimed on the same account.

(5) **Total Amount Previously Paid** - First Report claims show "none". Continued Report claims show total amount of all installments previously paid under the same disability and on the same account.

(6) **Due Date(s) of Installment(s) Claimed** - Show month, due date and year and amount of each installment being claimed (three installments per claim maximum). Do not claim on the same Snap-out ticket, any date claimed on other Snap-out ticket(s) already issued for the total of the installments being claimed.

(7) **Paid by Draft Number** - **Date of Draft** - These spaces to be completed by the Central Installment Department.

(8) **Signature and Title** - Each snap-out ticket must be signed by the Installment Loan Officer-in-Charge or Manager.

(1) **Ticket Number 1.** - Becomes a part of the permanent claim papers together with the First or Continued Report form.

(2) **Ticket Number 2.** - Customer Receipt - Will be returned to the originating bank with draft paying claim.

(3) **Ticket Number 3.** - Posting Coupon - Will be returned to the originating bank with draft paying claim.

SEND ALL 3 TICKETS TO CENTRAL INSTALLMENT, ATLANTA, TOGETHER WITH THE CORRESPONDENT FIRST OR CONTINUED REPORT FORM.

REPLACES BULLETIN: INSURANCE - DISABILITY - CLAIMS PROCEDURE - CORRESPONDENT BANKS - Dated 3-9-62

A. First Report Claims

1. Check the five points of eligibility listed under "Notice of Possible Claims" (Step 1).

2. Use the customer's statement to determine previous disability (on the date of the loan or during the preceding six months).

3. Use physician's statement for dates of disability, both beginning and ending. (At times there will be a discrepancy between the beginning date of disability. Ordinarily we will use the physician's date so long as it does not affect eligibility. Sometimes a customer may become disabled prior to the date he sees his physician. Should there be no more than seven days' variation, we will accept the date supplied by the customer, after verifying with the employer the date last worked.)

4. Check the date the customer indicates that he returned to work. (Customer must have been disabled on the date of installment being claimed.)

B. Continuance Report Claims

1. Check the Continuance Report to determine that disability has been continuous since the date of the last installment claimed.

Occasionally you will have a claim where the customer indicates that he has returned to work (with or without his physician's consent) for a few days, but has had a relapse and has been disabled for the balance of the time between installments. Honor all such claims as long as the customer did not return to work for a period in excess of five days. If the time at work is in excess of five days, the 30 day waiting period is automatically reinvoked and the claim must be treated as if it were a First Report claim.

*The definition of disability has been broadened to: "Being prevented from performing any and every duty pertaining to the occupation of the insured". However, if the insured performs any work or engages in any business or other occupation for renumeration or profit, he shall not be deemed disabled under the policy. For example: A dentist loses a hand. He cannot practice dentistry so he is disabled as long as he does no other work. However, if he begins selling dental equipment, he then is no longer disabled even though he still cannot practice dentistry and even though his physician states that he is unable to perform this occupation he was engaged in at the time the disability began.

REPLACES BULLETIN: INSURANCE - DISABILITY - CLAIMS PROCEDURE - CORRESPONDENT BANKS - Dated 3-9-62

*In some instances, the insured is permitted to return to work for a couple of hours per day by his physician as part of his rehabilitation. Where this is the case and the physician states that the insured is unable to work more than this length of time, we will continue to honor claims as long as all the above factors hold true. If the insured is permitted to work ½ day (4 hours) or more, the claim cannot be honored.

You may occasionally have a customer who may be originally disabled from one cause and, before returning to work, subsequently becomes disabled from another cause. As long as the disability (inability to work) has been continuous, such claims are to be treated as if the customer had had the same disability for the entire period.

Frequently customers will change physicians several times during the course of a disability. This in no way effects eligibility; however, in such cases a physician's statement should be obtained from each physician covering the period of time of his statement.

It is possible for a customer to lose his job during or even before his disability. This does not cause ineligibility. The policy requires that the customer be gainfully employed (workweek of not less than 30 hours) at the time the loan is made. If the customer subsequently becomes unemployed (for any reason), he still remains eligible for benefits under this policy. However, since the customer obviously has no job to return to, the ending date of disability will be that date shown by the physician as the date his patient was first able to return to work. In claims of this sort, a customer's and physician's statement must be obtained each month.

Remember to check the present Continuance Report form against that of the preceding month (First or Continuance). Be certain that there is proper continuity between the report forms. Check the ledger card to be certain that the proper installment is being claimed. The due dates of installments being claimed must be in proper consecutive order. Be sure to check the "Date Disability Began" on continuing claims to be sure the correct date is used, also the "Date Through Which Benefits Previously Paid".

SEND REPORT FORM AND CLAIM FOR DISABILITY BENEFITS FORM (SNAP-OUT TICKET) TO CONSUMER INSURANCE SERVICES, ATLANTA (STEP 5)

PAYING THE CLAIM (STEP 6) All claims will be paid through Consumer Insurance Services, Citizens and Southern National Bank, P. O. Box 4899, Atlanta, Georgia, 30302. A draft and draft copy will be returned to the bank originating the claim together with copies 2 and 6 of the snap-out tickets.

SECTION INSURANCE

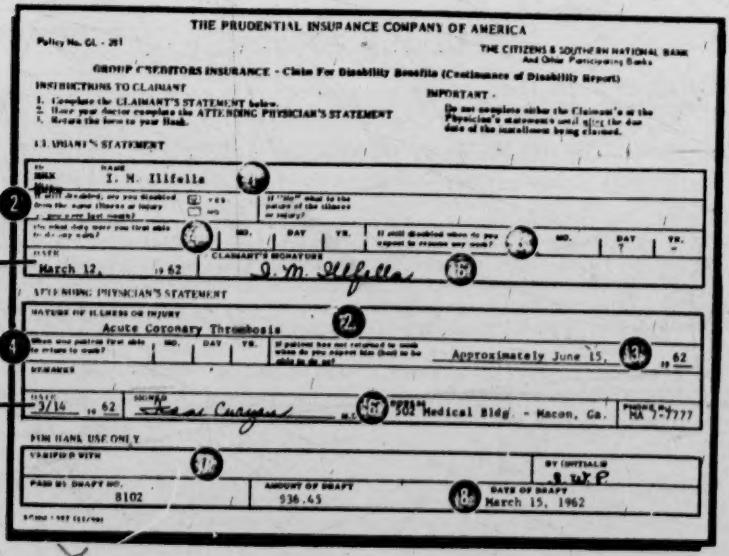
SUBJECT DISABILITY

TOPIC CLAIMS PROCEDURE
CORRESPONDENT BANKS

Date 12-1-66

CONTINUANCE REPORT FORM

To be used on all claims under the same continuing disability after the first report has been used on the initial claim.



THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Policy No. GL - 261

THE CITIZENS & SOUTHERN NATIONAL BANK And Other Participating Banks

GROUP CREDITORS INSURANCE - Claim For Disability Benefits (Continuance of Disability Report)

INSTRUCTIONS TO CLAIMANT
1. Complete the CLAIMANT'S STATEMENT below.
2. Have your doctor complete the ATTENDING PHYSICIAN'S STATEMENT
3. Return the form to your Bank.

IMPORTANT - Do not complete either the Claimant's or the Physician's statements until after the due date of the installment being claimed.

CLAIMANT'S STATEMENT

NAME: I. M. Ilifella

Are you disabled? YES NO

DAY: 12 MO. DAY YR. 62

DATE: March 12, 1962

CLAIMANT'S SIGNATURE: I. M. Ilifella

ATTENDING PHYSICIAN'S STATEMENT

NATURE OF ILLNESS OR INJURY: Acute Coronary Thrombosis

When were patient first able to work? MO. DAY YR.

If patient has not returned to work when do you expect him (her) to be able to do so? Approximately June 15, 1962

REMARKS

DATE: 3/14 1962

SIGNED: [illegible] M.D.

ADDRESS: 502 Medical Bldg. - Macon, Ga.

PHONE No.: MA 7-7777

FOR BANK USE ONLY

VERIFIED WITH

BY (INITIALS) B W P

PAID BY DRAFT NO.: 8102

AMOUNT OF DRAFT: 936.45

DATE OF DRAFT: March 15, 1962

(1) * CUSTOMER'S NAME - For identification.

(2) CONTINUANCE OF DISABILITY - Disability must be continuous from date of last installment claimed.

(3) * LENGTH OF DISABILITY - Use in deciding method of handling future continuance claims.

(4) END OF DISABILITY - Date in either space terminates claim.

(5) DATE OF STATEMENTS - Must be on or after date of installment claimed.

(6) SIGNATURES OF STATEMENTS - Both statements must be signed (closest relative should sign if customer cannot).

(7) * VERIFICATION - Indicate with whom and initial whenever necessary to verify any information on either statement (see below).

(8) * DRAFT INFORMATION - To be completed by Central Installment Department, C&S Bank, Atlanta.

WHEN MAKING A VERIFICATION

If the previous First or Continuance Report indicated disability of prolonged duration, no Continuance Report will have been mailed to customer with receipt for last installment. Verification (phone or mail) must be made with physician, institution, or employer that disability has been continuing since the last installment. Always use a Continuance Report to show such verification. When verification is by mail, attach letter (from physician, institution, or employer) to Continuance Report. The customer's name and draft information is to be filled in by the Central Installment Department, C&S Bank, Atlanta.

The above steps of completion which are marked with an asterisk (*) must appear on all verification report forms.

E- 1299

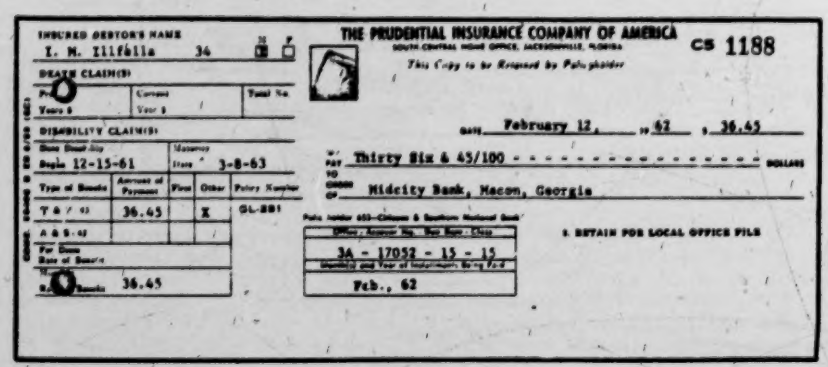
Replaces Bulletin: INSURANCE - DISABILITY - CLAIMS PROCEDURE - CORRESPONDENT BANKS Dated 12-1-66

1. Draft - Use this as a cash item to pay the installments claimed.

2. Posting Coupon - Use ticket #6 of the snap-out form to post the ledger card. (See paragraph COMPLETION OF "CLAIM FOR DISABILITY BENEFITS" (STEP 3).

3. Customer's Receipt - Ticket #2 of the snap-out form is mailed to the customer as his receipt.

4. Draft Copy (illustrated below) - File in the customer's folder. Use this in preparing subsequent claims for the same customer. From this copy pick up "Date Disability Began", "Date Through Which Benefits Previously Paid", and "Total Amount Previously Paid." Be sure to add the "Total Amount This Claim" from the draft last filed to the "Total Amount Previously Paid" to determine the "Total Amount Previously Paid" on the next completed draft.



INSURED DEBTOR'S NAME
I. M. Illfella 34 M F

DEATH CLAIM(S)
Prior Years $ | Current Year $ | Total $

DISABILITY CLAIM(S)
Date Disability Began 12-15-61 | Recovery Date 3-8-63

Type of Benefit	Amount of Payment	First	Other	Policy Number
T & P	36.45		X	GL-881
A & D				

Per Diem Rate of Benefit
No. of Months 36.45

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
SOUTH CENTRAL HOME OFFICE, JACKSONVILLE, FLORIDA
This Copy to be Retained by Policyholder

CS 1188

Date February 12, 62 36.45

Pay Thirty Six & 45/100 - - - - - - - - - - - - - - - - - - DOLLARS
TO
ORDER OF Hidcity Bank, Macon, Georgia

Policy Number 653-Citizens & Southern National Bank
Officer's Approval No. Date Draft Clears

3A - 17052 - 15 - 15

Month(s) and Year of Installment(s) Being Paid

Feb., 62

1. RETAIN FOR LOCAL OFFICE FILE

DRAFT COPY - File in customer's folder for reference in making subsequent claims.

NOTICE PROCEDURES When past-due notices are sent, the notice clerk should be on the look-out for all accounts where the last payment was coded "FD". These accounts should be immediately referred to the Collection Department to determine if the delinquency has developed because of failure to file a Disability claim.

FAST DUE ACCOUNTS Effective 12-1-66 the policy benefits have been broadened so as to pay certain delinquent payments after the originally scheduled maturity date for up to 6 months provided the customer remains continuously disabled.

Replaces Bulletin: INSURANCE-DISABILITY-CLAIMS PROCEDURE-CORRESPONDENT BANKS
Dated 12-1-66

If the account is past due at the time disability begins, these payments may now be claimed during the six months period following the date of final maturity. This will not cover any installment falling due during the 30 day waiting period.

However, if the customer does not remain disabled for the entire term of the loan and long enough afterwards to file monthly for those payments past due, collection of past due payments may be difficult at such a later date. At the initial contact with the customer the length of disability should be considered. If it is obviously to be a short one or to cease before the final maturity date, arrangements must be made to take care of any unpaid installments not then eligible for Disability payment. In any case, the customer should be advised that if his disability ceases before final maturity date, the delinquent payments will not be covered by Disability.

In case of unusual hardship and where credit factors warrant, an extension of past-due payments may be in order. However, in making such extensions, remember that you are shortening the six months period after the date of the originally scheduled final maturity.

PREPAID ACCOUNT If disability occurs on a prepaid account, claims will be handled as if the account were not prepaid. The borrower is entitled to one payment each month (after the waiting period) whether the account is prepaid or past-due. The insurance company has ruled that, if a disability continues through the final installment, we must pay any pre-paid payments that would have been eligible for payment during the period of disability had the account not been prepaid. However, these should not be paid until the final installment is claimed. At that time, make for all the prepaid installments that the customer was entitled to as well as the final payment.

The "Due Date of the Installment Claimed" on the snap-out ticket should be the date that would exist if the account were neither past due or prepaid. In the case of past due or prepaid accounts, this date will not necessarily coincide with the next open due date on the ledger card. When making claim for prepaid installments, show all months being claimed in this space (actual dates of pre-paid installments as they were originally scheduled to the ledger card.

MULTIPLE ACCOUNTS When making a claim, be sure to check the customer's wheeldex card, ledger card and folder to be certain that claim is made for all eligible payments on all of the customer's accounts covered by Disability insurance. When making claim for payments on more than one account for the same customer, only one First Report or Continuance Report is necessary; however, a separate claim for Benefits (snap-out) form is required for each account. Remember that a total of $250 per month is the maximum amount payable under Disability insurance.

ORDERING FORMS All forms required for processing claims can be obtained from the Consumer Insurance Services, Citizens and Southern National Bank, Atlanta. Please order your requirements by memo, keeping only a minimum supply in your office.

RELATED BULLETINS · INSURANCE - DISABILITY INSURANCE - REPORTING & PREMIUM PAYMENT
INSURANCE - CREDIT LIFE

Replaces Bulletin: INSURANCE - FARM EQUIPMENT - Dated 7-25-68

This bulletin replaces the bulletin on farm equipment insurance and expands the coverage to include more types of equipment. Numerous changes have been made, and the bulletin should be read carefully. The American Southern policy is being cancelled effective 1/1/71.

ELIGIBILITY

This program is available to C&S National Bank, its affiliates and wholly owned subsidiaries.

INSURANCE CARRIER

Coverage is provided by individual certificates issued under a master policy, number M3960370, written by Great American Insurance Company, through C&S Agency, Inc. The master policy is on file with Consumer Insurance Services, Atlanta. Individual certificates are issued and provide evidence of insurance and contain the major provisions of the master policy.

ASSUREDS

This is a multi-interest policy protecting the purchaser, dealer, and the bank as their interest may appear on an all-risk basis consistent with the provisions of the policy.

MERCHANDISE ELIGIBILITY

Agricultural, construction, road building, logging (except chainsaws) and similar equipment are eligible. Automobiles, trucks, motorcycles, water craft, aircraft are not eligible.

RATES

Rates and deductible amounts vary with usage and type of equipment. They are shown in the table below. The annual rate is based on each $100 of Insurance. The amount of insurance should be the actual value of the equipment.

EQUIPMENT COVERED	DEDUCTIBLE	ANNUAL RATE PER $100 OF INS.
1. Farm or agricultural equipment (except combines)	$50	.80
2. Combines	$50	1.60
3. Roadbuilding, contractors, and similar	$100.00 or 1% of amount of loss whichever is greater	1.00
4. Logging or forestry equipment (except chainsaws which are not eligible)	same as #2	3.50

RATES APPLY TO INSURED AMOUNTS UNDER $50,000. IF OVER $50,000, CALL C&S AGENCY.
(FOR TERMS, PRO-RATE X ANNUAL.) MINIMUM PREMIUM IS $5.00 PER CERTIFICATE,
[illegible] OF TERM.

Replaces Bulletin: INSURANCE - FARM EQUIPMENT - Dated 7-25-68

TERM

All policies must be written for the term of the loan.

PERILS COVERED

The policy insures against all risks of direct physical loss of or damage to the property covered except losses that are:

a. Caused by leakage, breakage, marring or scratching, wet or dampness, or by being rusted or frosted unless caused by fire, lightning, windstorm, cyclone, tornado, collision, derailment, or overturning of transporting conveyances;
b. Caused by delay, poor packing or rough handling;
c. Due to short-circuiting, blowout or other electrical disturbance within the insured article exclusive of lightning; unless fire ensues and then for loss or damage by such ensuing fire only;
d. Caused by weight of load exceeding registered lifting capacity of any machine;
e. Loss by wrongful conversion or secretion by the purchaser or lessee in possession;
f. Caused by perils as specified in War Risk Exclusion clause contained in the policy;
g. Caused by perils as specified in the applicable Nuclear Exclusion contained in the policy;
h. Caused by wear, tear, gradual deterioration, latent defect, mechanical breakdown or extremes of temperature.
i. To tires or tubes unless the loss or damage is caused by fire, windstorm or theft or is coincident with other loss or damage insured by this certificate.

PLACING COVERAGE

All certificates are issued by the C&S Agency. Example A shown on page 3 shows a sample application form. Complete and forward the application and the check for the premium to the agency. Coverage will be effective on the date the note is signed. Upon receipt of application the agency will issue a certificate and forwar with a copy to the branch. The original should be placed in the customer's file ar the copy mailed to customer with letter. A suggested latter is shown below.

CERTIFICATE TRANSMITTAL LETTER

Here is the Certificate of Insurance on your equipment which you requested from the C&S Agency when you financed your vehicle. The premium is included in your monthly payment.

Thank you for giving us this opportunity to be of service to you. If you have any questions concerning your insurance, please let us know.

Sincerely,

_____

Phone # _____

EXAMPLE "A"

APPLICATION
EQUIPMENT FLOATER

Date _____

INSURED'S NAME _____

ADDRESS _____

OCCUPATION _____

MODEL YEAR	TYPE OF EQUIPMENT	MANUFACTURER'S NAME	IDENT.NO.	AMOUNT OF INSURANCE

EQUIPMENT USED FOR _____

ANNUAL PREMIUM $_____ X TERM = $ _____
Total Premium

LOAN INFORMATION:

Date of Loan _____
Date of Final Payment _____
Amount Financed _____
Term in Months _____
Payment Schedule _____

OFFICE _____

BY _____

INSTRUCTIONS: Complete in detail and send original with check for total premium to C&S Agency. Retain copy for customer's file.

12-70

E- 1304

Replaces Bulletin: INSURANCE - FARM EQUIPMENT - Dated 7-25-68

CANCELLATION

When an account is paid before final maturity, insurance does not have to be cancelled, but may be left in force until the certificate expires. If a customer specifically requests the cancellation of his coverage when paying off in advance, send the original certificate and the customer's copy to C&S Agency for cancellation. The Agency will then compute the return premium and remit a draft (payable to the customer and the Bank) to the Bank. Verification that the account has been paid out should be made before endorsing the draft and forwarding it to the customer.

If customer cannot produce his copy of the certificate, xerox Bank certificate and type on face "cancel effective (date)" and have customer sign.

Where the bank requests cancellation due to repossession, all that is needed is a letter to that effect sent to the insurance company. The return premium will be sent directly to the bank and should be applied to the customer's account. The letter requesting cancellation must give a specific date for cancellation. This date should be the date the merchandise was sold by the Bank or the date the contract was repurchased by the dealer.

EXPIRATION, FOLLOWUP, EXTENSIONS

The C&S Agency will notify the branch 60 days prior to the expiration date of each certificate. If the loan has been extended, and if the loan balance is such that the branch needs insurance coverage, it will be necessary to submit another application to cover the extended period. Use the procedures, rates, and minimum premium previously outlined. The amount of insurance should be the actual value of the equipment at the time of the new application.

LOSSES

Report all losses to the C&S Agency, giving full details.

ORDERING FORMS

FORM NO.	DESCRIPTION	ORDER FROM
NONE	Application - Equipment Floater	C&S Agency, Atlanta
NONE	Insurance Transmittal Letter	Produce locally

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT ERRORS & OMISSIONS COVERAGE

TOPIC AUTOMOBILE DEALERS

 Date 12/22/69

Replaces Bulletin: INSURANCE - ERRORS & OMISSIONS COVERAGE - AUTOMOBILE DEALERS - Dated 8-1-64

All of the Citizens and Southern National Banks and affiliates buying paper from automobile dealers who sell their own insurance and who represent the Dependable Insurance Company are protected from errors and omissions and subsequent loss on our part where mistakes in writing the policy are made by the agent. Our blanket coverage is by Dependable Insurance Company policy, 78411. (Policy is on file in Consumer Insurance Services, Atlanta.)

POLICY INTENT

The purpose of this policy is to provide coverage where agents of Dependable Insurance Company have been ordered to write insurance for the life of the contract, the premium has been paid by us, and the company has failed to write the insurance ordered.

In addition, the policy provides us with the same single interest protection we would have if a Long Form Loss Payable Clause were a part of each customer's policy (protection for acts of neglect, policy violations, etc., by the customer).

WHEN APPLICABLE

This coverage is applicable only in cases where (1) we finance an automobile and (2) the insurance has been sold to the borrower by the automobile dealer, and (3) the dealer is an agent of Dependable. The policy protects us on a single interest basis to the extent of the net amount owed on the loan.

EXCESS COVERAGE

This insurance applies to automobiles in which the Bank has a loss payable interest only if the Bank is not covered by some other specific insurance. In cases where there is other specific insurance, claim should be filed against that insurance coverage.

If necessary please refer the details of any loss to Consumer Insurance Services, Atlanta, for further handling.

Replaces Page ~~1 Only~~ of Bulletin: INSURANCE - FLOORPLAN-AUTOMOBILE
Dated 2/12/71

A recent agency change has called for a change in carriers under this policy. The updating of this information and clarification of other points follows.

R INSURANCE CARRIER AND AGENCY

Effective February 1, 1971, coverage is with the Great American Insurance Company under policy #3928947, and the C&S Agency, Inc. is the agent. The policy is on file with Consumer Insurance Services, Atlanta.

ASSUREDS

This is a dual interest policy protecting the bank and the dealer, as the interests of each may appear.

R MERCHANDISE ELIGIBLE FOR COVERAGE

Automobiles, trucks, trailers, semi-trailers, (Mobile homes and campers are not eligible).

DURATION OF COVERAGE

The policy becomes effective as soon as either the dealer or the bank acquires an interest in the vehicle. Where we are clearing units at the factory, the insurance becomes effective for the bank when the factory drafts on us. The coverage terminates when the bank's interest is terminated, or when the merchandise is sold, delivered, or otherwise disposed of by the dealer, whichever occurs first.

PERILS COVERED

This is a stated perils policy insuring against loss and/or damage caused by -

(A) Fire - Direct and accidental loss of or damage to the vehicle caused by fire or lightning, by smoke smudge due to a sudden, unusual and faulty operation of any fixed heating equipment serving the premises in which the automobile is located, by the stranding, sinking, burning, collision or derailment of any conveyance in or upon which the automobile is being transported. (Except while being conveyed in or upon any motor vehicle or trailer or semi-trailer.)

(B) Theft - Direct and accidental loss of or damage to the vehicle caused by theft, larceny, robbery or pilferage. (Except where due N to acts on the part of the dealer or his employee.) A $25.00 deductible for each automobile applies to all losses including theft of auto parts and accessories.

(C) Combined Additonal Coverage - Direct and accidental loss of or damage to the vehicle, caused by windstorm, hail, earthquake, explosion, riot or civil commotion, or the forced landing or falling of any aircraft or its parts or equipment, flood or rising waters, malicious mischief or vandalism, external discharge or leakage of

Replaces Bulletins: INSURANCE, FLOORPLAN-AUTOMOBILE-Dated 3/23/65 and INSURANCE FLOORPLAN-AUTOMOBILE-COLLISION,DEMO,& DRIVEAWAYS - Dated 1/21/70

water except loss resulting from rain, snow or sleet whether or not wind-driven; provided, with respect to each vehicle, $25.00 shall be deducted from each loss caused by malicious mischief or vandalism.

COLLISION, DEMONSTRATORS, and DRIVE-AWAYS

Through an endorsement to this policy, we offer dual-interest collision insurance on demonstrators and drive-Aways to those dealers insuring their floorplan
R under this policy. This coverage is not automatically included, and must be specifically requested by the dealer. Upon request, the insuring company will establish a premium charge based on exposure to loss. In each case, contact Consumer Insurance Services, Atlanta, for further information.

AMOUNT AND EXTENT OF COVERAGE

The limits of the insurance company's liability for loss shall not exceed the
R actual cash value of the vehicle. The limits of liability for any one disaster or any one location shall not exceed $1,250,000.

EXCESS COVERAGE

The policy states that "this insurance shall be considered as excess insurance where other insurance exists in the name of or for the benefits of the Named Insured or Dealer, and shall not apply until all other insurance shall have been exhausted."

COST TO DEALER

The cost of insurance is included in our standard flat charges of which are computed on the invoice price of each car floorplanned and open on wholesale during the month, even though it may be paid off during the month. This flat charge is added to your "Statement of Interest on Wholesale" as it goes out each month.

PAYMENT OF PREMIUMS

R Premiums are paid by the reporting Bank at the rate of 33¢ per $1000 per month using the Monthly Insurance Report (19-921) as follows:

(A) The total value (dealer cost plus transportation) of vehicles on hand at the end of the preceding month. Premiums are paid only on those cars on hand at the end of the month regardless of what the dealer's turnover may have been during the month.

(B) On the reverse of the form, list all dealers covered under the policy and, show the amount of inventory and location.

Replaces Bulletins: INSURANCE FLOORPLAN - AUTOMOBILE - DATED 3/23/65 and INSURANCE FLOORPLAN - AUTOMOBILE - COLLISION, DEMO, & DRIVEAWAYS - Dated 1/21/70

The Insurance Report should be prepared and sent to Consumer Insurance Services, Atlanta, by the 10th of each month (see Bulletin: INSURANCE - REPORTING & PREMIUM PAYMENT).

REPORTING LOSSES

Write or telephone Consumer Insurance Services, Atlanta, and give the following information:

1. Date, Time, Place, and Types of Loss.
2. Vehicle(s) involved (include serial numbers).
3. Description of how loss occurred.
4. Estimate of repairs, if available.
5. Your name, date, and office location.

DO NOT AUTHORIZE REPAIRS.
DO NOT ASSIGN TO AN ADJUSTING FIRM.

BANKS OTHER THAN CITIZENS AND SOUTHERN

The coverages under this policy are available to any correspondent bank on the same basis as C&S Banks. Any correspondent bank desiring this coverage should be referred to Consumer Insurance Services, Atlanta.

ORDERING FORMS

Notice of Loss forms may be ordered from Consumer Insurance Services, Atlanta.

RELATED BULLETINS

INSURANCE - REPORTING & PREMIUM PAYMENT

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT FLOORPLAN - EQUIPMENT

TOPIC

 Date 1-25-65

REPLACES BULLETIN: INSURANCE, FLOORPLAN - EQUIPMENT, Dated 3-2-62

This bulletin is being rewritten to incorporate changes necessitated by the change in the insurance carrier. The new Floorplan Floater policy provides the same casualty protection for the dealer and the bank on merchandise and equipment that we had under the old policy. The major changes are in the rate (now $1.30 per $1,000) and in the limits of liability (now $50,000 at one location). It is important that all personnel handling dealer paper review the policy provisions and familiarize themselves with the procedures involved so that our dealers will always receive the maximum benefits from the policy.

INSURANCE CARRIER AND AGENCY Effective January 1, 1965, coverage is with American Southern Insurance Company under their policy #IM-527.

ASSUREDS This is a dual interest policy, protecting the dealer and the bank as their interests may appear.

MERCHANDISE ELIGIBLE FOR COVERAGE "Equipment, appliance and durable articles ... specifically identifiable as encumbered to the lending institution ..." This includes anything which we normally finance on Wholesale Floorplan (including boats and motors) except automobiles, trucks, motor scooters, motorcycles, and similar vehicles. It does cover merchandise which is on demonstration as well as that on the dealer's floor or in his warehouse.

WHERE COVERED Within territorial limits of Georgia, South Carolina, Alabama and Florida.

EFFECTIVE DATE Coverage is effective as of the date the Bank approves the purchase and the dealer takes delivery. Coverage is provided while the merchandise is in transit if approval has been given and the dealer has taken possession anywhere other than his place of business.

PERILS COVERED This is an all-risk or damage policy with the following exclusions:

(a) Loss or damage caused directly or indirectly by hostile or warlike action in time of peace or war, any weapon of war employing atomic fission or radioactive force, invasion, insurrection, rebellion, civil war, usurped power, legal seizure, legal destruction, legal confiscation, or risks of contraband or illegal transportation or trade.

(b) Loss or damage to electrical appliances arising from electrical injury or disturbances from artificial causes, unless fire ensues and then only for direct loss or damage caused by such ensuing fire.

(c) Loss or damage caused by mechanical breakdown, inherent vice or defect, wear and tear or gradual deterioration.

REPLACES BULLETIN: INSURANCE, FLOORPLAN - EQUIPMENT, Dated 3-2-62

(d) Loss or damage resulting from delay, loss of market, bankruptcy, foreclosure or similar proceedings.

(e) Loss or damage due to conversion or any dishonest act on the part of the dealer or his employees.

(f) Breakage of fragile articles unless caused by fire, lightning, explosion, cyclone, tornado, thieves, or overturning, derailment or collision of the conveyance on which the merchandise is being transported.

(g) Loss or damage caused by the elements while the merchandise is in the open, except while in transit.

(h) Loss or damage caused by flood and rising waters, except while in transit.

EXTENT OF COVERAGE Merchandise is covered as long as it is:

(a) Unsold by dealer - his cost plus transportation charges.

(b) Sold but not delivered - the net selling price after allowances and discounts.

LIMITS OF LIABILITY

(a)	While in transit ...	$ 25,000
(b)	At any one location ...	$ 50,000
(c)	In any one disaster ...	$150,000

TERMINATION OF COVERAGE Liability continues from the time the merchandise becomes at risk for the insured (see previous paragraph EFFECTIVE DATE) to the termination of the Bank's interest or when the merchandise is sold, delivered, or otherwise disposed of by the dealer, whichever occurs first.

COST OF COVERAGE TO DEALER The cost of this insurance is included in our standard 1% flat charge for ninety days and ½% renewal charge for each thirty days thereafter.

PAYMENT OF PREMIUMS Premiums are paid by the reporting bank at the rate of $1.30 per $1,000 per month using the Monthly Insurance Report (19-921) as follows.

(a) The total value (dealer cost plus transportation) of merchandise on hand at the end of the preceding month. Premiums are paid only on merchandise on hand at the end of the month, regardless of dealer's turnover during the month.

REPLACES BULLETIN: INSURANCE, FLOORPLAN - EQUIPMENT, Dated 3-2-62

(b) On the reverse of the form, list any dealers with more than $5,000 at one location, showing the amount at each location. If there are no such dealers, indicate that fact on the report by writing "NONE."

The Insurance Report should be prepared and sent to System Consumer Credit in Atlanta by the 10th of each month (see page 5 of Bulletin: INSURANCE - REPORTING & PREMIUM PAYMENT).

CANCELLATION This insurance may be cancelled with any particular dealer when it is deemed that the insured does not exercise due caution in regard to the protection of merchandise. Cancellation requires a written notice fifteen (15) days prior to cancellation date.

COPIES OF POLICY The policy is on file in the System Consumer Credit Department, Atlanta.

REPORTING LOSSES

Prepare a "Notice of Loss", sending original and two copies to the System Consumer Credit Department, Atlanta, together with copies of the dealer invoices covering each damaged unit. Be sure to indicate the name and location of your bank as well as the name of the individual handling the dealer account on the Notice of Loss. (See illustration on page 4.)

IMPORTANT

1. Do not assign the loss to a commercial insurance adjustor.
2. On partial losses no repairs should be made before the loss is reported. An estimate of repairs should be submitted by the dealer to assist in the adjustment of the loss.

BANKS OTHER THAN CITIZENS AND SOUTHERN The coverages under this policy are available to any correspondent bank on the same basis as C & S Banks. Any correspondent bank desiring this coverage should be referred to the System Consumer Credit Department, Atlanta.

ORDERING FORMS Notice of Loss forms may be ordered from the System Consumer Credit Department, Atlanta.

RELATED BULLETINS INSURANCE - REPORTING & PREMIUM PAYMENT

POOR COPY

OPERATING BULLETIN

SECTION INSURANCE Page 4 of 4

SUBJECT FLOORPLAN - EQUIPMENT

TOPIC Date: 1-25-65

NOTICE OF LOSS

Atlanta, Georgia 30309

POLICY NO. FM 527

NAME OF INSURED

Wee Sellum Company and The C & S National Bank

COMPLETE BELOW ONLY ITEM(S) INVOLVED IN LOSS AS DESCRIBED BY THIS POLICY

DESCRIPTION AND LOCATION OF PROPERTY COVERED

MDSE.	MAKE MODEL #	SERIAL #	OUR COST	PRES. TAKE
T.V.	G.E. 21C-3439	365906	182.00	45.00
Range	G.E. J400T	527n31	129.00	35.00
Washer	G.E. WA-350T	379213	116.50	35.00
Refrig	G.E. BH12T	084219	300.00	60.00
				175.00

402 N. Broadway, Macon, Georgia

DEALER INVOICE ATTACHED TO COVER THESE UNITS

SUBJECT TO FORM NUMBERS (INSERT FORM NUMBERS AND EDITION DATES)

LOSS PAYABLE ON REALTY TO

LOSS PAYABLE ON PERSONAL PROPERTY TO

LOCATION OF LOSS IF DIFFERENT FROM ABOVE (ITEM 4)

ADDRESS AND PHONE NO. OF INSURED IF DIFFERENT FROM ABOVE (ITEM 7)

DATE OF LOSS	HOUR OF LOSS	PROBABLE AMOUNT ENTIRE LOSS	PROBABLE AMOUNT OF ITS THIS POLICY
1-15-65			175.00

KIND OF LOSS (FIRE, WIND, ETC.) | ORIGIN OF LOSS

FIRE

OTHER INSURANCE (LIST NAMES OF COMPANY(S) AND AMOUNT IN EACH)

REMARKS: BRIEF DESCRIPTION OF DAMAGE

Fire damaged corner of warehouse - the merchandise listed above was damaged by smoke and water. Repair estimates attached cover replacement of parts and labor for repairs.

COPIES SENT TO

Name of Dept. Office	General Agent	Field Man	Dated

AGENCY NAME, STREET ADDRESS (UNLESS SHOWN ON HEAD)

FOR CATASTROPHE LOSSES ONLY — NAME OF ADJUSTER TO WHOM COPY THIS NOTICE WAS GIVEN OR FORWARDED | CATASTROPHE SERIAL NO. | CATASTROPHE ZONE NO.

LEAVE SPACE BELOW FOR COMPANY USE ONLY

The Adjustment Bureau has not been notified. For additional information contact J. D. Banker, Installment Loan Department, The C & S National Bank, Macon, Georgia. Please send check and/or report of final disposition to Mr. Will Payit, % System Consumer Credit Department, The C & S National Bank, Atlanta, Georgia.

INSTRUCTIONS TO AGENTS: APPOINTMENT OF ADJUSTER

Spaces completed in this illustration must be completed for all claims. The final paragraph must always be completed in order to properly identify the local office submitting the claim and to assure proper distribution of the draft and/or final report to System Consumer Credit

E- 1313

NEW BULLETIN

There are four situations involving insurance debits or credits to a loan which require rescheduling of payments:

1. BANK PLACEMENT - the debit of an insurance premium to the loan because the bank placed the insurance when the customer failed to do so.
2. RENEWAL - when insurance through C&S Agency is written for less than the full term of the loan and later requires renewal through charging the premium to the loan balance.
3. CANCELLATION AND REFUND OF PREMIUM - the credit of an insurance premium refund to the loan because of cancellation. (Relatively small amounts may be refunded, directly to the customer, to avoid rescheduling expense.)
4. LOSS CLAIM PROCEEDS APPLIED TO ACCOUNT - in lieu of paying for repairs to the vehicle, loss claim proceeds are applied to the loan balance under certain unusual circumstances.

Each has its own special handling, and varying credit considerations. REGULATION Z IS NOT APPLICABLE TO "SUBSEQUENT TRANSACTIONS" SUCH AS THIS.

There are some other reasons unrelated to insurance, for changing the payment schedule of a loan. These are covered in the bulletin: ACCOUNTING AND GENERAL OPERATIONS - PAYMENT SCHEDULE - CHANGES. This bulletin makes it clear that personal, continuing follow-up is necessary to get the correct terms started. If this cannot be done, insurance cancellation and repossession become the next steps.

CREDIT APPRAISAL

Any of the insurance changes mentioned above can be and frequently is, a red flag which should trigger a fresh look at the overall credit picture. Only then can we make a realistic decision on insurance handling.

BANK PLACEMENT AND RENEWAL

After the adjuster's discussion and understanding with the customer, the adjuster should have the full particulars of why the customer does not yet have insurance. Then, assuming that we wish to bank-place the insurance, here is the procedure.

1. Check the computer to get balance and status of the loan. A delinquent condition, or a next payment due very soon, must be given careful consideration. The loan must be CURRENT before we can reschedule the remaining balance. Anything to the contrary will be considered an audit exception.
2. Figure the premium amount and the term it is to cover, using rate books and forms furnished by C&S Agency.

Multiply Premium Amount Financed by Factor to Determine Amount to be added to existing loan balance.

Term in Months	6NI	6L	6LD
1	1.00500	1.00550	1.00605
2	1.01000	1.01102	1.01213
3	1.01500	1.01655	1.01823
4	1.02000	1.02208	1.02435
5	1.02500	1.02763	1.03050
6	1.03000	1.03319	1.03667
7	1.03500	1.03876	1.04287
8	1.04000	1.04434	1.04909
9	1.04500	1.04994	1.05534
10	1.05000	1.05554	1.06161
11	1.05500	1.06116	1.06791
12	1.06000	1.06678	1.07423
13	1.06500	1.07242	1.08058
14	1.07000	1.07807	1.08696
15	1.07500	1.08374	1.09337
16	1.08000	1.08941	1.10553
17	1.08500	1.09510	1.10625
18	1.09000	1.10080	1.11274
19	1.09500	1.10651	1.11926
20	1.10000	1.11223	1.12580
21	1.10500	1.11797	1.13237
22	1.11000	1.12372	1.13897
23	1.11500	1.12948	1.14560
24	1.12000	1.13526	1.15226
25	1.12500	1.14105	1.15895
26	1.13000	1.14685	1.16567
27	1.13500	1.15267	1.17243
28	1.14000	1.15849	1.17921
29	1.14500	1.16433	1.18602
30	1.15000	1.17019	1.19287
31	1.15500	1.17605	1.19975
32	1.16000	1.18194	1.20666
33	1.16500	1.18783	1.21360
34	1.17000	1.19374	1.22058
35	1.17500	1.19967	1.22759
36	1.18000	1.20561	1.23463

NEW BULLETIN

3. Use the 6% add-on rate factor chart on page 2. (The example shown is based on an account that has a balance of $1800.00, with 18 months remaining. Insurance premium is $178.00. The loan includes life and disability coverage.) Use the factor in the column that includes the same life and disability insurance coverage that the loan presently carries - the 6LD column in this case. Factor is 1.11274, multiplied by $178.00 = 198.07.

   The designation means:

   6NI = 6% Add-on rate, no insurance.
   6L = 6% Add-on rate, life insurance included.
   6LD = 6% Add-on rate, life and disability insurance included.

4. Add the amount obtained in step (3) to the loan balance amount. (1800.00 + 198.07). Figure the new payment schedule by dividing the new loan balance by the number of months (18) remaining. (NEVER lengthen the terms in lieu of increasing the payment amount.) We want all remaining payments to be equal, so it will usually be necessary to add or drop a few pennies to do this. In this example, the final payment would be $.07 more than the rest, so we will subtract $.07 from the interest amount before making our entries. So, instead of $198.07, we will add only $198.00 to the loan balance. The interest portion will be $20.00, instead of $20.07.
5. Debit Loan Balance (Misc) Code 32D, for total amount in insurance premium plus interest. (178.00 + 20.00.) See example below.

INSTALLMENT LOAN **DEBIT** LOAN BALANCE/LATE CHARGE/INTEREST & DISCOUNT (MISC.)

ACCOUNT NUMBER	AMOUNT	TRAN. CODE	DATE
52 01 25143	198.00	32D	11-28-70
2 7	12	20	46

IF NOT CODE 42N, EXPLANATION OF ENTRY:
Add:
Insurance Prem. 178.00
Interest 20.00
Total 198.00

ENTER CODE ABOVE — DESCRIPTION OF TRANSACTION

12D	DEBIT LATE CHARGE
42D	DEBIT LOAN BALANCE—MISC.
42N	DEBIT LOAN BALANCE—NSF CHECK
62D	DEBIT INTEREST & DISCOUNT—MISC.

CUSTOMER'S NAME John Dundy
APPROVED BY BCM
19-1339

The next reprint of this debit ticket will include code "32D - Debit Loan Balance - Misc."

NEW BULLETIN

6. Credit Interest and Discount (Misc), Code 62 for Interest amount. See example below.

INSTALLMENT LOAN **CREDIT** LOAN BALANCE/LATE CHARGE/INTEREST & DISCOUNT (MISC.)

ACCOUNT NUMBER	AMOUNT	TRAN. CODE	DATE
52 01 25145	20.00	62	11-28-70
1 7	13	20	46

IF CODE 63, EXPLANATION OF ENTRY: Add Interest on Insurance

ENTER CODE ABOVE DESCRIPTION OF TRANSACTION

12	LATE CHARGE
32	PAYMENT OR CREDIT TO BALANCE ONLY
33	PAYMENT BY DISABILITY INSURANCE
42	REGULAR PAYMENT (WITH LATE CHARGE IF INCLUDED)
43	PAYMENT BY INDORSER OR DEALER
62	CREDIT INTEREST & DISCOUNT—MISC.
63	EXTENSION FEES PAID—CREDIT INT. & DIS.

CUSTOMER'S NAME John Bundy APPROVED BY BCM

19-1290 REPL. 6-70

7. Type up check to C&S Agency for premium amount. The check, plus the Credit to Interest and Discount, should equal the Debit to the Loan balance.
8. It usually takes several days for a payment card book to be mailed to a customer, so we should advise him immediately by letter of the change in terms and that he will soon receive a new payment book. Use form letter "NOTICE OF PAYMENT INCREASE" shown on page 5, and include a payment coupon (substitute payment ticket 19-1220) and a return envelope. to the adjuster's attention, for the customer's use, UNLESS the insurance is single interest. In that case, use SINGLE INTEREST LETTER shown in the bulletin: INSURANCE - AUTOMOBILE PHYSICAL DAMAGE-SINGLE INTEREST COVERAGE. Since the first payment is so important, we ask him to send it to the branch. This approach adds an urgent tone to the transaction, and provides personal handling of the first payment.
9. Prepare form 19-1215 "Installment Loan Payment Schedule Change" in duplicate Write in the new balance of the loan. See "A" on example on page 6.
10. Send the original of the Payment Schedule Change to Installment Loan Control after the Loan Balance has been increased. Simple followup on Audio, Video or Daily Transactions Journal will confirm the correct balance to reschedule. File the other copy in the adjuster's followup tray.

NOTICE OF PAYMENT INCREASE

Your remaining automobile loan payments have been increased to include the automobile physical damage insurance premium, plus finance charge. Here are the details:

Premium plus Finance Charge For Remaining Term	New Monthly Payment	Beginning Date
$	$	

PLEASE SEND THE FIRST PAYMENT TO MY PERSONAL ATTENTION, USING THE ENCLOSED ENVELOPE AND PAYMENT COUPON.

You will receive a new payment book within a few days after we receive your first new payment. Please call if you have any questions.

Telephone _____

NEW BULLETIN

INSTALLMENT LOAN
PAYMENT SCHEDULE CHANGE
PAYMENT BOOK REORDER

Date 11-30-70

ACCOUNT NUMBER
52 01 25143

CUSTOMER'S NAME John Bundy

1ST SERIES RESCHEDULED			2ND SERIES RESCHEDULED			3RD SERIES RESCHEDULED		
NO. OF P.M.TS.	PAYMENT AMOUNT	DATE TO BEGIN	NO. OF P.M.TS.	PAYMENT AMOUNT	DATE TO BEGIN	NO. OF P.M.TS.	PAYMENT AMOUNT	DATE TO BEGIN
18	111.00	12.08.70						

NUMBER OF MONTHS TO EXTEND: 01
NEW DUE DATE (01, 08, 15, 22): 03
REPLACE PAYMENT CARDS: 88
CARD CODE: 90 — 8

Bal. $1998.00

EXTENSION FEE COLLECTED $

AUTHORIZED BY John Lender

19-1319

11. When you receive the first new payment, check via audio, video or Daily Transactions Journal to see that the balance has changed properly, and the rescheduled payments are correct and balance. Send the payment immediately to Installment Loan Control.
12. Prepare a 19-1215 Payment Book Reorder to request a new coupon book. File the remaining copy of the 19-1215, plus copies of the accounting entries mentioned in 5, 6, and 7 in the customer's credit file.

CANCELLATION AND REFUND OF PREMIUM

If we have financed the insurance, and there is a cancellation, the return premium (refund) will be sent to us. If the adjuster decides to credit the return premium plus applicable finance charges to the account, thereby reducing the balance and amount of remaining payments, he should use the following procedure:

1. Check the computer to get balance and status of the loan.
2. Use the 6% add-on rate factor chart on page 2. (Example shown on page 7 is based on an account that has a balance of $1640.00 with 15 months remaining. Loan includes life and disability coverage. Insurance return

premium is $136.00). Use the factor in the column that includes the same life and disability insurance coverage that the loan presently carries - the 6LD column in this case. The factor is 1.09337, multiplied by $136.00 = $148.70.

3. Subtract the amount obtained in step (2) from the existing loan balance to determine the new balance. (1640.00 - 148.70 = 1491.30)
4. Figure the new payment schedule by dividing the new loan balance by the number of months remaining. ($1491.30 ÷ 16 = 15 @ 93.20 and 1 @ 93.30). We want all payments to be equal, so it will usually be necessary to add or drop a few pennies to do this. In this example, the final payment would be $.10 more than the rest, so we will subtract $.10 from the interest amount before making our entries. So, instead of $148.70, we will subtract only $148.60 from the loan balance. The interest portion will be $12.60, instead of $12.70.
5. Credit Loan Balance (Misc) Code 32, for total amount of insurance premium plus interest. (136.00 + 12.60 = 148.60)

INSTALLMENT LOAN **CREDIT** LOAN BALANCE/LATE CHARGE/INTEREST & DISCOUNT (MISC.)

ACCOUNT NUMBER	AMOUNT	TRAN. CODE	DATE
01 03 25 [illegible]	148.60	32	11-28-70
1 7	12	20	46

IF CODE 62, EXPLANATION OF ENTRY

To credit account with:
Insur. prem. refund 136.00
Interest 12.60
Total 148.60

ENTER CODE ABOVE DESCRIPTION OF TRANSACTION

12	LATE CHARGE
32	PAYMENT ON CREDIT TO BALANCE ONLY
33	PAYMENT BY DISABILITY INSURANCE
42	REGULAR PAYMENT (WITH LATE CHARGE IF INCLUDED)
43	PAYMENT BY INDORSER OR DEALER
62	CREDIT INTEREST & DISCOUNT—MISC.
63	EXTENSION FEES PAID—CREDIT INT. & DIS.

CUSTOMER'S NAME [illegible] Mann APPROVED BY W.E.R.

10-1290 REPL. 6-70

6. Debit Interest and Discount (Misc), Code 62D for Interest amount as shown.

INSTALLMENT LOAN **DEBIT** LOAN BALANCE/LATE CHARGE/INTEREST & DISCOUNT (MISC.)

ACCOUNT NUMBER	AMOUNT	TRAN. CODE	DATE
01 03 25 [illegible]	12.60	62D	11-28-70
2 7	12	20	46

IF NOT CODE 42N, EXPLANATION OF ENTRY

Interest on credit of insurance prem. refund

ENTER CODE ABOVE DESCRIPTION OF TRANSACTION

12D	DEBIT LATE CHARGE
42D	DEBIT LOAN BALANCE—MISC.
42N	DEBIT LOAN BALANCE—NSF CHECK
62D	DEBIT INTEREST & DISCOUNT—MISC.

E1320

CUSTOMER'S NAME [illegible] APPROVED BY [illegible]

10-1259

NEW BULLETIN

7. It usually takes several days for a payment card book to be mailed to a customer, so we should advise him immediately by letter of the change in terms and that he will soon receive a new payment book. Use form letter "NOTICE OF PAYMENT REDUCTION" shown below. We should provide a payment coupon (substitute payment ticket) and a return envelope, to the adjuster's attention, for the customer's use. Since the first payment is so important, we ask him to send it to the branch. This approach adds an urgent tone to the transaction, and provides personal handling of the first payment.

NOTICE OF PAYMENT REDUCTION

Your remaining automobile loan payments have been reduced. This is because we have applied to your loan a premium refund of $ _____ on your now cancelled policy # _____. Since we financed the premium, we have also credited your loan with a refund of applicable finance charges. Here are the details.

Refund of Premium plus Refund of Finance Charge	New Monthly Payment	Beginning Date
$	$	

PLEASE SEND THE FIRST PAYMENT TO MY PERSONAL ATTENTION, USING THE ENCLOSED ENVELOPE AND PAYMENT COUPON.

PLEASE REMEMBER THAT YOU HAVE THE RESPONSIBILITY OF FURNISHING US WITH EVIDENCE OF ACCEPTABLE INSURANCE COVERAGE FOR THE LIFE OF THIS LOAN.

You will receive a new payment book in the next few days. Please call if you have any questions.

E- 1321

_____
Telephone

NEW BULLETIN

8. Prepare form 19-1215 "Installment Loan Payment Schedule Change" in duplicate. Write in the new balance of the loan. See "A" on example shown below.

INSTALLMENT LOAN
PAYMENT SCHEDULE CHANGE
PAYMENT BOOK REORDER

DATE 11-23-70

ACCOUNT NUMBER 01 03 25894

CUSTOMER'S NAME George Mann

1ST SERIES RESCHEDULED			2ND SERIES RESCHEDULED			3RD SERIES RESCHEDULED		
NO. OF PMTS. (3 DIGS)	PAYMENT AMOUNT	DATE TO BEGIN	NO. OF PMTS. (3 DIGS)	PAYMENT AMOUNT	DATE TO BEGIN	NO. OF PMTS. (3 DIGS)	PAYMENT AMOUNT	DATE TO BEGIN
16	93.20	12 08 70						

NUMBER OF MONTHS TO EXTEND

NEW DUE DATE (01, 08, 15, 22)

REPLACE PAYMENT CARDS

CARD CODE 8

Bal. $1491.20 (A)

EXTENSION FEE COLLECTED $

AUTHORIZED BY John Linder

19-1215

9. Send the original of the Payment Schedule Change to Installment Loan Control. File the other copy in the adjuster's followup tray.
10. When you receive the first new payment, check via audio, video or Daily Transactions Journal to see that the balance has changed properly, and the rescheduled payments are correct and in balance. Send the payment immediately to Installment Loan Control.
11. Prepare in duplicate a 19-1215 Payment Book Reorder to request a new coupon book. File the remaining copy of the 19-1215, plus copies of the accounting entries mentioned in 5, 6, and 7 in the customer's credit file.

LOSS CLAIM PROCEEDS APPLIED TO ACCOUNT

Ordinarily, we expect loss claim payments to be used to pay for repairs to the vehicle. Some unusual situations will arise, however, in which we will accept and apply loss claim proceeds to reduce the balance of the account. Under no circumstances will money be applied to reduce the payments, or to repay the loan. Here is the recommended procedure:

NEW BULLETIN

1. Check the computer to get balance and status of the loan.
2. Credit Loan Balance (Misc) Code 32, for amount of loss claim check.

INSTALLMENT LOAN **CREDIT** LOAN BALANCE/LATE CHARGE/INTEREST & DISCOUNT (MISC.)

ACCOUNT NUMBER	AMOUNT	TRAN. CODE	DATE
01 03 24135	960.00	32	12-2-70
1 7	12	20	46

IF CODE 63, EXPLANATION OF ENTRY: To apply loss claim proceeds to balance.

ENTER CODE ABOVE — DESCRIPTION OF TRANSACTION

12	LATE CHARGE
32	PAYMENT OR CREDIT TO BALANCE ONLY
33	PAYMENT BY DISABILITY INSURANCE
42	REGULAR PAYMENT (WITH LATE CHARGE IF INCLUDED)
43	PAYMENT BY INDORSER OR DEALER
62	CREDIT INTEREST & DISCOUNT—MISC.
63	EXTENSION FEES PAID—CREDIT INT. & DIS.

CUSTOMER'S NAME Ima Nofix — APPROVED BY WEB

19-1230 REPL. 6-70

3. From the balance obtained in (1) on page 6, subtract amount of loss claim to get new balance.
4. Divide the new balance by the present payment amount to determine the new schedule. In the case of Ima Nofix, assume a balance of $1620, 18 payments remaining of $90.00 each, next due 12-15-70. Balance $1620.00 less $960.00 by the present $90.00 payment amount. Result is new terms: 7 at $90.00 and 1 at $30.00.
5. Prepare, in duplicate, a 19-1215 Payment Schedule Change. Send one copy to Installment Loan Control. Hold the other copy for two days. Then check the computer to see that the account has been rescheduled properly. Then file the second copy in the customer's credit file, along with a copy of the 19-1230 Installment Loan Credit ticket. EXAMPLE of 19-1215 is shown on page 11.
6. IT IS NOT NECESSARY TO ORDER ANOTHER PAYMENT BOOK.
7. Notify the customer by letter of his account status. Be certain to point out that there is no break in the continuity of payments.

NEW BULLETIN

INSTALLMENT LOAN
PAYMENT SCHEDULE CHANGE
PAYMENT BOOK REORDER

DATE 12-2-70

ACCOUNT NUMBER 03 24135 CUSTOMER'S NAME Ima Nofix

1ST SERIES RESCHEDULED		2ND SERIES RESCHEDULED		3RD SERIES RESCHEDULED	
PAYMENT AMOUNT	DATE TO BEGIN	PAYMENT AMOUNT	DATE TO BEGIN	PAYMENT	DATE TO BEGIN
90 00	12 15 70	1 1 30 00	7 15 70		

NUMBER OF MONTHS TO EXTEND | NEW DUE DATE (01, 08, 15, 22) | REPLACE PAYMENT CARDS | CARD CODE

8

BRANCH COLLECTED Check 960.00 loss claim proceeds. AUTHORIZED BY John Lender

PRINTING FORMS

Below is a listing of the forms and supplies required by branches, and how obtained.

NO.	DESCRIPTION	ORDER FROM
220	Substitute Payment Ticket	Purchasing Department, Atlanta
235	Installment Loan Debit Ticket	" " "
230	Installment Loan Credit Ticket	" " "
215	Payment Schedule Change	" " "
	Notice of Payment Increase	Produce locally
	Notice of Payment Reduction	" "

RELATED BULLETINS

INSURANCE - THE CITIZENS AND SOUTHERN AGENCY, INC.
INSURANCE - AUTOMOBILE PHYSICAL DAMAGE
INSURANCE - AUTOMOBILE PHYSICAL DAMAGE - SINGLE INTEREST COVERAGE
ACCOUNTING AND GENERAL OPERATIONS - PAYMENT SCHEDULE CHANGES
OVER THE COUNTER - AUTOMOBILE LOANS - INSURANCE FOLLOWUP
C.I.T. FINANCE - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT RETAIL FIRE AND THEFT

TOPIC

 Date 12-15-71

Replaces Bulletin: INSURANCE - PROPERTY - FIRE & THEFT - DATED 7-9-69

Our Retail Fire and Theft Policy has been revised adding a $50 deductible clause on all Lightning and Windstorm losses and a clause excluding certain
R types of equipment (see Exclusions f). The rate has been changed to $1.20 per month, per $1,000 on outstanding balances which is the actual premium charged the customer.

Under the provisions of Regulation Z, Property Insurance is an optional selection on our installment notes and conditional sales contracts. Therefore, the insurance premium is not a part of the finance charge and annual percentage rate. Rate charts provide for separate insurance premiums on installment loans.

The administration of this policy is handled on a centralized basis with
R each participating office or bank reporting losses to the Consumer Insurance Services Department, Atlanta. Loss adjustments exceeding $100 should be assigned to the commercial adjustor serving your area.

INSURANCE CARRIER

Coverage is with the American Southern Insurance Company, 56 Tenth Street, N. E., Atlanta, Georgia 30309 (phone 892-3031), under (revised) policy
R #IM553 for all loans made after June 30, 1971 and under policy #IM4301 for all loans made prior to July 1, 1971.

EFFECTIVE DATE

Insurance coverage is effective as of the date funds are disbursed on a direct loan or on the date of approval and delivery in the case of dealer paper. This protects the dealer for the period between his delivery of the merchandise and the disbursement of funds by the bank.

MERCHANDISE ELIGIBLE FOR COVERAGE

The policy is designed to cover such items as furniture, appliances, fixtures and similar equipment. The policy specifically excludes coverage on automobiles: Exclusion f - "Loss or damage to automobiles and accessories including but not limited to radios, stereo tape players and tapes; motorcycles; aircraft; jewelry; furs; chain saws and other equipment used for logging or forestry purposes."

PERILS COVERED

This policy insures against loss and/or damage caused directly by:

(a) FIRE
R (b) LIGHTNING (excluding the first $50 of loss or damage)
(c) EXPLOSION, whether or not fire ensues

(d) COLLISION, i.e., accidental collision of the vehicle on which the property is carried, with any other vehicle or object including the overturning of the vehicle and/or collapse of bridges

R (e) TORNADO, CYCLONE, OR WINDSTORM (excluding the first $50 of loss or damaged)

(f) FLOOD, meaning thereby rising of rivers and streams, and oceans

(g) COLLAPSE of bridges

(h) STRANDING, SINKING, FIRE OR COLLISION, including General Average or Salvage Charges, while on Ferries and/or in railroad cars and motor trucks on transfers or lighters

(i) THEFT (but not conversions or other acts of dishonest character)

(j) EARTHQUAKE

(k) FALLING METEORS

(l) FALL OF BUILDING

(m) FALLING AIRCRAFT

EXCLUSIONS

This policy does not cover:

(a) Loss or damage caused by neglect of the Assured or Purchaser to use all reasonable means to save and preserve the property at and after any disaster insured against.

(b) Loss or damage due to inherent vice.

(c) Loss or damage caused by strikes, locked out workmen or persons taking part in labor disturbances, or arising from riot, civil commotion, capture, seizure, or detention, or from any attempt thereat, or the consequences thereof, or the direct or remote consequences of any hostilities, or arising from the acts of any government, people, or persons whatsoever (ordinary piracy excepted), whether on account of any illicit or prohibited trade, or any trade in articles contraband of war, on the violation of any port regulation, or otherwise. Also free from loss or damage resulting from measures or operations incident to war, whether before or after the declaration thereof.

(d) Loss or damage to property while located in premises owned, rented, leased or used for storage or exhibition purposes by the seller, or in any location where the assured has specific insurance at the time of loss.

(e) Loss or damage to goods and/or articles on which any payment is overdue for more than one hundred and twenty (120) days.

N (f) Loss or damage to automobiles and accessories including but not limited to radios, stereo tape players and tapes; motorcycles; aircraft; jewelry; furs; chain saws and other equipment used for logging or forestry purposes.

Replaces Bulletin: INSURANCE - PROPERTY - FIRE & THEFT - DATED 7-9-69

LIMITS

(a) $3,000 on any one article
(b) $10,000 in any one dwelling or place
(c) $100,000 in any one casualty

EXTENT OF COVERAGE

This is a dual interest policy protecting the bank, the dealer, and the purchaser, and insures the value of the merchandise at the time of loss. In this respect, the policy is superior to the single interest (unpaid balances only) coverage offered by many banks and finance companies.

INSURANCE STATEMENT

All consumer installment notes and contracts are printed with an insurance statement. This provides for acceptance, refusal, date of birth and signature of the borrower. Where the loan is ineligible for insurance, the statement need not be signed. In all other cases the customer must sign the insurance statement indicating either acceptance or refusal.

RATE TO CUSTOMER

R C&S monthly rate charts including the symbol "E" indicate separately the premium for property insurance (at $1.20 per month, per $1,000 on the reducing unpaid balances).

REQUISITIONING INSURANCE COVERAGE

Coverage may be requisitioned by checking the appropriate insurance space on the Discount Sheet. When Property Insurance is requisitioned, Installment Loan Control will include a certificate with the customer's payment card book.

PAYMENT OF PREMIUMS

Premiums are paid by the bank at the rate of 80¢ per $1,000 per month based on the reducing unpaid balances of all loans and contracts covering insured merchandise made prior to July 1, 1971.

R The rate is $1.20 per month, per $1,000 on the reducing unpaid balances for all loans and contracts made after June 30, 1971. Premium calculations will be made automatically by the computer for those insured loans which have been automated.

The Monthly Insurance Report, form #19-921 Rev. 7-71, on insurance premiums for insured loans not on the computer, should be prepared and sent to Consumer Insurance Services in Atlanta by the 10th of each month. Complete instructions for computing and reporting these premiums are outlined in the Operating Guide Bulletin: INSURANCE - REPORTING AND PREMIUM PAYMENT.

Replaces Bulletin: INSURANCE - PROPERTY - FIRE & THEFT - DATED 7-9-69

POLICY

The original signed insurance policy is in Consumer Insurance Services Department files in Atlanta.

CORRESPONDENT BANKS

The coverages under this policy are available to any Correspondent Bank on the same basis as Citizens and Southern Banks. New participants may be brought under this policy by notifying Consumer Insurance Services, Atlanta.

Correspondent Banks using the billing service will have a coupon size certificate inserted in their coupon books as part of their billing procedure.

REPORTING LOSSES

All losses should be reported immediately to Consumer Insurance Services Department in Atlanta on Notice of Loss form #19-2020-0 (see page 6 for properly completed form) using the procedure outlined below. The final decision on the settlement of all losses will be made by the Consumer Insurance Services Department in Atlanta. It is the responsibility of the person receiving the loss to obtain as much information as possible and to relay this to Atlanta. No commitment as to the amount that will be paid should be made.

When a customer indicates a loss:

1. Pull his file and verify that coverage was placed at the time the loan was made and is still in force.
2. If there is no coverage, inform the customer and immediately refer the account to the officer of account.
3. If there is coverage, determine the amount of loss. If the customer is not reasonably sure that the appropriate cost of repairs will exceed $100, request that he secure an estimate, preferably from the selling dealer.
4. If the claim is $100 or more:
   a. Complete the Notice of Loss (19-2020-0) in quadruplicate.
   b. Telephone the adjuster serving your area and report the loss.
   c. Send a copy of the Notice of Loss to the adjuster.
   d. Forward the original and one copy of the Notice of Loss, a copy of the discount sheet, and a copy of the note/contract to Consumer Insurance Services, Atlanta.
   e. Retain and file copy of the Notice of Loss in the Pending Loss Folder alphabetically.
5. If the claim is under $100:
   a. Complete the Notice of Loss (19-2020-0) in triplicate.
   b. Obtain the best price for repair/replacement, and authorize.

c. Send supporting documents on price along with the original and a copy of the Notice of Loss, a copy of the discount sheet, and a copy of the note/contract to Consumer Insurance Services, Atlanta.
d. Retain and file a copy of the Notice of Loss in the Pending Loss Folder alphabetically.

FOLLOW-UP

Consumer Insurance Services, Atlanta will keep offices advised on progress of all loss adjustments. A "Pending Loss" folder should be maintained in each office and a copy of the Notice of Loss filed alphabetically by purchaser's name therein. As claims are paid, the Notice of Loss should be removed from the "Pending Loss" folder and filed in the customer's file. Once or twice each month, the "Pending Loss" folder should be thumbed. Notify Consumer Insurance Services, Atlanta of any losses (on which you have not received notification of delay or settlement) that remain unpaid more than 15 days since reporting.

PAYMENT OF CLAIM

Consumer Insurance Service will review all documents and adjustors reports on each claim and issue a draft in settlement. The claim draft will be payable to the bank and the customer and forwarded to the office handling the loan. The officer of account should either apply the draft to the account, endorse and forward to the repairman, or endorse and forward to the customer. The customer should always be informed of the final disposition of the claim.

ORDERING FORMS

Notice of Loss form (19-2020-0) may be requisitioned from the Purchasing Department of Atlanta in the normal manner.

RELATED BULLETIN

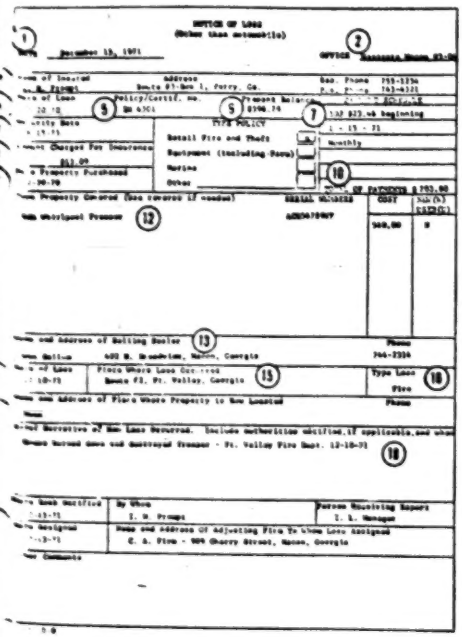
INSURANCE - REPORTING & PREMIUM PAYMENT

OPERATING BULLETIN

SECTION INSURANCE **Page** 6 of 6

SUBJECT RETAIL FIRE AND THEFT

TOPIC **Date** 12-15-71



NOTICE OF LOSS
(Other than automobile)

1 Date December 13, 1971 2 Office

Name of Insured — Address — Bus. Phone — Res. Phone
W. R. FARMER — Route #1-Box 1, Perry, Ga. — 753-4321

3 Date of Loss — Policy/Certif. No. — 5 Present Balance — Amount Delinquent
12-10 — DM 6301 — 5 $790.76 — 7 $347.44 beginning 1 - 15 - 71

Liability Date — Type Policy
1-15-71

Amount Charges For Insurance — Retail Fire and Theft — A — 1 Monthly
$11.09

Date Property Purchased — Name — 10
12-30-70 — Other

Description of Property Covered (See reverse if needed) — SERIAL NUMBERS — NUMBER OF PAYMENTS $793.80 — CASH SELLING COST — SALES TAX (If applicable)

12 Whirlpool Freezer — WR5670M7 — $449.00 — 9

Name and Address of Selling Dealer 13 — Phone
Sam Sutton — 600 N. Broadview, Macon, Georgia — 744-2304

Date of Loss — Place Where Loss Occurred 15 — Type Loss 16
12-10-71 — Route #3, Ft. Valley, Georgia — Fire

Name and Address of Place Where Property is Now Located — Phone
Same

Brief Narrative of How Loss Occurred. Include authorities notified, if applicable, and when.
Owner burned down and destroyed freezer - Ft. Valley Fire Dept. 12-10-71 14

Date Loss Notified — By Whom — Person Receiving Report
12-13-71 — I. M. Prompt — I. L. Manager

Date Assigned — Name and Address Of Adjusting Firm To Whom Loss Assigned
12-13-71 — C. A. Fire - 904 Cherry Street, Macon, Georgia

Any Comments

E-9

(1) Always fill in DATE SENT TO CONSUMER INSURANCE SERVICES so that you will be sure that proper service is being given in the settlement of your claim.

(2) Name of office or branch and city including Bank/Branch Number.

(3) Always indicate PURCHASER'S NAME and ADDRESS so as to identify the claim properly.

(4) From note or contract.

(5) #DM553 or DM301

(6) Show the OUTSTANDING NET BALANCE due after normal rebate allowance as of the date of loss.

(7) From Discount Sheet.

(8) From Note or Contract.

(9) From Note or Contract.

(10) From Note or Contract.

(11) Indicate DATE MERCHANDISE WAS ORIGINALLY PURCHASED (date of contract). Leave Blank When Date Of Purchase Appears below(add-on).

(12) DESCRIPTION AND TRADE NAME refers to the type of article - (Maytag Washer - RCA TV, etc.).

When merchandise consists of two or more items with different original dates of purchase (ADD-ON PLAN) show the original DATE OF PURCHASE and the original CASH SELLING PRICE opposite the description of each item.

Show the original CASH SELLING PRICE of each article delivered as it was listed on the conditional sales contract. (Indicate whether merchandise was NEW or USED at the time of purchase).

(13) Indicate the DEALER'S NAME and DEALER'S ADDRESS from whom the merchandise was purchased.

(14) The date on which the damage occurred.

PLACE OF LOSS is the location of the merchandise when loss occurred

(15) Fire, theft, vandalism, lightning, etc.

(16) Repair shop, etc

(17) Give brief description of the damage, i.e., "Fire destroyed portion of dwelling and damaged TV cabinet. Heat caused some tube breakage and internal damage."

(18) The date notified and assigned should be as soon after the incident as possible. By whom notified is important for verification, the person receiving the report in the home and the name and address of the adjusting firm is necessary for follow-up. Other comments should include any information relative to the loss not specifically requested and can also be used for Data Field.

E- 1330

OPERATING BULLETIN

SECTION INSURANCE

SUBJECT REPORTING & PREMIUM PAYMENT

TOPIC

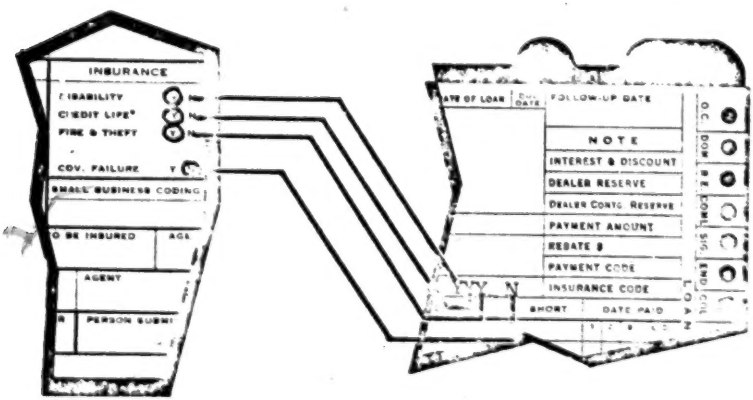
 Date 12-1-66

Replaces Bulletin: "INSURANCE - REPORTING & PREMIUM PAYMENT" - Dated 2-7-62

This bulletin is being re-issued to cover changes in premium payment for Credit Life and Disability Insurance. Individuals submitting the monthly insurance report should give it their careful attention and thought so as to eliminate avoidable errors in addition, multiplication, etc. While the procedures are essentially routine, it is important that all personnel concerned with preparation of the report be thoroughly familiar with the correct procedures involved in order that the report be complete and accurate. Those paragraphs of the bulletin which have been changed will be indicated by an asterisk (*).

A monthly Insurance Report and Premium Remittance for applicable installment loan blanket policies (on which premiums are paid based on the monthly reducing unpaid balances of insured outstandings) is to be submitted by each office.

CODING LEDGER CARDS During the billing of new loans the Central Billing Department will code the ledger card for the following insurance coverages: Disability, Credit Life, Property - Fire & Theft, and Coverage Failure. Insurance coverages, as requisitioned on the Discount Sheet will be indicated in the lower right hand corner of the Heading Space on the ledger card by a series of "Y"s and "N"s representing YES and NO as to whether a particular coverage applies to the loan. Reading from left to right, coverages will be indicated in the same order as they appear on the Discount Sheet Insurance Requistion space, i.e.

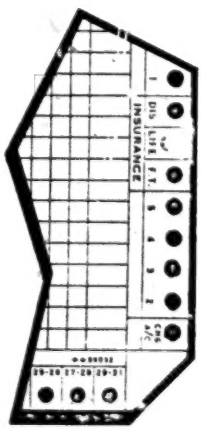


DISCOUNT SHEET LEDGER CARD

Replaces Bulletin: "INSURANCE - REPORTING & PREMIUM PAYMENT" - Dated 2-7-62

While there are other applicable coverages that might be indicated on the Ledger Card, only five symbol spaces are available for this purpose. Consequently, we have chosen to show the most commonly used coverage applying to the greatest number of loans.

In order to facilitate the monthly procedure of determining insured outstandings for premium calculation, ledger cards are also notched, on the lower right hand side to indicate insurance coverage. Counting from the bottom of the card, holes 6, 7, and 8 are used as illustrated.



Notched holes indicate the coverage which applies to the loan. This illustration depicts a loan with Credit Life Insurance but without Disability or Property Insurance Coverage.

Replaces Bulletin: "INSURANCE - REPORTING & PREMIUM PAYMENT" - Dated 2-7-62

Because premiums for Coverage Failure Insurance is not computed on a basis of the reducing monthly outstandings balances of insured loans, it is necessary to notch the ledger card for this coverage.

CHECKING LEDGER CARDS As New Loans are returned from the Central Billing Depart[illegible] the notching should be compared with the alphabetical code, in the upper right hand corner, and any errors made by Central Billing should be corrected. At least twice a year the insurance notches should be checked on all card[illegible] to be sure that no errors have slipped by or that the notches have not become torn through monthly needling.

DETERMINING RETAIL INSURED OUTSTANDINGS Around the end of each month, it will be necessary to determine the insured outstandings under each type of coverage for reporting to the insurance companies. Some offices have found that the most convenient time is when all of the ledger cards are together for balancing. Others prefer to handle the insurance report as a separate operation. This is a matter of individual convenience but it should be done about the same date each month so that the figures will consistently cover a full month's activity.

The following basic procedure is the simplest method of determining the total insured outstandings each month. This basic procedure may be modified to work equally well for the smaller office using the Total Control as well as the larger office using the Individual Classification Control. Separate totals should be pulled for the insured outstandings in Individual, Business and Real Estate.

Credit Life — Run the keysort needle through hole #7 and sort. The uninsured cards will remain on the needle. If the uninsured cards are in the minority, list the balances and subtract from the control balance. The remaining figure will be the total of the balances with Credit Life Insurance. If the insured cards are in the minority, list the balances to arrive at the total insured outstandings.

Using the same procedure, determine the total number of insured loans.

Disability — Picking up only those cards with Credit Life, use the keysort needle to sort on hole #8. If the uninsured cards are in the minority, list the balances and subtract from the Credit Life total. The resulting balance is the total insured outstandings with Disability. If the insured cards are in the minority, list the balances to arrive at the total insured outstandings.

Use the same procedure to determine the total number of insured loans.

Fire & Theft — Using only those classifications which are eligible for this insurance, follow the same basic procedure as for Credit Life, sorting on hole #6.

Replaces Bulletin: "INSURANCE - REPORTING & PREMIUM PAYMENT" - Dated 2-7-62

CREDIT LIFE PREMIUM COMPUTATIONS Effective 12-1-66 the premium rate paid by the bank will be .92 cents per month per thousand dollars of insured outstandings on all new loans, reworks and renewals made on or after that date. This means that a double procedure would have to be undertaken each month to determine the outstandings insured at the old rate of .75 cents per thousand and those outstandings insured at .92 cents. To eliminate the dual effort as well as all of the ensuing problems this would involve, a special procedure has been devised for the next 36 months so that only one procedure need be followed.

Beginning with the month of December, 1966 (Insurance Report due by January 10, 1967) compute the premium for Credit Life Insurance at the rate of .80 cents per thousand dollars of insured outstandings. Continue computing at this rate each month through November, 1967 (Insurance Report due in December, 1967).

Beginning with the month of December, 1967 (Insurance Report due by January 10, 1968) compute the premium for Credit Life Insurance at the rate of .87 cents per thousand dollars of insured outstandings. Continue computing at this rate each month through November, 1968 (Insurance Report due in December, 1968).

Beginning with the month of December, 1968 (Insurance Report due by January 10, 1969) compute the premium for Credit Life Insurance at the rate of .92 cents per thousand dollars of insured outstandings. Continue computing at this full rate each month from then on.

By using these adjusted rates during the next 36 months we will be compensating for the loans open during that time that are insured under the old rate without having to make a separate monthly report for them.

DISABILITY INSURANCE PREMIUM COMPUTATIONS Effective 12-1-66 the premium rate paid by the bank will be $1.08 cents per month per thousand dollars of insured outstandings on all new loans, reworks and renewals made on or after that date. Here again a double procedure would have to be undertaken each month to determine the outstandings insured at the old rate of .75 cents per thousand and those outstandings insured at $1.08 cents. A procedure similar to that used for Credit Life should be followed.

Beginning with the month of December, 1966 (Insurance Report due by January 10, 1967) compute the premium for Disability Insurance at the rate of .85 cents per thousand dollars of insured outstandings. Continue computing at this rate each month through November, 1967 (Insurance Report due in December, 1967).

Beginning with the month of December, 1967 (Insurance Report due by January 10, 1968) compute the premium for Disability Insurance at the rate of .99 cents per thousand dollars of insured outstandings. Continue computing at this rate each

month through November, 1968 (Insurance Report due in December, 1968).

Beginning with the month of December, 1968 (Insurance Report due by January 10, 1969) compute the premium for Disability Insurance at the rate of $1.08 cents per thousand dollars of insured outstandings. Continue computing at this full rate each month from then on.

DETERMINING WHOLESALE INSURED OUTSTANDINGS Inasmuch as our wholesale policies provide protection for the total cost of the merchandise, rather than for the outstanding balances, our premium should be paid accordingly. To arrive at the total amount insured, it will be necessary to list the amounts under "Dealer Cost" on the WHOLESALE LEDGER SHEET for all items that are unpaid as of the end of the month.

MONTHLY INSURANCE REPORT The front of the report is used to make premium calculations. As the insured outstandings are determined, the separate totals of Individual, Business, and Real Estate should be entered on a work copy of the MONTHLY INSURANCE REPORT, 19-921. When all outstandings have been entered, they should be added to arrive at the Total Outstandings for each policy.

When the Total insured outstandings have been entered on the report, multiply by the appropriate premium rate to determine the premium due under each policy for each class and in Total. The premium and the insured outstandings should be compared with the previous month's report to be sure that any change is consistent with the change in your overall outstandings. Any abnormal fluctuations should be checked very carefully and any error corrected. If the report is correct, prepare a copy for Consumer Insurance Services, Atlanta.

DEMONSTRATOR AND DRIVE-AWAYS Automobiles being used as demonstrators are so marked on the WHOLESALE LEDGER SHEET, with a notation of the monthly premium. Information on Drive-Aways is accumulated on a page directly behind the dealer's control sheet. Enter the Total Premium for all Demonstrators and Drive-Aways (listed on the reverse side of the Report) in the space provided.

After the Total Premium has been entered for each policy (and Demonstrators and Drive-Aways), add all such policy totals and enter this amount in the "Total Premiums Due" space at the bottom of the report.

The reverse of the report is used to list:

1. All Equipment Dealers with more than $5,000 insured.
   a. Show name, location where merchandise is stored and amount insured for each dealer.

b. If dealer has more than one location show how much is insured at each location. There is a $50,000 maximum at any one location and when outstandings insured is reported as one location with a large dealer it appears that part of his outstandings are not eligible to be insured.

2. All Automobile Dealers with more than $50,000 insured.
   a. Show name, location where merchandise is stored and amount insured for each dealer.
3. Each Demonstrator or Drive-Away vehicle for all dealers so insuring.
   a. All spaces on this part of the report must be completed (be sure to show the manual rate on each). Enter the total of all premiums in the space provided on the front of the report.

After the report has been checked for accuracy and completeness, prepare a typed copy for Consumer Insurance Services, Atlanta.

PAYMENT OF PREMIUMS Using the report as a work sheet, prepare the necessary debit tickets in duplicate:

1. Debit "Interest & Discount - Installment Loan - (Individual, Business or Real Estate)" for the total of the premiums due on insured outstandings in each classification.

2. Debit "Interest & Discount - Wholesale" for the total premiums due on Wholesale Equipment, Wholesale Automobile, Drive-Aways and Demonstrators.

3. The total of all debits should balance to the "Total Premium Due" on the bottom of the report.

4. Using the original of the debit tickets, purchase a check payable to The Citizens & Southern National Bank, Atlanta, for the "Total Premium Due". To eliminate extra ticket preparation and follow-up, all offices should use a check rather than having Atlanta charge your account.

5. Send copies of the debit tickets to the Central Billing Department along with copies of your regular rebate tickets.

Send the check with your MONTHLY INSURANCE REPORT to Consumer Insurance Services, Atlanta, no later than the 10th of each month.

ORDERING FORMS The MONTHLY INSURANCE REPORT may be requisitioned, by form number, from the Purchasing Department, Atlanta.

MONTHLY INSURANCE REPORT TO CITIZENS & SOUTHERN NATIONAL BANK, ATLANTA, GA.

NOTE: To Compute Premium Due—Multiply Item A by the Rate Per Thousand.

CREDIT LIFE INSURANCE

A — Insured Outstandings as of the End of the Current Month	Number of Loans	Amount		Rate Per 1,000		Premium Due
INDIVIDUAL	6404	$ 3,324,721.96				$ 2,493.54
BUSINESS	53	$ 53,740 +0	×		=	$ 40.31
REAL ESTATE	1	$ 5,000.00				$ 3.75
TOTAL	6458	$ 3,383,462.36				$ 2,537.60

DISABILITY INSURANCE

A — Insured Outstandings As of the End of the Current Month	Number of Loans	Amount		Rate Per 1,000		Premium Due
INDIVIDUAL	41	$ 24,609.09				$ 18.45
BUSINESS	1	$ 2,143 60	×		=	$ 1.61
TOTAL	42	$ 26,752 49				$ 20.06

COMPREHENSIVE FIRE AND THEFT INSURANCE—RETAIL

A — Insured Outstandings as of the End of the Current Month	Amount	Rate Per 1,000		Premium Due
INDIVIDUAL	$ 377,150.20	.80		$ 301.72
BUSINESS	$ -0-	.80	=	$ -0-
TOTAL	$ 377,150.20	.80		$ 301.72

FIRE, THEFT AND TRANSPORTATION INSURANCE WHOLESALE—EQUIPMENT

A — Dealers Cost Plus Transportation of Insured Items on Hand at End of Month	Amount	Rate Per 1,000		Premium Due
	$ 27,381.00	× 1.30		$ 35.60

NOTE: On reverse side list all Dealers with more than $ [illegible] insured

FIRE, THEFT AND TRANSPORTATION INSURANCE WHOLESALE—AUTOMOBILE

A — Dealers Cost Plus Transportation of Items Insured on Hand End of Month	Amount	Rate Per 1,000		Premium Due
	$ 106,475.00	× .55	=	$ 57.46

NOTE: On reverse side list all Dealers with more than $50,000 insured

Drive Away and Demonstration		$ 29.21

NOTE: On reverse side list and describe all Drive Away and Demonstrator Vehicles

CHECK ATTACHED FOR TOTAL PREMIUMS DUE $ 2,981.65

Report for the Month Ending December 31, 1961 Bank The C & S National Bank - Valdosta Patterson

Date of Report January 10, 1962 By

FIRE, THEFT AND TRANSPORTATION INSURANCE—WHOLESALE—EQUIPMENT

Dealers with more than $5,000 insured

Dealer's Name	Location where merchandise is stored	Amount
Norens Appliance Sales, Inc.	Valdosta, Georgia	$ 11,996.00

FIRE, THEFT AND TRANSPORTATION INSURANCE—WHOLESALE—AUTOMOBILE

Dealers with more than $50,000 insured.

Dealer's Name	Location where merchandise is stored	Amount
Weal & Deel Motor Company	Valdosta, Georgia	$ 57,295.00

FIRE, THEFT AND TRANSPORTATION INSURANCE—WHOLESALE—AUTOMOBILE

Drive Away and Demonstrators

Dealer	Make	Year	Model	Body Style	Invoice	Mileage	Premium
Weal & Deel Motor Company	Renault	1962	Dauphine	4 Dr	$ 1,300.30	68	$ 7.02
"	Chevrolet	"	Impala	4 Dr	$ 1,913.00	5,000	10.33
"	Dodge	"	Coronet	4 Dr	$ 2,693.00	5,000	5 [illegible]

E-1337

Replaces Bulletin: "INSURANCE - REPORTING & PREMIUM PAYMENT" - Dated 2-7-62

RELATED BULLETINS
INSURANCE - CREDIT LIFE
INSURANCE - DISABILITY
INSURANCE - PROPERTY, FIRE & THEFT
INSURANCE - FLOORPLAN - AUTOMOBILE
INSURANCE - FLOORPLAN - AUTOMOBILE - DEMONSTRATOR & DRIVE-AWAYS
INSURANCE - FLOORPLAN - EQUIPMENT
LENDING GENERAL - DISCOUNT SHEET

CONSUMER CREDIT OPERATING BULLETIN INDEX*

LENDING GENERAL V 3-01-72

APPLIES TO	SUBJECT	TOPIC	DATE
OTC,SF	AUTOMATION SUMMARY		12-23-70
OTC,SF	AUTOMOBILE FINANCING	EQUITIES AND TERMS	6-01-69
OTC	BORROWER'S AUTHORIZATION		2-22-71
OTC,SF,CAS	C.I.F. (CENTRAL INFORMATION FILES)		12-17-65
OTC,SF	CLASSIFICATION OF LOANS		9-02-70
OTC,SF	CLOSED LOAN CARD		7-30-70
OTC,SF,CAS	CONSUMER CREDIT COUNSELING SERVICE		8-07-70
OTC,SF	CORPORATE RESOLUTION		11-29-67
OTC,SF,CAS	CORRESPONDENCE ON ACCOUNTS	IDENTIFICATION	7-01-70
OTC,SF	CREDIT INQUIRIES		5-07-70
OTC,SF	CREDIT INVESTIGATION		8-10-62
OTC,SF	DISCOUNT SHEET		11-17-70
OTC,SF	DUE DATES		3-28-68
OTC,SF	GRADING		8-08-58
OTC,SF	LANDLORD'S AGREEMENT		11-22-54
OTC,SF	PERFECTING SECURITY INTERESTS (P. 5,6,7,8 Rev. 8/1/70)	PROCEDURES & DOCUMENTARY FEES	9-15-70
OTC,SF	POWER OF ATTORNEY	TITLES	10-11-67
OTC	REAL ESTATE	PROPERTY VERIFICATION	7-01-69
OTC,SF	REAL ESTATE (P.1&2 Rev.9/10/70)	RIGHT TO RESCIND	3-11-70
OTC,SF	REAL ESTATE	SECONDARY COLLATERAL	10-31-69
OTC,SF,CAS	REGULATION Z(P.1&2 Rev.9/10/70)	SUMMARY	7-01-69
OTC,SF	RETAIL RATES	RATE CHARTS	12-31-71
OTC,SF	TITLE ACT		12-15-67
OTC,SF	TRANSFER OF EQUITY (P.4 Rev. 11/10/71)		6-15-70
OTC,SF	UNIFORM COMMERCIAL CODE	GENERAL	8-15-64

Sec. V Lending General

*Information on how to use guide, indexes, and bulletins is on the pink page in Sec.

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT AUTOMATION SYSTEM

TOPIC SUMMARY

 Date 12-23-70

NEW BULLETIN

The C&S Automated Installment Loan System is our method of providing fast and accurate accounting information, credit information, and management reports on our installment loan portfolio statewide. The information is provided in three ways:

1. Various printed reports.
2. Direct access through touch-tone telephones (audio).
3. Direct access through CRT unit (video).

Procedures also exist for getting information when the computer is temporarily out of order. This bulletin is a quick, overall glance at the system. Other bulletins cover specific reports, procedures, etc.

ACCOUNTING

NEW LOANS

New loan information is put on the computer record from the Discount Sheet-Application. Totals are provided by the computer to enable Installment Loan Control - Atlanta to balance to the new loan entries made by each branch.

PAYMENTS

Payments are posted daily by Data Processing. Totals are provided for posting and balancing to General Ledger.

DEALER RESERVE

All transactions involving dealer reserve are shown on a monthly Dealer Reserve Statement.

REPORTS

Daily

1. The Daily Transactions Journal - our permanent accounting record - lists all payments and entries to Installment Loans. It also provides totals from which Installment Loan Control will balance and make final General Ledger entries resulting from payments, rebates, late charges, reserves and miscellaneous entries.
2. The Action Report lists transactions to loans that are (a) rejected, or (b) posted, but create a condition that requires immediate attention.
3. The File Maintenance List reports all new loans and all changes processed that day. It includes:
   a. Errors in new loans which caused them to be rejected.
   b. Errors in new loans which were accepted, but still require correction.
   c. All other changes to existing loans (other than transactions).
   d. Other information, including totals necessary for balancing.

NEW BULLETIN

Monthly

The New Loan Report is a listing, by loan class (and for Sales Finance, by dealer), of all new loans made during the month. Customer name, terms, collateral, add-on rate, and simple interest yield are shown along with other information.

2. The Statistical Summary Report is prepared for each branch, bank, area, and system. It shows volume, outstandings, past dues, earnings and yield by loan class and total, and percentage comparisons with previous periods along with other pertinent information.
3. The Error Conditions Report is a summary of several critical types of error conditions shown earlier in the month on the Action Reports and File Maintenance Lists. It is NOT a summary of all open items shown on these reports.
4. The Dealer Retail Report shows each dealer's volume, outstandings, past dues, losses, repurchases, earnings and yield, and percentage comparisons with previous periods.
5. The Accrual and Exceptions Report shows each loan on which there is an adjustment in the accrual of $1.00 or more affecting the earnings forecast for the next month. It also gives totals for the accrual calculation for all loans by branch and by bank. This report is used mainly by the Accrual Department in handling installment earnings.
6. The Past-Due List is prepared twice monthly - for each branch - on the seventeenth and on the last day of the month-end.

The reports mentioned in this bulletin are the ones most important to branches. These and others will be covered in various other bulletins.

CREDIT INFORMATION

In Atlanta, video screens are used for answering both internal and outside credit inquiries on a centralized basis. An alphabetical listing of customer names and account numbers (open loans) is provided monthly for each bank. Current balances, net payoff amounts, and other data can be secured through the video screens. Closed Loan Cards are prepared four times a month. The branch receives a copy, and Installment Loan Credit Inquiry Section receives a copy.

COLLECTIONS

Past Due Notices are prepared by Data Processing on the tenth day of delinquency. On the 17th day of delinquency, a Collection Card is automatically prepared for personal collection followup. A method exists to accelerate personal handling by waiving the notice and getting a collection card earlier than usual.

NEW BULLETIN

CHANGES

There are four specific methods of making changes:

1. Memorandum to Installment Loan Control when new branches are opened or when dealer records are to be added or changed.
2. Installment Loan Name and Address Change form, (19-1210).
3. Installment Loan Payment Schedule Change/Payment Book Reorder (19-1215).
4. Installment Loan Miscellaneous Change form (19-1205).

They are simple to use, and in general, are processed the same day received by Installment Loan Control.

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT AUTOMOBILE FINANCING

TOPIC EQUITY AND TERMS

 Date 6-1-69

Replaces Bulletin: LENDING GENERAL - AUTOMOBILE FINANCING - EQUITIES AND TERMS Dated 6-1-67

Much has been said and written regarding equity, down payment, mark up, dealer cost, and over-advance. In the past we have used various types of relatively expensive reporting services, such as the Automobile Invoice Service Company and the Black Book to obtain the exact dealer cost figure on new cars.

The value of the car being financed is certainly an important factor in considering automobile transactions, however, knowing the exact cost of a new car is not necessary. The decision making factors in considering an automobile transaction in order of importance are:

1. Credit worthiness of the purchaser or borrower
2. Down payment as an incentive to pay (equity)
3. Collateral value of the automobile (dealer cost)

The major manufacturers of automobiles have pretty well standardized the discount from list price or mark up from dealer cost, therefore, we feel it much simpler and more economical to use a percentage discount from sticker or list price than to try to compute dealer cost from the various publications. The basic percentages used as a discount from sticker price, and their reciprocals (which equal the maximum advance) are as follows:

Type Vehicle	Discount (Gross Markup)	Maximum Advance
Compact	18%	82%
Trucks	20%	80%
Medium priced cars	22%	78%
Luxury cars	24%	76%

By using these maximum advance percentages displayed in chart number for use in your large rate book, a certain amount of computation time will be saved, in addition to eliminating the need for the expensive periodical.

Used car values are more readily obtainable and are much less complicated to determine. We will begin using the NADA Used Car Guide effective June 1, 1969 to determine these values. Our advance will be based on wholesale value in the NADA Used Car Guide and not the loan value.

Equity is still as important as always incentive for the borrower to repay the loan. Down payment percentages based on sticker price are very misleading, as there is usually an inflated trade-in on a cash discount allowed, therefore, the actual equity should be computed and the advance adjusted as follows:

Replaces Bulletin: LENDING GENERAL - AUTOMOBILE FINANCING - EQUITIES AND TERMS Dated 6-1-67

List Price as Shown by Invoice:

Cash Selling Price	$2,800	
*Down-Payment	900	(33%)
Requested to Finance	$1,900	

*This figure will be placed in the "down-payment" space provided on the discount sheet.

As Recomputed:

NADA "Clean Sales Price" of Trade-in	$ 300
Cash	100
Total Down-Payment	$ 400
Requested to Finance	1,900
Adjusted Selling Price	$2,300

Actual equity based on true values is only 17% and additional down-payment may be needed, depending on the credit factors involved.

For the sake of consistency, our guidelines, for the maximum amount that should normally be advanced, are based on dealer cost of a new car or the NADA Used Car Guide loan value of a used car.

ADVANCE AND TERMS

New Cars:

*Advance - Dealer Cost
Terms - 36 months

Used Cars:

*Advance - NADA Loan Value
Terms:
1 Year Old Models - 30 Months
2, 3, & 4 Year Old Models - 24 Months
5 Years Old and Older - 12 to 18 Months

*This amount will be placed in "NADA/Dlr.Cost/Value" space provided on the discount sheet.

OVER-THE-COUNTER LENDING

The above standards are intended to serve as a guide when average credits are involved and collateral is needed to support the amount of credit being extended. Exceptions should be considered when income, security of employment, and paying record are above average.

SALES FINANCE

The above guidelines are also applicable to Sales Finance, additionally taking into consideration the financial backing behind a dealer's repurchase agreement, repossession experience, extent of reconditioning of used cars, and the general quality of the purchaser credits in the portfolio.

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT BORROWER'S AUTHORIZATION

TOPIC

Page 1 of 1 **Date** 2/22/71

Replaces Bulletin: LENDING GENERAL - BORROWER'S AUTHORIZATION - Dated 2/12/47

When a security instrument and note are assigned to the bank, we must make payment to the assignor, either by check or by crediting his account.

When the security instrument runs directly to the bank (as opposed to being made between customer and an individual, later to be discounted with the bank), we must make payment to the maker.

Without written authorization, our check may be made out to the maker of the note and whomever he may designate. An example would be when the loan is to pay off another loan - the check may be made out to John Doe and Friendly Finance, Inc..

With the borrower's written authorization, we can disburse proceeds as directed. For simplicity and consistency, we recommend that written authorizations be made using 19-889, Borrower's Authorization Form. See sample below. Any written authorization should be retained as a permanent part of the customer's credit file.

C&S

Borrower's Authorization Form

_____ 19 _____

I (we) hereby authorize and direct THE CITIZENS AND SOUTHERN _____

to pay $ _____ of the proceeds of my (our) note dated _____

for $ _____ to _____

(Signature) _____

_____

ORDERING FORMS

Order by requisition from the Purchasing Department, Atlanta.

RELATED BULLETINS:
OVER THE COUNTER - AUTOMOBILE LOANS
OVER THE COUNTER - DEBT CONSOLIDATION LOANS
OVER THE COUNTER - PROPERTY IMPROVEMENT
OVER THE COUNTER - PROPERTY IMPROVEMENT - GEORGIA PLAN

E- 1346

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT C. I. F.

TOPIC

 Date 12-17-65

Replaces Bulletin: "LENDING GENERAL - C.I.F." Dated 11-22-54

Our Central Information File (CIF) maintains a record of all present and previous dealings with our customers in the Metropolitan Atlanta area. These records are of great value to consumer credit men since they contain a reference to rejections, charge-offs, and "foreign claims", both in the Consumer Loan Department and the Commercial Department.

Even though CIF has been in operation for a number of years, a review of loan losses still indicates that CIF is not called on every loan application. As a matter of policy, every loan must be checked against CIF files. By doing this, needless losses can be avoided.

For everyone to derive the full benefit of CIF, information must be funneled to them quickly and accurately. Use CIF New Account Memorandum (15-571) to report all rejections. The Recovery Department reports all charge-offs and "foreign claims" to CIF. Central Information Files is the most valuable source of credit information in the bank. Gaining the full benefit of CIF requires the cooperation of all.

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT CLASSIFICATION OF LOANS

TOPIC

 Date 9-2-70

Replaces Bulletin: LENDING GENERAL - CLASSIFICATION OF LOANS - Dated 12-1-55

Installment Loans are carried on our general ledger in two broad classifications:

INSTALLMENT LOANS - BUSINESS

This classification includes all Over-The-Counter and Sales Finance transactions where the maker or purchaser is a business or government agency. In addition all contracts purchased in bulk from a dealer or other source, where the customer is not notified of the purchase, (Indirect Collection Accounts) are included in this classification.

INSTALLMENT LOANS - INDIVIDUAL

This classification includes all Over-The-Counter and Sales Finance transactions where the maker or purchaser is an individual.

The remainder of this bulletin treats only Installment Loans - Individual and their various classification codes that appear on the discount sheet.

TYPE CODES

This is a one digit code that indicates one of the following general classifications of consumer loans.

Type Code 1. OVER THE COUNTER

These are loans originating from a direct application to the bank by the maker of the note. This type code includes all those loans made in which there is usually a direct contact between the borrower and the bank.

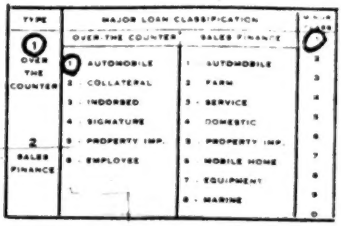
Type Code 2. SALES FINANCE

Sales Finance loans are transactions originating from dealers and on which there is usually no direct contact between the maker of the note and the bank, prior to making the first payment. This classification of loans is generally known as "Dealer Paper."

LOAN CLASSIFICATIONS

The Loan Classification is a two digit code. The first digit indicates the Major Class (Automobile, Property Improvement, etc.). The second digit is the Minor Class, which is a breakdown of each Major Class. The Type Code, Major Class, and Minor Class are entered on the discount sheet by circling the appropriate numbers as shown on page 2.

Replaces Bulletin: LENDING GENERAL CLASSIFICATION OF LOANS - Dated 12-15-55



OVER-THE-COUNTER MAJOR LOAN CLASSIFICATIONS

CODE

1 AUTOMOBILE

All Over-The-Counter loans to individuals secured primarily by automobiles, trucks, motorcycles, motor scooters, etc., and/or their towed accessories.

2 COLLATERAL

All Over-The-Counter loans to individuals secured by collateral other than those already classified. These are loans made primarily on the strength of the collateral pledged by the borrower---such as stocks, bonds, savings accounts, equipment, etc. Included in this category also are all loans to farmers, secured by farm equipment, livestock or other farm related items; also, all loans secured by an acknowledged assignment of unearned insurance premium.

3 INDORSED

All Over-The-Counter loans to individuals which are indorsed or co-signed by second parties. These are the loans made to individuals whose own credit ratings are not sufficient to warrant an extension of credit in the amount requested and which consequently require another signature to make the loans sound.

4 SIGNATURE LOANS

All Over-The-Counter loans to individuals made on the strength of one signature alone.

5 PROPERTY IMPROVEMENT LOANS

All Over-The-Counter loans made under the bank's plan, comparable to FHA Title I plan but without FHA Insurance.

6 EMPLOYEE

All loans made to officers' spouses, officers, employees' spouses, or employees of C&S National Banks, Affiliate Banks, Correspondent Associate Banks, or any other bank. (GOG 9.22 expands on this.)

Replaces Bulletin: LENDING GENERAL CLASSIFICATION OF LOANS - Dated 12-15-55

SALES FINANCE MAJOR LOAN CLASSIFICATIONS

CODE

1 AUTOMOBILE

All loans originating from dealers and secured primarily by automobiles, trucks, motorcycles, motor scooters, etc., and/or their towed accessories, whether payable monthly or on a seasonal basis.

2 FARM

All loans originating from dealers and secured primarily by farm equipment.

3 SERVICE

All non-collateral loans originating from dealers.

All non-collateral loans such as GHEAC, USAF, Dental Payment Plan, etc. that come under special guaranty programs.

4 DOMESTIC

All loans originating from dealers under various agreements and secured by types of collateral other than those already classified - where the collateral is of a type designed for individual use, i.e., refrigerators, washing machines, etc.

5 PROPERTY IMPROVEMENT

All loans originating from dealers under the bank's plan, comparable to F.H.A. Title I but without FHA Insurance.

6 MOBILE HOME

All loans originating from dealers that are secured by mobile homes.

7 EQUIPMENT

All loans originating from dealers that are secured by equipment.

8 MARINE

All loans originating from dealers that are secured by boats, motors, and other marine gear and equipment.

PLEASE NOTE THAT A CODE FOR SALES FINANCE EMPLOYEE TRANSACTIONS DOES NOT EXIST. ALL EMPLOYEE AND OFFICER TRANSACTIONS MUST BE KEPT ON AN OVER-THE-COUNTER BASIS.

The Minor Loan Classification codes do not require a detailed explanation. Their names and code numbers are shown on the Classification Code Sheet at the end of this bulletin. Additional copies of the Classification Code Sheet are available through Retail Banking, on request.

CLASSIFICATION CODES

OVER-THE-COUNTER (TYPE CODE 1)

MAJOR CLASSIFICATION	1 - AUTOMOBILE	2-COLLATERAL	3-INDORSED
minor classification	1 - passenger 2 - trucks to 2t 3 - motorcycles 4 - campers, small trailers	1-household goods 2-marine 3-aircraft 4-farm equipment 5-first mtge., r.e. 6-cvli 7-savings accts., bonds, cert., etc. 8-mobile homes 9-securities 0-miscellaneous	1-husband (co-maker) 2-parent 3-other relative, friend, individual 4-employer 5-creditor 0-other
MAJOR CLASSIFICATION	**4 - SIGNATURE**	**5-PROPERTY IMPROVE.**	**6-EMPLOYEE**
minor classification	1 - unsecured	1-property improvement note	none
	2 - second mortgage	2-second mtge.	
	3 - other partial security	3-other partial sec.	

SALES FINANCE (TYPE CODE 2)

MAJOR CLASSIFICATION	1 - AUTOMOBILE	2-FARM EQUIPMENT	3-SERVICES
minor classification	1 - passenger 2 - trucks to 2t 3 - motorcycles 4 - campers, small trailers	none	1-education plans 2-church bonds 3-cemetery lots 0-miscellaneous
MAJOR CLASSIFICATION	**4-DOMESTIC**	**5-PROPERTY IMPROVE.**	**6-MOBILE HOMES**
minor classification	1-appliance & furn. 2-pianos & organs 3-other household goods	none	none
MAJOR CLASSIFICATION	**7-EQUIPMENT**	**8-MARINE**	
minor classification	1-doctor and dental 2-office 3-store fixtures 4-vending 5-laundry & dry cleaning 6-automotive (repair/service) 7-barber & beauty 8-hotel & restaurant 0-miscellaneous	none	

NEW BULLETIN

Closed Loan Cards are prepared four times a month, in duplicate. An example is shown on page 2.

1. The original is sent to the Installment Loan Credit Inquiry section. It will be alphabetically to supply the pertinent information for credit and interest inquiries.
2. The duplicate is sent to the branch to:
   a. Serve as a notification that the loan has been paid in full so that loan papers may be released.
   b. Be retained in the credit file as a permanent record of the loan.

The computer will continue to carry the loan information for at least 15 days after the final transaction.

MESSAGES

Some loans will indicate messages in the "MESSAGE" blank that require special handling. When the transaction code shown in the table below is used, it causes the message as shown. A later transaction, typically a rebate, will cause the last transaction code to change, but the MESSAGE remains.

Trans Code	MESSAGE	EXPLANATION
52	No Message	Payoff-By customer
53	DLR REPRCH	Payoff-Repurchased by dealer
54	RENEWAL	Payoff-Refinanced by C&S
55	OTHER LNDR	Payoff-Paid by another lender
57	LIFE INS	Payoff-Paid by life insurance
59	CHARGE OFF	Charged to loss reserve

PAID-IN-FULL PROCEDURE

Procedure is outlined in the bulletin ACCOUNTING & GENERAL OPERATIONS - PAID-IN-FULL PROCEDURE. The Uniform Commercial Code and the Title Act require that certain acts to release security interests and to forward titles to customers be performed within 10 days after final payment. The final payment date and transaction code are shown on the center of the card under "LAST TRANSACTION". The date loan papers are mailed and the person receiving should be entered in the space provided on the Closed Loan Card.

RELATED BULLETINS:

ACCOUNTING & GENERAL OPERATIONS - PAID-IN-FULL PROCEDURES
COLLECTIONS - LATE CHARGES
LENDING GENERAL - TITLE ACT
LENDING GENERAL - PERFECTING SECURITY INTERESTS - PROCEDURE & DOCUMENTARY FEES

OPERATING BULLETIN

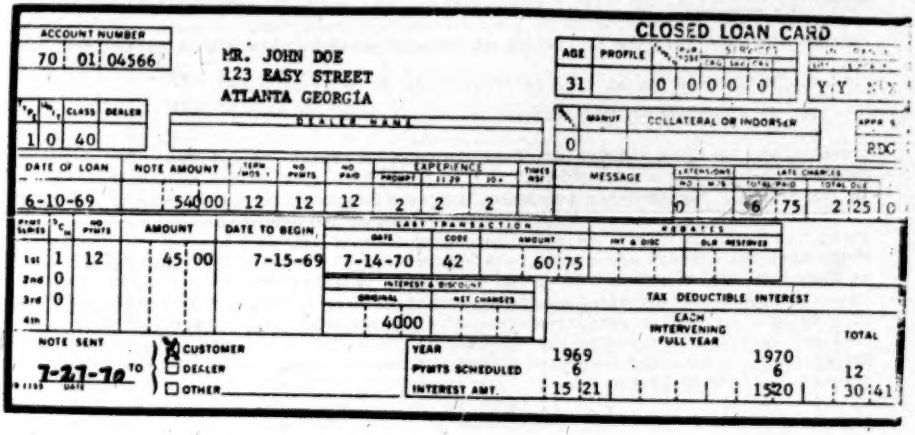
SECTION LENDING GENERAL

SUBJECT CLOSED LOAN CARD

TOPIC

 Date 7/30/70

NEW BULLETIN



CLOSED LOAN CARD

ACCOUNT NUMBER: 70 01 04566

MR. JOHN DOE
123 EASY STREET
ATLANTA GEORGIA

AGE	PROFILE						
31		0	0	0	0	0	Y Y

		CLASS	DEALER
1	0	40	

DEALER NAME

	MANUF	COLLATERAL OR INDORSER
0		

DATE OF LOAN	NOTE AMOUNT	TERM (MOS.)	NO PYMTS	NO PAID	EXPERIENCE PROMPT	EXPERIENCE 11-29	EXPERIENCE 30+	TIMES REF	MESSAGE	EXTENSIONS NO.	EXTENSIONS M'S	LATE CHARGES TOTAL PAID	LATE CHARGES TOTAL DUE
6-10-69	5400	12	12	12	2	2	2			0		6 75	2 25

		NO PYMTS	AMOUNT	DATE TO BEGIN
1st	1	12	45 00	7-15-69
2nd	0			
3rd	0			
4th				

LAST TRANSACTION

DATE	CODE	AMOUNT
7-14-70	42	60 75

REBATES

INT & DISC	OLD RESERVES

INTEREST & DISCOUNT

ORIGINAL	NET CHANGES
4000	

TAX DEDUCTIBLE INTEREST

	EACH INTERVENING FULL YEAR		TOTAL
YEAR	1969	1970	
PYMTS SCHEDULED	6	6	12
INTEREST AMT.	15 21	15 20	30 41

NOTE SENT 7-21-70 DATE TO ☒ CUSTOMER ☐ DEALER ☐ OTHER

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT CONSUMER CREDIT COUNSELING SERVICE

TOPIC

 Date 8/7/70

NEW BULLETIN

Consumer Credit Counseling Service exists in many cities across the nation. It is a national movement, however, each one is a completely independent, community-sponsored, non-profit organization. The purpose is to serve both individuals and business firms by giving financial counseling to those debtors who need it. The counseling is expected to achieve two main objectives:

1. To arrange for an orderly liquidation of existing debts.
2. To rehabilitate the debtor.

A debtor who has gone through the financial and emotional disciplines required to complete a CCCS program is likely to be a good credit customer in the future. The tendency to repeat bad practices does not exist nearly to the degree it exists with bankrupts and Chapter XIII Wage Earner accounts. Among the creditors' benefits are a lessening rate of personal bankruptcy, where national figures are rising, and a good rate of recovery for creditors on such receivables. Chief among the customer's benefits are (1) his self-respect is much more intact than if he were to have to go through bankruptcy proceedings, and (2) he gets extensions of time and reductions of payments that are approximately equivalent to those allowed by a Chapter XIII Wage Earner Plan, without the resulting attorney fees, courtroom proceedings, and attendant stigma of bankruptcy.

Atlanta's CCCS was founded in 1964; there is now a CCCS in Savannah. Since the beginning, C&S has been one of its strongest supporters. In Atlanta, C&S furnishes some employees and officers to CCCS to serve as counselors during evening hours, consequently, C&S is virtually committed to acceptance of their proposals. Any rejections of CCCS proposals should be made only by senior lending personnel.

OUR OBLIGATION TO CCCS

In essence, our agreement with CCCS is:

1. We will not assess any more interest or late charges on the account.
2. We will cease collection activity on the account while it is in the CCCS program. All necessary contacts will be with CCCS - not the customer - as long as he is in the program.
3. CCCS receives 10% of any funds collected from customers to help defray operating costs.

NEW BULLETIN

CCCS OBLIGATION TO US

1. Recover any CAS cards in the customer's possession.
2. Send CUT CAS cards, if any, to C&S.
3. Make monthly payments to us, if received from customers.
4. Bill us monthly for 10% of collections.
5. "Dry up" all of customer's credit sources and put him on a cash budget.
6. Notify us promptly of customer default, as well as any known material change in ability to pay.

CHARGE-OFF POLICY

An account placed in the CCCS program is a questionable asset and must be charged off at the next regular charge-off time. While this will increase the dollar amount of losses before recovery, recovery is expected to offset this so that net losses will not be affected. Having Recovery Officers coordinate the paperwork on these accounts places this responsibility in more specialized hands and frees the operating locations' collection personnel for more productive work. There will be some instances in which it may be permissible to avoid charging off a CCCS account. This will occur when we are well secured and the proposed payment schedule very nearly approximates the existing terms.

Here are the main reasons that motivated this policy:

The deterioration of the quality of credit makes the account a questionable asset.

It assures clearer measurement of all CCCS accounts, where presently we only concern ourselves with those on which we sustain losses.

While losses will increase, recovery will also increase, so that the net loss picture will not be adversely affected. In fact, because of specialized handling by Recovery Officers, the net loss picture could show a slight improvement.

The centralizing of these accounts will allow us to take advantage of the experience and personal relationships of our recovery officers in their negotiations with trustees, referees, and CCCS personnel.

The possibility of an unqualified satisfactory credit rating being given a reworked CCCS account will be eliminated.

NEW BULLETIN

Any extensions or reworks should be on a no-charge basis. The extension of time, the usual reduction of payments, the waiving of all extension fees and late charges, all combine to make these loans losing propositions. We pay 10% of all monies collected for services of CCCS. These are real expenses to the serving locations that should more properly rest with Recovery sections.

The computer will continue to assess late charges if payments are not received within 10 days of due date. This isn't compatible with our basic obligation to CCCS not to place any more charges on an account.

REFERRALS

Four occasions arise when CCCS seems to be the only alternative we can recommend:

1. A loan applicant's debt status shows that he is badly overloaded, and it is doubtful that another lender would make a loan to him;
2. A present customer applies for a loan, and up-to-date credit report shows a badly overloaded condition;
3. We have rechecked credit for CAS re-evaluation purposes, or, in other banking areas, to determine our exposure, and we find a bad overloaded situation; and,
4. Normal collection contact reveals a case that should be referred to CCCS.

If you recommend CCCS as a possible solution, you will need to describe the program briefly to your customer, and how he can possibly benefit. If the individual has an emergency situation, an immediate appointment can be arranged. Otherwise, there is frequently a 2 to 3 week waiting period.

EXCEPTIONS

1. Charge Account Service RECOURSE accounts should be charged back to the merchant. Normally, his best alternative is to go along with the CCCS plan.
2. Real Estate notes, automobiles, mobile homes, and property improvement notes ordinarily will not be handled by CCCS due to the nature of these types of loans.
3. Sales Finance RECOURSE accounts should be handled on an individual basis. Our dealers do not have to go along with the CCCS - they may elect to repurchase the account, and repossess or even sue. If they - and we - agree to the plan, we should explain to the dealer that we will continue carrying the account on condition we get a full regular payment each month.
   We can do this by charging to his reserve each month the difference between the CCCS remittance and the regular payment.
4. Endorsers should be asked to pay off.

OPERATING BULLETIN

SECTION LENDING, GENERAL

SUBJECT CORPORATE RESOLUTION

TOPIC

 Date 11-29-47

NEW SUBJECT

There has been some question as to whether or not it would be necessary to have a Corporate Resolution in file where our only dealing with a corporation was in the purchase of contracts or notes on a non-recourse basis.

Since these notes were assigned to us without recourse and after pre-investigation of the buyer of material or services, we were only looking to the corporation for the usual non-recourse warranties. It was understood that we would accept only the signature of an officer of the corporation.

Our attorneys are of the opinion that we should have a Corporate Resolution in all cases and only accept the signature of properly authorized individuals.

At this time, it would be well for each of you to examine your procedure with respect to dealings with corporations. The bank auditors check this point closely and will criticize any installment office that does not have Corporate Resolutions in file to properly authorize the signatures of individuals signing on behalf of a corporation.

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT CORRESPONDENCE ON ACCOUNTS

TOPIC IDENTIFICATION

Page 1 of 4 **Date** 7-1-70

NEW BULLETIN

As we get larger, we have more and more time-consuming problems of identifying and routing items pertaining to accounts. Every item and letter - pertaining to accounts - that is sent from your office MUST show:

1. Name of location
2. Exact location address OR departmental identification.
3. City, State, and Zip Code.

For consistency and thoroughness, we are asking each lending location to secure one or more rubberstamps, as needed, showing the above three items. There are some instances in which you will also want to show your name and phone number.

Following are some examples of how items should be identified:

MV-1 — STATE OF GEORGIA 1970 APPLICATION FOR PASSENGER CARS, MOTORCYCLES, AMBULANCES, HEARSES, BUSSES AND SCHOOL BUSSES

1970 TAG NUMBER AND DATE ISSUED

ORIGINAL TITLE APPLICATION

Citizens & Southern Nat'l Bk.
Peachtree-Baker Office
P. O. Box 4899 or
270 Peachtree Street, N. W.
Atlanta, Georgia 30302

Sales Finance dealers need to be given the exact address information so they can properly complete their title applications.

C&S

INSURANCE NOTIFICATION LETTER

Date

Customer
Address
City
Make of Vehicle
Year
Body Style
I D Number

We have financed an automobile for the above customer who has indicated he will secure a physical damage insurance policy from you on the vehicle described above.

This vehicle is pledged to us as security and the right to receive payment of claims or of return premiums under this policy or any renewal thereof has been assigned to us. We request that the policy or any renewal thereof have attached Loss Payable Form NAUA 51 or its equivalent in favor of C&S as security holder and provide that we will be given ten days advance notice in the event of cancellation of the policy.

Please do not send us a copy of the policy. We will appreciate your furnishing the information requested below by returning this letter to us promptly in the enclosed pre-addressed envelope. No postage will be necessary.

Thank you very much.

To The Citizens and Southern National Bank - Peachtree-Baker Office
270 Peachtree Street, N. W.
Atlanta, Georgia 30303

The customer named above has coverage on the vehicle described on the policy issued as follows:

Name of Company _____

Policy Number _____ Policy Period _____

Coverages (Comp) (Fire) (Theft) $ _____ Deductible Collision _____

This policy provides that any loss under the coverages as to the interest of The Citizens and Southern National Bank - Peachtree-Baker Office shall be payable to the insured and that C&S will be given ten days advance notice in the event of cancellation of the policy. Use Loss Payable Form NAUA 51 or its equivalent as provided by the policy.

Date _____

Agency _____

By _____
Title

E- 1359

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT CORRESPONDENCE ON ACCOUNTS

TOPIC IDENTIFICATION

NEW BULLETIN

139141

PERSONAL CHECKING

TYPE OR PRINT LEGIBLY

SOC. SEC. NUMBER _____ SIGNATURE _____

SOC. SEC. NUMBER _____ SIGNATURE _____

COMPLETE ACCOUNT TITLE _____

RESIDENCE ADDRESS _____

_____ PHONE _____

OCCUPATION—EMPLOYER _____

BUSINESS ADDRESS _____ PHONE _____

INITIAL DEPOSIT $_____ DATE OPENED _____ OPENED BY _____

"Bank"

In consideration of the opening of this account and its maintenance by Bank, and the above signed, "Depositors," agree
1. Charges for maintenance and service of this account may be made on occasions and in amounts set forth, in rules now
tofore and hereafter adopted by Bank. New service and maintenance charges and changes in such existing charges shall become
effective upon posting of notice thereof in the office of Bank for a period of 10 days, or upon sending written notice thereof
to Depositors not less than 10 days in advance of such addition or change. Such charges may be made by Bank whether the ac
count be active or dormant. All charges may be deducted from Depositors' account, and Bank shall not be liable for dishonoring
items when deduction of such charges results in insufficient funds in Depositors' account to honor such items.

2. Bank is authorized to waive presentment, notice of dishonor and protest as to all items purchased or received by Bank
for deposit or collection.

3. Bank is authorized to honor any item drawn by (either of) Depositors even though the signature thereon does not cor-
respond exactly with Depositor's above stated signature, but Bank is not obligated to honor any item drawn by (either of)
Depositors unless the signature thereon corresponds exactly with Depositor's above specimen signature.

4. Bank may [illegible] return as unpaid [illegible] all items drawn on this account and presented to Bank on any
banking day, which at the opening of business on that day there is not a sufficient balance of collected funds in this account to
pay the total amount of such items

(01-24)

Bookkeeper: File Peachtree-Baker JOINT ☐ INDIVIDUAL ☐ SPECIAL ☐ REGULAR ☐

Office Name and Number

STATE OF GEORGIA

UNIFORM COMMERCIAL CODE—FINANCING STATEMENT—FORM 1

INSTRUCTIONS

1. PLEASE TYPE this form. Fold only along perforation for mailing.
2. Remove Secured Party and Debtor copies and send next 2 copies with interleaved carbon paper to the filing officer. Enclose filing fee of $2.00.
3. If the space provided for any item(s) on the form is inadequate the item(s) should be continued on additional sheets, preferably 5" x 8" or 8" x [illegible]. Only one copy of such additional sheets need be presented to the filing officer with a set of two copies of the financing statement. Long schedules of col-
lateral, inventories, etc., may be on any size paper that is convenient for the secured party.
4. When a copy of the security agreement is used as a financing statement, it is requested that it be accompanied by a completed but unsigned set of these forms
without extra fee.
5. At the time of original filing, filing officer should return second copy as an acknowledgement. At a later time, secured party may date and sign Termination Lecend
and use second copy as a Termination Statement. Filing fee is $1.00 for each Termination Statement.

This FINANCING STATEMENT is presented to a filing officer for filing pursuant to the Uniform Commercial Code:

1 Debtor(s) (Last Name First) and address(es):

2 Secured Party(ies) and address(es):

C&S National Bank
Peachtree Baker Office
270 Peachtree Street, N. W.
Atlanta, Georgia 30303

(For Filing Officer Only)

File Number:

Time:

Date:

County, Georgia, Office of

Clerk of Superior Court.

3 Maturity date (if any):

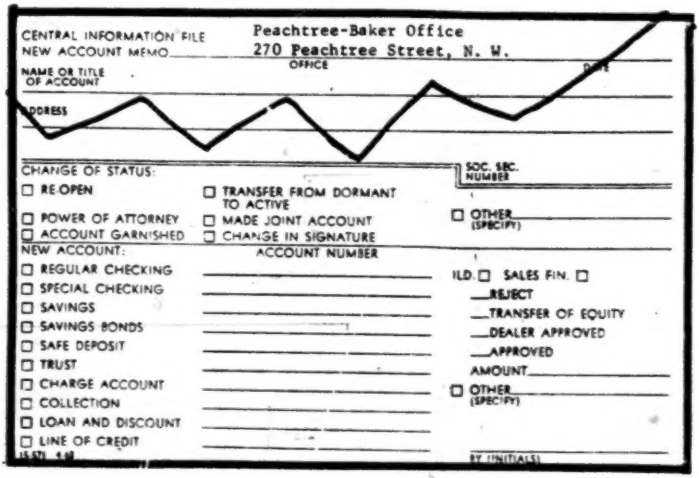
Assignee of Secured Party (if any):

(Name and address)

E- 1360

NEW BULLETIN

C.I.F. NEW ACCOUNT MEMO


CENTRAL INFORMATION FILE
NEW ACCOUNT MEMO
Peachtree-Baker Office
270 Peachtree Street, N. W.
OFFICE
DATE
NAME OR TITLE OF ACCOUNT
ADDRESS
SOC. SEC. NUMBER
CHANGE OF STATUS:
☐ RE-OPEN
☐ TRANSFER FROM DORMANT TO ACTIVE
☐ POWER OF ATTORNEY
☐ MADE JOINT ACCOUNT
☐ ACCOUNT GARNISHED
☐ CHANGE IN SIGNATURE
☐ OTHER (SPECIFY)
NEW ACCOUNT:
ACCOUNT NUMBER
☐ REGULAR CHECKING
☐ SPECIAL CHECKING
☐ SAVINGS
☐ SAVINGS BONDS
☐ SAFE DEPOSIT
☐ TRUST
☐ CHARGE ACCOUNT
☐ COLLECTION
☐ LOAN AND DISCOUNT
☐ LINE OF CREDIT
ILD ☐ SALES FIN. ☐
REJECT
TRANSFER OF EQUITY
DEALER APPROVED
APPROVED
AMOUNT
☐ OTHER (SPECIFY)
BY (INITIALS)

The proper procedure for interoffice correspondence is shown in GOC 26.203 dated 5-27-70.

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT CREDIT INQUIRIES

TOPIC

 Date 5-7-70

Replaces Bulletin: LENDING GENERAL - CREDIT INQUIRIES - Dated 11-22-68

Prompt and accurate exchange of credit information is essential to a healthy and growing consumer credit industry. All C&S Banks, as recognized leaders of the industry, have an obligation to give superior service to all credit grantors that request credit information on our customers. To expect good service from other credit grantors, we must perform likewise. In addition, we have an obligation to our customer who has given our name as a credit reference.

Normally, we are not expected to give outside credit grantors any information beyond the routine spelled out in this bulletin - open or paid in full. To avoid duplicate investigation, in the exchange of information between C&S banks and departments, all pertinent data in the credit folder should be made available to the inquirer.

MAIL AND CREDIT BUREAU INQUIRIES SHOULD BE ANSWERED ON THE SAME DAY AS THEY ARE RECEIVED.

TELEPHONE INQUIRIES SHOULD BE ANSWERED WHILE THE INQUIRER IS ON THE LINE AND TRANSFER OF CALLS BE AVOIDED WHEREVER POSSIBLE.

CONFIDENTIALITY

Although we will continue our practice of exchanging basic credit information with reputable firms, we must reasonably satisfy ourselves that the calling party represents a reputable firm in the credit-granting business.

If a customer calls you for information, and you do not recognize his voice, get his phone number, confirm it, get the information, and return the call.

ABUSE OF CREDIT EXCHANGE PRIVILEGES

The code of ethics surrounding the exchange of credit information forbids the use of a credit inquiry to solicit the loan being investigated. We will not violate the code. If we find cases where our inquiries are not properly handled, we should refuse to give information to the offending credit grantor (after discussion with them at management level).

We do have the privilege of soliciting our customer where only the payoff balance is being requested by a dealer taking our collateral in trade. Such accounts should be referred to the appropriate credit officer for new business solicitation and should be kept in suspense until final disposition is made.

Replaces Bulletin: LENDING GENERAL - CREDIT INQUIRIES - Dated 11-22-68

LOCATIONS ON COMPUTER

BRANCH RESPONSIBILITIES

Branches and Sales Finance locations continue to have the responsibility of giving credit information on certain types of accounts. The Credit Inquiry unit will refer all calls to the lending location on these special cases:

SPECIAL CASES	VIDEO SHOWS
1. Repossessions	REPOSS
2. Accounts paid by endorser	PD IND
3. Skips (if caller says so)	
4. PATL payoffs (where collateral is Pledged Against Total Liabilities)	PATL
5. Unusual information or requests	

EXAMPLES

a. A merchant mentions that he has recently had NSF checks on the account.
b. Law enforcement officials call to say they are attempting to locate customer.

You should refer inquiries on the following to their respective departments:

1. Charge Account Service
2. Real Estate Loans
3. Term Loans
4. Time & Demand Loans

All Atlanta National Banks and Atlanta area affiliates were on the computer by September 30, 1969. Information on accounts that paid out after computer conversion date is available from the Credit Inquiry unit. The branch still has the responsibility for giving credit information on accounts that paid out prior to the branch's conversion date.

Branches, then, should determine what type of inquiry they are getting before they transfer the call. DON'T BE TOO QUICK ON THE TRANSFER! REMEMBER TCP.

PROCEDURE

A. Within bank -

1. Phone Credit Inquiry and identify yourself by name and location.

2. Give customer's name and address (and what bank he carries account with, if known) and request information.
3. Write down all information given, which will be in the following order:
    a. Type of loan and collateral
    b. Date opened
    c. Original amount (High)
    d. Number and amount of scheduled payments
    e. Present balance
    f. Paying record

B. When other firms call, be sure of their identity. Then ask whether active or paid out.

1. When you have determined that it is an active consumer installment loan, transfer the caller to Credit Inquiry, giving the telephone number specified for other credit granters.

2. Look up and give information on paidouts. Then explain that if, in the future, the caller knows that the account paid out after _____(date)_____(your branch's conversion date), they can call Credit Inquiry and get faster and more complete information.

CREDIT INQUIRY FORM

The Credit Inquiry Unit fills out one of these forms on each call.

I L D CREDIT INQUIRY FORM

INQUIRER	REMARKS
CUSTOMER NAME	
ACCOUNT NUMBER	
DATE OF INQUIRY	
PREPARED BY	

E- 1364

Replaces Bulletin: LENDING GENERAL - CREDIT INQUIRIES - Dated 11-28-68

In all cases cited on page 2 of this bulletin as "SPECIAL CASES", the Credit Inquiry unit should note details in the REMARKS portion of the Credit Inquiry Form.

These are sent to the location carrying the account. The receiving location should file these in the customer's credit folder, after taking whatever action seems necessary from the REMARKS noted. Obviously, a quick three or four inquiries in a folder is reason to refer the file to the lending officer.

If it appears to Credit Inquiry that an address change is possibly needed, "Address Change" will be written in the REMARKS section. The receiving branch should immediately contact the inquirer to verify, and then file a Change of Address if needed.

LOCATIONS NOT ON COMPUTER

Procedures will vary somewhat by size of bank and physical layout, however, the following steps have been proven effective under most conditions for handling phone inquiries.

1. Have a designated phone(s) for answering inquiries.
   a. Physically located with best possible access to ledger cards, wheeldex and credit folders.
   b. Alternate personnel with ability to handle inquiries if the person primarily responsible is busy or not available.

2. Ask whether the account is open or closed - This information if available to the inquirer will speed up checking your records.

3. If only the customer's name is available, and on closed accounts, check records in this sequence.
   a. Credit file - This will supply directional information on open accounts. Many of our inquiries are on closed accounts and on those, no further record search is necessary.
   b. If a credit folder is not in file, check the wheeldex on the possibility that you have an open account where the credit file is in use.

4. From the most recent ledger card, give the following information in the order listed:
   a. Type of loan and collateral if requested
   b. Date of note
   c. Original amount of note
   d. Number and amount of scheduled payments
   e. Present gross balance
   f. Precise paying record

Replaces Bulletin: LENDING GENERAL - CREDIT INQUIRIES - Dated 11-28-68

EXAMPLE:

This is on a 68 Chevelle, made 10-18-68 for $2799 payable 24 at $116.65 present balance - $1399, paid 9 prompt 2-15 to 30 and 1 over 30 days late.

RELATED BULLETINS:

GOG 26.18 - Information - Disclosure - Concerning Accounts
GOG 26.181 - Internal Revenue Requests
LENDING GENERAL - CREDIT INVESTIGATION

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT CREDIT INVESTIGATION

TOPIC

 Date 8-10-62

Replaces Bulletin: "LENDING GENERAL - CREDIT INVESTIGATION" Dated 6-29-62

Today's credit economy has been built upon the basic honesty and sincerity of the borrowing public. Consequently, applications for credit which we receive usually represent a sincere need or desire on the borrower's part. We must, therefore, always bear in mind that our primary responsibility to the borrowing public is to grant requests whenever possible. Investigation is the tool by which we determine if and how the request can be handled so as to best serve the borrower's needs or desires.

Most people realize the necessity of limiting their borrowing so as to prevent repayment difficulties. There are, however, some people who honestly fail to understand the extent of their ability to repay according to a prearranged schedule. These people are entitled to credit within their own limits but must be guided by the creditor if they are to meet obligations in accordance with the terms of their loan. Also, there will always be some individuals who borrow or assume obligations when they are fully aware that they cannot or do not intend to repay them. Credit investigation enables us to recognize these situations and helps in determining how we can best extend credit that is both sound for the customer and safe for the bank.

FACTORS TO CONSIDER IN APPRAISING A REQUEST FOR CREDIT The purpose of investigation is to provide sufficient information so that the credit appraiser may reach a decision. The amount of investigation required depends on factors which vary with each individual request. One application will call for a complete and thorough investigation while another will require only the verification of employment and a check of the customer's previous experience with us.

Credit investigation is one of the largest single costs in the acquisition of new loans. Also, time is often "of the essence" where investigation is involved, since either the customer or a dealer is waiting for our decision. For these reasons it is essential that an adequate investigation be made but to no greater degree than is required to reach the credit decision.

To determine the amount of investigation necessary, the five basic factors discussed below must be understood by both the credit appraiser and the investigator.

1. Ability to Repay - An affirmative answer to each of the following questions gives a good insight to the applicant's ability to repay.

   (a) Is his income sufficient to cover the usual necessities, his present monthly obligations, and the roposed additional indebtedness without undue hardship?
   (b) Will his income remain constant or increase during the terms of the loan? Take into consideration his type of employment, specialization, experience, length of service, his background and education.
   (c) Is the customer dependent on other income which is subject to fluctuation or termination?

These factors generally determine a person's ability to meet installment obligations; however, the ownership of liquid assets is also evidence of ability to repay. Such assets can, if necessary, be converted to cash to subsidize income should temporary difficulties arise.

2. Stability - Evidences of stability are length of time on present or previous job, length of time at present or previous residence and whether renting or buying. Other factors to be considered here are age, marital status, and ability to assume responsibility. Instability may cause a person to move frequently and could bring about periods of unemployment, resulting in financial difficulties.

3. Character - Honesty, truthfulness, type of employment, domestic relations, personal reference, associates and type of neighborhood in which he resides all serve to indicate the character of a person.

4. Performance - A review of the customer's past repayment history will be helpful in arriving at your decision.

5. Collateral - Loans should never be made on the assumption that collateral will be used to pay the indebtedness. However, the securing of collateral does at times become a factor in the granting of loans. It is usually required when the proceeds of the loan are used to purchase the collateral or it may be used to strengthen the loan, thereby making it possible to grant the customer's request.

THE INVESTIGATOR The key to good credit investigation lies in the investigator herself. The well-qualified investigator is both observant and alert, and should possess the following attributes:

1. Has the ability to pick out facts and leads indicating the credit-worthiness of an individual.

2. Has the interest and inquisitiveness to follow through on such leads.

3. Realize the necessity of making sufficient investigation to arrive at a decision concerning the granting of the loan.

4. Has a pleasant telephone personality through which she develops a skill in obtaining additional information not ordinarily reflected in routine calls.

Her primary job is to:

1. Verify information given on the application.

2. Develop additional information when the application does not contain sufficient detail.

3. Uncover any unfavorable information when such exists.

4. Discontinue investigation once adequate information has been obtained.

SOURCES OF INFORMATION Oftentimes our credit investigators will be able to develop within the local office the information needed to reach a decision. When this is possible, it not only saves time but also money for the bank. Here are the various sources which should be used in processing an application.

1. Local Installment Loan Department - Check your own files. If the applicant has had a recent loan, the file may contain sufficient information for a decision. A review of the file may reflect recent inquiries from other credit extendors which, when checked, may reveal outstanding indebtedness of which the applicant failed to advise us because of an oversight, an unsatisfactory payment record, or excessive indebtedness.

2. Other Departments Within The Bank Or Other Offices In Same Area - In Atlanta, Central Information Files maintain a complete listing of all C&S customers and of all services being used by each individual customer. Other cities having multiple C&S offices have similar arrangements. These services must be checked to prevent overlapping in borrowing between different offices or among departments.

   When such additional borrowings are found, they should be checked to determine the customer's total outstandings to the bank. This will eliminate duplicate or unnecessary investigation and will provide the benefit of current experience with the applicant. Particular attention should be given to any special consideration on which credit was advanced, such as the request of an employer, on the basis of an endorser, etc.

3. Reporting Agencies - There are credit bureaus in each C&S city. In determining the use to be made of such reporting agencies, we must consider: (1) the speed with which the report can be obtained; (2) the percentage of applicants on which the agency will have reports; (3) how current the agency's files are; (4) the cost of this service.

   We usually accept the report "in file", making our own further investigation as necessary. In analyzing this report, consider:

   (a) Date of report. This indicates the period covered in the bureau file.
   (b) Date of "detail" (personal information) and if verified. If verified within the past six months, the information should be compared with that on the current application. If discrepancies exist, they should be clarified by direct calls.

(c) Date of trade and trade clearance. This gives an insight to the customer's indebtedness and the manner in which he handles his obligations.

(d) Discrepancies between amounts outstanding on the bureau report and those shown on the customer's application. The investigator must remember that such discrepancies may be due to the difference in the date of the report and that of the application. (The customer will have been making monthly payments during the interim.)

(e) Calls from creditors to the agency for its report. These may represent a loan made to the customer, shopping by the customer, a rejection of a request for a loan, submission of an application by a dealer, or the fact that the customer is serving as a co-maker or accomodation endorser. A direct call should be made to any creditor not listed on the application to determine the customer's total indebtedness. This will also assist in determining the trustworthiness of the customer in completing his application.

4. Direct Calls To Other Creditors - From such calls the investigator will learn of other creditors' experience with the applicant, the date of the sale or note, amount of monthly payments, present balance, collateral securing the indebtedness, and the repayment record. Special attention should be given to indications of borrowings from small loan companies. In those cities where loan companies do not belong to the Credit Bureau, it will be necessary to make direct calls to determine the extent of the applicant's indebtedness.

Inquiry calls made to us by other creditors are good sources of information. As inquiries are answered the name of the creditor and the date are recorded. Direct calls should be made to these sources as deemed necessary when making a subsequent investigation of our customer.

5. Employer - A direct call should be made to the customer's employer whenever employment has not been verified through our own files or the agency report. When contacting an employer, be sure that the individual with whom you are talking is authorized to give you factual information. State the purpose of your call and ask that they furnish you with the following information: length of employment, position held, salary, permanency of position, and any other general information they feel will be helpful. In marginal cases you may want to talk to the owner or immediate superior.

If the customer has been on his present job less than one year or if there are any other indications of job instability, the investigator should verify his previous employment. Determine the length of his service there and his reason for leaving.

Replaces Bulletin: "LENDING GENERAL - CREDIT INVESTIGATION" Dated 6-29-62

RECORDING RESULTS OF INVESTIGATION Results are recorded directly on the discount sheet using red pencil to underline those facts verified and to write in additional information developed. (See bulletin: LENDING GENERAL - DISCOUNT SHEET.)

EXTENT OF INVESTIGATION Basically the same factors are considered in appraising requests for all types of individual consumer credit, whether it be over-the-counter, sales finance, or CAS. In direct lending where a personal interview is possible, the application will give detailed information and investigation will be primarily verification and the development of unfavorable and derogatory information not divulged on the application. Indirect lending does not provide us with the opportunity for customer interview. Consequently, such applications are frequently less complete, both from the standpoint of "detail" information as well as total indebtedness, thereby requiring a greater development of information during the investigation.

Many applications can be adequately appraised and further investigation eliminated after a check of our own department files and a check with CIF or similar service where available. If all of the following statements are true, no further investigation is usually necessary.

(a) The credit request does not exceed an amount handled satisfactorily in the past two years and collateral and terms are in line with previous loans.
(b) The customer is a home-owner or has a minimum of three years at the present address which is in a medium-to-better residential area.
(c) The customer's employment has remained unchanged for the past two years.
(d) The files have been brought current by outside investigation in the past 24 months.
(e) There is no evidence of new or increased outside obligations since the last investigation.

When any of the above factors are not true or do not apply, as in the case of new customers, a more complete investigation must be made. The extent of investigation is a matter of judgment and will vary with the request. However, the following will usually be necessary:

(a) Through the course of investigation determine that your customer is the person he professes to be (no mistaken identity) and also that the information you have obtained relates to your customer rather than some other individual with a similar name.
(b) Obtain an agency report. Further followup from this should be made in accordance with that section of this bulletin relating to Reporting Agencies on Page 3.
(c) Verify employment. See Employer on Page 4 of 6.

Replaces Bulletin: "LENDING GENERAL - CREDIT INVESTIGATION" Dated 8-29-62

At this point the investigator must analyze the information obtained to determine what additional investigation is needed in the form of direct calls to outside creditors.

No set rules can be established which will serve to govern the amount of investigation necessary on all loans; however, specific guides as to the extent of investigation will be given in future bulletins pertaining to the different types of loans.

SPECIFIC EXCEPTIONS One of the major difficulties encountered in investigation is the relating of pieces of information developed to both information already known and to other information obtained. Quite frequently investigation takes the form of puzzle solving with one piece of information starting a "chain" of action requiring a step-by-step uncovering of facts. It is essential that the investigator be alert in following up both information which appears to be exceptional to the normal rule, as well as any "lead" which will clarify a questionable situation. Regardless of the type loan or security offered, the following exceptions should always be cleared:

(a) Apparent intentional omissions by the applicant.
(b) Discrepancies in information furnished by customer and that developed in investigation.
(c) Evidence of pyramiding of debts or borrowing from one creditor to pay another.
(d) Evidence of excessive indebtedness indicated by relating total income to normal basic requirements.
(e) Evidence of applicant living beyond visible income.
(f) Slowness in repayment of obligations.

In the final analysis, each transaction must be considered individually, and each investigator must develop her own ingenuity and judgment if maximum efficiency is to be obtained. The investigator must remember that her job is to develop enough information so that the credit appraiser may make a decision. The extent of her investigation will depend on the type of customer request involved, the kind of information which she develops during her investigation, and any limitations which the interviewer indicates when he requests the investigation.

RELATED BULLETINS LENDING GENERAL - DISCOUNT SHEET
CHARGE ACCOUNT SERVICE - COLLECTIONS - OVER-LIMIT ACCOUNTS
CHARGE ACCOUNT SERVICE - CREDIT-APPROVAL - NEW APPLICATIONS

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT DISCOUNT SHEET

TOPIC

 Date 11-11-70

Replaces Bulletin: LENDING GENERAL - DISCOUNT SHEET - Dated 8/12/58

The Discount Sheet (19-1295) serves the purpose of:

1. Application.
2. Investigation.
3. New Loan Accounting.
4. Source document to place new loans on the computer record.

Application is covered in the bulletin: OVER THE COUNTER - APPLICATION AND INTERVIEW; Investigation is covered in the bulletin: LENDING GENERAL - CREDIT INVESTIGATION. This bulletin covers points 3 and 4 - new loan accounting and necessary source document information.

At the end of this section are samples of completed Discount Sheets. The shaded areas of the Discount Sheet contain the information which will be recorded on the computer record. Therefore, care must be taken to insure that all information in these sections is (1) correct, (2) completed as applicable, and (3) legibly printed. Errors appear on that day's File Maintenance Report and must be corrected on a daily basis.

NAME AND MAILING ADDRESS

Four lines are provided for the customer's name and mailing address. The first line should be used to record the customer's name and the address can normally be placed in the next two lines. The ZIP code should always be included. When a loan is in the name of two persons, a name should be placed on each of the first two lines.

ACCOUNT NUMBER

This section contains the account number which includes the bank code, the branch code and the five-digit loan number assigned by the branch. Example of complete account number: 01 01 12342

01 --- Bank Code - Atlanta
01 --- Branch Code - Marietta Street
12342 --- Loan Number Assigned by the branch

DATE OF LOAN

The date of loan is the date the loan is put on our books.

NUMBER OF MONTHS (Term of the loan, expressed in months)

This is the number of months the loan is to run or the number of months to elapse from the date of the loan to the date the final payment is due. (This is not necessarily the number of payments). It is most important that the number of months is stated correctly, since it is the basis for the calculation of rebates and accrual. If the term entered is incorrect by more than one month, the loan will be rejected by the computer. It will appear on that day's File Maintenance Report, and Installment Loan Control-Atlanta must correct and re-enter it the following day.

Replaces Bulletin: LENDING GENERAL - DISCOUNT SHEET - Dated 8/12/58

PAYMENT SCHEDULE

Space is provided on the Loan Master Record for up to four payment series (four changes in the payment amount or interval between due dates). The total amount of all payments scheduled must equal the Note Amount (Total of Payments). If not, Installment Loan Control - Atlanta must correct and re-enter it the following day.

The following Schedule Codes are entered in the Payment Schedule Section of the Discount Sheet to indicate the type of payment schedule (interval between payments).

1	Monthly
3	Quarterly
6	Semi-Annually
A	Annually
N	Single Maturity
B	Balloon Payment
R	Reschedule involved (see page 4).

EXAMPLES

If the payment amounts and due dates are to remain constant for the entire loan, the schedule would be entered on the Discount Sheet as shown below and on the following page in examples 1 and 2; using only one payment series. The first example is a regular monthly payment loan, having 36 equal payments of $91.90, beginning on November 8, 1970.

EXAMPLE 1

Monthly Payment Loan (all payments equal and due the same day each month).

NO. OF PAYM'TS	SCHED. CODE	AMOUNT OF PAYMENTS	DATE TO BEGIN
36	1	@ 91.90	11/8/70
		@	
		@	
		@	

NO. OF MOS.	DATE OF LOAN
36	10/1/70

EXAMPLE 2

Quarterly Payment Loan (all payments equal and due on the same day of the month each quarter).

NO. OF PAYM'TS	SCHED. CODE	AMOUNT OF PAYMENTS	DATE TO BEGIN
12	3	@ 410.80	12/8/70
		@	
		@	
		@	

NO. OF MOS.	DATE OF LOAN
36	9/4/70

Replaces Bulletin: LENDING GENERAL - DISCOUNT SHEET - Dated 11/11/70

If there are two or more payments of a different amount or interval between due dates, two or more payment series must be used as shown in examples 3 and 4.

EXAMPLE 3

Monthly Payment Loan (the final payment is a different amount).

NO. OF PAYM'TS	SCHED. CODE	AMOUNT OF PAYMENTS	DATE TO BEGIN
23	1	$ 84.20	11/8/70
1	1	$ 38.80	10/8/72
		$	
		$	

NO. OF MOS.	DATE OF LOAN
24	10/4/70

EXAMPLE 4

Sales Finance Farm contract Semi-Annual Payment (the amount and time interval of the first payment is different from the remaining payments).

NO. OF PAYM'TS	SCHED. CODE	AMOUNT OF PAYMENTS	DATE TO BEGIN
1	6	$ 750.00	10/1/70
5	6	$ 500.00	10/1/71
		$	
		$	

NO. OF MOS.	DATE OF LOAN
42	4/1/70

Infrequently, a loan will be made with a highly irregular payment schedule, which cannot be recorded in the four payment series. Exceptions of this type are usually Sales Finance Farm Equipment contracts. When this occurs, the entire schedule should be shown in the payment schedule section, regardless of the number of changes.

EXAMPLE 5

Irregular Payment Loan

NO. OF PAYM'TS	SCHED. CODE	AMOUNT OF PAYMENTS	DATE TO BEGIN
2	6	$ 835.00	1/1/71
1	6	$ 600.00	1/1/72
1	6	$ 800.00	7/1/72
1	6	$ 500.00	1/1/73
1	6	$ 563.00	7/1/73

NO. OF MOS.	DATE OF LOAN
31	12/3/70

Replaces Bulletin: LENDING GENERAL - DISCOUNT SHEET - Dated 11/11/70

The payment schedule shown in Example 5 cannot be entered as it is since this loan requires five payment series to be scheduled and space for only four series is provided in the computer record. The loan can be placed on the computer, by entering the first three series, then entering the total of the remaining payments as one payment in the fourth series, with an "R" schedule code. This means that the payment recorded as the fourth series will eventually have to be rescheduled when the first three series of payments have been paid. Example 6 shows how this loan will be recorded on the Loan Master Record.

EXAMPLE 6

Number of Payments	Schedule Code	Amount of Payments	Beginning Date
2	6	825.00	1-1-71
1	6	600.00	1-1-72
1	6	800.00	7-1-72
1	R	1,265.00	1-1-73

The correct term (number of months) will be shown even though the entire schedule of installments cannot be recorded on the Loan Master Record at this time. (When the schedule code in the last series is "R" the loan will be accepted by the computer, even though the term does not agree with the last payment due date.) The customer's Payment Card Book will include payment cards for all payments. When the first three series have been paid by the customer, the Action Report will inform the branch of the necessity to reschedule the remaining payments.

DUE DATES

Payments must be scheduled to become due on the 1st, 8th, 15th, or 22nd of the month.

TOTAL ADVANCED

This is the total amount of all disbursements made on the loan. The total advanced does not include Interest and Discount, Dealer Contingent Reserve, or Dealer Loss Reserve. It does include Prepaid Dealer Reserve when the dealer is paid a portion of the finance charge with each contract purchased.

AMOUNT FINANCED (applicable to Sales Finance loans only)

On a Sales Finance loan, this is the amount applied to the rate chart (Unpaid Balance of Cash Price + Physical Damage Insurance, + Official Fees, + "Other" specific charges).

Replaces Bulletin: LENDING GENERAL - DISCOUNT SHEET - Dated 11/11/70

DEALER CONTINGENT RESERVE (Applicable to Sales Finance loans only)

The portion of the AMOUNT FINANCED which is withheld from the dealer and will be credited to the DEALER CONTINGENT RESERVE account.

DEALER LOSS RESERVE (Applicable to Sales Finance only)

The portion of the GROSS CHARGE which will be credited to the DEALER LOSS RESERVE account.

PREPAID DEALER RESERVE (Applicable to Sales Finance loans only)

The portion of the Gross Charge which is paid to the dealer at the time a contract is purchased by the bank.

GROSS CHARGE (Applicable to Sales Finance loans only)

The total finance charge to the customer plus any group insurance coverage premiums. (The difference between the Note Amount and the Amount Financed).

INTEREST AND DISCOUNT

This figure includes Interest, all Life, Disability, and Retail Insurance premiums. For Over-The-Counter loans this is the total charge to the customer, except for documentary fees or property improvement loan verification charges. For Sales Finance loans, this is the bank's portion of the Gross Charge.

TOTAL OF PAYMENTS

OVER-THE-COUNTER LOAN

CHART—RATE TO CUSTOMER: FC6A36	NOTE AMOUNT: D 1,915.32
CHART—NET RATE	INTEREST & DISCOUNT: C 315.32
GROSS CHARGE: $	DEALER LOSS RESERVE: C $
AMOUNT FINANCED: $	DEALER CONT. RESERVE: C $
PREPAID DLR RESERVE: $	TOTAL ADVANCED: 1,600.00
OLD ACCOUNT NUMBER	C $
OLD ACCOUNT NUMBER: 01-01-34168	C 240.80
INTERIOR TRANS. TO:	C $
	C $
DEPOSIT OR CHECK #: 892-36-841 TO MR. OR MRS. JOHN W. WILLIAMS	C 559.20
DEPOSIT OR CHECK # TO JOHN W. WILLIAMS	C 800.00
DEPOSIT OR CHECK # TO	C $
CASH FUNDS RECEIVED FOR	D $

Replaces Bulletin: LENDING GENERAL - DISCOUNT SHEET - Dated 11/11/70

SALES FINANCE LOAN

CHART—RATE TO CUSTOMER: FCE 10A636M	NOTE AMOUNT: 1311.48
CHART—NET RATE: FCE 8.0	INTEREST & DISCOUNT: 315.08
GROSS CHARGE: 371.48	DEALER LOSS RESERVE: 56.40
AMOUNT FINANCED: 940.00	DEALER CONT. RESERVE: 0
PREPAID O&R RESERVE: 0	TOTAL ADVANCED: 940.00
OLD ACCOUNT NUMBER	
OLD ACCOUNT NUMBER	
INTERIOR TRANS. TO:	
DEPOSIT OR CHECK # TO DEALER	940.00
DEPOSIT OR CHECK # TO	
DEPOSIT OR CHECK # TO	
CASH FUNDS RECEIVED FOR:	

COLLATERAL DESCRIPTION

Space is provided for recording automobiles and other collateral of this nature. Each part of the description must be abbreviated to provide as complete a description possible.

	YEAR	BRAND OR MFR.	SERIES OR PROD.	STYLE OR MODEL	SERIAL NUMBER
U	71	CHEV.	IMP.	4DR. H.T.	10460893 2
N					

When a loan is secured by several pieces of merchandise, or by other collateral, such as savings accounts, stocks, etc., this collateral should be briefly described in the next shaded area as in the example below. This space may also be used for an indorser's name.

INDORSER OR BRIEF DESCRIPTION OF MISC. COLLATERAL	INDORSER'S ADDRESS	PHONE
C+S SAV.-ACCT #12 3456789		

The person completing the Discount Sheet is best qualified to determine how the collateral description or indorser's name should appear on the Discount Sheet. The first fifteen characters appearing in the first shaded collateral area, or if the first area is blank, the first 15 characters shown in the second shaded area will be recorded on the computer record. General abbreviations, as shown on page 7, should be used so that the 15 characters available will adequately describe the collateral.

Replaces Bulletin: LENDING GENERAL - DISCOUNT SHEET - Dated 11/11/70

62 Ford PU TRK	Propane Sys	Serv Sta Equip	Farm Equip
68 Chev. Imp 2 Dr	3 GE Appli	Salary Assg	5 Vend Machs
CVLI	C&S Sav Acct	Com Stk	Lease Assg
Hshld Furn			

MODEL CODE

The Model Code is applicable to all automobile loans, whether Over-the-Counter or Sales Finance. Indicate the year model of the automobile being financed by circling the appropriate number. This code must be entered for all auto loans since it is used in preparing the Statistical Summary Report.

MODEL CODE
(1)—CURRENT MODEL (NEW)
2—PREV. TWO YRS. (USED)
3—OLDER MODEL

PERCENT DOWN AND OVER-ADVANCE

The percent down is the percent that the total down payment (cash down payment plus net trade-in value) is of the cash price. The over-advance is the amount by which the principal amount of the loan exceeds the loan value of the collateral, expressed in dollars. Insurance premiums advanced as a part of the loan should not be considered in the calculation of the over-advance.

CASH PRICE	CASH DOWN	TRADE IN (NET)	% DOWN
3376.90	456.90	590.00	31
TRADE IN ON:		TRADE IN VAL.	BAL. OWING
65 Chev. Imp 2dr. HT		1000.00	410.00
NO. OF MOS.	AMOUNT	LOAN VALUE	OVER ADV.
36	2330.00	2890.00	0

SPECIAL INSTRUCTIONS CODES

One of these codes must be used, and only one can be in effect at a given time.

CODE NO

1 This is the "Debit Checking Account For Payments" code. (Not applicable to Financial Corporation). It is a customer option. If selected, circle "1" in the Special Instructions Code section, and enter the checking account number and title of account. On each due date the customer's checking account will be debited and the payment automatically credited by Data Processing.

SPECIAL INSTRUCTIONS CODE	TITLE OF ACCOUNT TO BE DEBITED FOR PAYMENTS	MR. OR MRS. JOHN A. SMITH
0 - NONE (1) DEBIT CHECKING ACCT. FOR PAYMENTS 8 - SPECIAL COLLECTION HANDLING	CHECKING ACCOUNT NUMBER	891 42 381

If the loan and the checking account are in different C&S banks, and the checking account is processed in Atlanta, (a) asterisk the checking account number to be charged, (b) draw a line from the asterisk to an open place on the discount sheet, and write in the name of the bank that has the checking account. See example below.

	*EMORY CHECKING ACCOUNT
SPECIAL INSTRUCTIONS CODE 0 - NONE (1) DEBIT CHECKING ACCT FOR PAYMENTS 8 - SPECIAL COLLECTION HANDLING	TITLE OF ACCOUNT TO BE DEBITED FOR PAYMENTS: MR. OR MRS. JAMES O. WALTON CHECKING ACCOUNT NUMBER: *439 22 856

The customer will be advised in one of two ways:

(1) In the Atlanta area, the customer's checking account statement will identify the debit by the symbol "LP" - loan payment. He will not receive the debit advice.

(2) Outside Atlanta, until your city is programmed for your bank's checking account statements to show "LP", a debit advice will be included in the customer's statement. This check-size piece of paper will serve about the same purpose as a cancelled check.

WHICHEVER METHOD IS USED, BE SURE TO EXPLAIN IT TO THE CUSTOMER.

CODE NO.

2 This is the "Special Collection Handling" Code. This code will prevent Past Due Notices from being sent to a customer for the life of the loan. (Unless the code is later removed by an Installment Loan Miscellaneous Change form (19-1205). This will accelerate our collection follow-up by seven days since the Collection Card will be prepared instead of a Past Due Notice when the loan becomes ten days past due. This code should be used only when we anticipate difficulty with a loan (for example, a rework for collection purposes) and early collection follow-up is necessary. If Special Collection handling is necessary, circle code "2".

3 Write in "3" if it is a Sales Finance add-on that should have an add-on insert placed in the payment book.

0 If no special instructions apply, circle "0" for "None".

TYPE CODE

The type code is a one digit code which indicates one of the following general classifications of consumer loans.

Code	Type
1	Over-The-Counter
2	Sales Finance

LOAN CLASSIFICATIONS

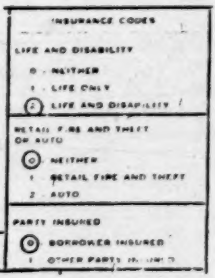
The Loan Classification is a two digit code. The first digit indicates the Major Class (Automobile, Property Improvement, etc.). The second digit is the Minor Class, which is a breakdown of each Major Class. Type Code, Major Class, and the Minor Class are entered on the Discount Sheet by circling appropriate code numbers:

TYPE	MAJOR LOAN CLASSIFICATION		MINOR CLASS
	OVER-THE-COUNTER	SALES FINANCE	①
① OVER THE COUNTER	① AUTOMOBILE	1 - AUTOMOBILE	1
	2 - COLLATERAL	2 - FARM	2
	3 - INSURED	3 - SERVICE	3
	4 - SIGNATURE	4 - DOMESTIC	4
2 SALES FINANCE	5 - PROPERTY IMP.	5 - PROPERTY IMP.	5
	6 - EMPLOYEE	6 - MOBILE HOME	6
		7 - EQUIPMENT	7
		8 - MARINE	8
			9

Replaces Bulletin: LENDING GENERAL - DISCOUNT SHEET - Dated 8/12/58

INSURANCE CODES

Circle the codes for the coverages desired under the group policies. Be certain that the rate used includes the proper premiums for Life, Disability or Retail Fire and Theft. For loans covered with Credit Life and Disability Insurance, if anyone other than the maker is to be insured, or if two or more persons are to sign the note, the name and age of the person to be insured must appear in the blank provided at the bottom of the Discount Sheet. The Party Insured Code must also always be completed by circling the appropriate number.



IF OTHER THAN SINGLE NAME (INDIVIDUAL) SHOW NAME OF PERSON INSURED	AGE

SOCIAL SECURITY NUMBER

This number will ultimately be used as a "customer "number to consolidate a person's relationship with the bank. While this cannot be accomplished through an automated CIF at this time, we should start recording the social security number on all loans in preparation for an automated CIF.

MANUFACTURER CODE (Leave blank until further notice.)

INSURANCE EXPIRATION DATE (Leave blank.)

CREDIT PROFILE (Leave blank until further notice.)

APPROVAL

The initials of the person approving the loan should be written and legibly printed in the spaces provided.

CHECKING THE DISCOUNT SHEET

The most important single action is that of an experienced person who checks the completion and discounting. That person's initials should appear as shown here.

CHECKING ACCOUNT NUMBER	DISCOUNTING AND COMPLETION OF DISCOUNT SHEET CHECKED BY
	WEH

ORDERING FORMS

Order discount sheets (19-1295) from Purchasing in the usual manner.

RELATED BULLETINS

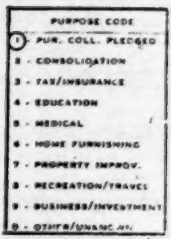
OVER THE COUNTER - APPLICATION AND INTERVIEW
LENDING GENERAL - CLASSIFICATION OF LOANS
LENDING GENERAL - CREDIT INVESTIGATION
COLLECTIONS - NOTICES

Replaces Bulletin: LENDING GENERAL - DISCOUNT SHEET - Dated 8/12/58

An explanation of each Minor Class is not shown on the Discount Sheet due to space limitations. A full explanation of loan classifications is in the bulletin: LENDING GENERAL - CLASSIFICATION OF LOANS.

PURPOSE CODE

The Purpose Code (Applicable only to Over-The-Counter loans) indicates the reason or purpose of the loan. The applicable Purpose Code number should be circled for all the over-the-counter loans as shown:



DEALER NUMBER

The Dealer Number is a three digit code assigned to all Sales Finance Dealers to provide controls for the business purchased from each dealer. If an unassigned or incorrect Dealer Number is entered, the new loan will be rejected by the computer, and must be corrected and re-entered the following day.

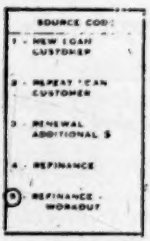
SOURCE CODE This code applies to all over-the-counter and sales finance loans.

CODE

1, 2, 3 Self-explanatory.

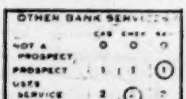
4 "Refinance". Circle when one or more loans are reworked to reduce payments or change the schedule.

5 "Refinance - workout". Normally, this will be circled when we have had a collection problem. Special Instructions Code 2 should also be circled to place the account in the Special Collection Handling category. See Bulletin: COLLECTIONS - NOTICES.



OTHER BANK SERVICES

This section of the Discount Sheet serves as a reminder to solicit additional business during the interview. In addition, reports produced from these codes will indicate the potential new business available through installment borrowers, the present penetration, and the number of other services sold during the interview.



ALL INFORMATION IN SHADED AREAS MUST BE PRINTED FOR PROPER BILLING

INSTALLMENT LOAN DISCOUNT SHEET APPLICATION

01 | 31 | 13.94

Joan R. Smith

925 Sloan St.

Atlanta, Ga.

30381

MALE X FEMALE ☐ MARRIED X SINGLE ☐

HOME PHONE 246-4031

OWN X RENT ☐ YEARS 5 MONTHS 1

EMPLOYMENT PHONE 636-8946

36 | 1 | 93.96 | 11/8/70

CUST AGE 37

CREDIT PROFILE

NO OF PMTS 36 DATE OF LOAN 10/21/70

CHART—RATE TO CUSTOMER FC 6A 36

CHART—NET RATE

NOTE AMOUNT 3382.56

INTEREST & DISCOUNT 642.56

GROSS CHARGE

AMOUNT FINANCED

PREPAID OLD RESERVE

TOTAL ADVANCED 2740.00

JANET — NUMBER OF OTHER DEPENDENTS 1

JONES EQUIPMENT — YEARS 10

Office Mgr.

OLD ACCOUNT NUMBER 01-31-11246 — 410.00

11,000 — SEMI-MONTHLY ☐ WEEKLY ☐ MONTHLY ☐ OTHER X Annually

257-48-0355

DEPOSIT OR CHECK # to Cust. + Johnson Ford — 2330.00

DEPOSIT OR CHECK # to

DEPOSIT OR CHECK # to

CASH PURCHASE RECEIVED FOR

TITLE OF ACCOUNT TO BE CREDITED FOR PAYMENTS Mr. or Mrs. John Smith

CHECKING ACCOUNT NUMBER 428 41 604

DISCOUNTING AND COMPLETION OF DISCOUNT SHEET CHECKED BY: MRB

YEAR	MAKE OR MFG	SERIES OR PROD	STYLE OR MODEL	SERIAL NUMBER	CASH PRICE	CASH DOWN	TRADE IN NET	
71	Ford	Gal.	4dr. Sed	4HA960342983	3376.90	456.90	590.00	31

TRADE IN ON 67 Chev.

PURPOSE OF LOAN Purchase Auto

NO OF MTS	AMOUNT	LOAN VALUE	OVER AGE
36	2740.00	2890.00	000

COLLATERAL SOURCE OF COMPANY OR AGENCY: State Farm

DEALER NAME

ASSET CONTROL CENTER NO Wilson Allen

PERSON SUBMITTING

EXPIRATION DATE

DEALER NUMBER

X APPROVED ☐ REJECTED BY AEJ

PREPARED INITIALS JF

E- 1383

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT DUE DATES

TOPIC

 Date 3-28-68

Replaces Bulletin: "LENDING GENERAL - SETTING DUE DATES" Dated 1-5-56

In setting due dates on monthly payment notes, there have been two general considerations: (1) to make the due date coincide with the maker's pay day or income period and (2) to arrange due dates in such a way that the flow of payments being paid would result in a more even accounting work load throughout the month. Often the two objectives have been in conflict. Certainly, point (1) is of primary importance. Many situations exist, however, in which both points can be served.

A method of setting due dates, developed by C&S, takes into consideration that practically all income falls into one of three groups:

1. MONTHLY OR SEMI-MONTHLY PAY DAYS --- with few exceptions pay day is on the first and/or on the fifteenth of each month.

2. WEEKLY OR BI-WEEKLY --- generally pay day is on Friday or Saturday.

3. INCOME RECEIVED THROUGHOUT THE MONTH --- small businesses, individual dealers in services, day to day workers, etc.

To conform to the two basic principles of setting due dates and to permit the most effective notice and collection followup, four due dates are used; (a) the 1st, (b) the 8th, (c) the 15th, and (d) the 22nd. It should be remembered that almost all real estate mortgage notes are due on the first of the month, as are a high percentage of rental payments.

MONTHLY OR SEMI-MONTHLY PAY DAYS

Make due date on the 1st or 15th. The choice of date will depend upon what fixed expenses the maker already has. The due date should be set on the pay day that has the most "unallocated" income.

WEEKLY OR BI-WEEKLY PAY DAYS

Make due date on the 8th or 22nd. Fixing a due date on a calendar month basis when weekly pay days are involved is an arbitrary selection anyway since successive weekly pay days will fall on varying dates during the month. The best that can be done is to select the half of the month in which the maker has the most "unallocated" income.

INCOME RECEIVED AT IRREGULAR INTERVALS

Allow choice of 1st, 8th, 15th, or 22nd, taking into consideration the maker's ability to make payments promptly on the date selected.

EQUALIZING DUE DATES

When makers have the ability to make payments on any of the dates within each of the above categories, branch personnel should set the due date on the date within the category that has the least number of payments already scheduled. Sales Finance has much less

Replaces Bulletin: "LENDING GENERAL - SETTING DUE DATES" Dated 1-5-56

latitude here, since the dealers set the due dates. They can, however, counsel with individual dealers as needed to help equalize the load.

GRACE PERIOD

Lenders sometimes set the due date anywhere from one to ten days after the pay day to "allow time for the payment to reach the bank by the due date." Where too much time is allowed, the borrower is tempted to use the money for other immediate needs and thus will slip over into his next pay period and from then on be chronically late. Under our system this time interval does not exist and it should be explained to borrowers that the time necessary for the payment to reach the bank is taken into consideration in appraising their promptness of payment. In reviewing payment records, consider any payment that is posted before the first notice is sent as being "prompt."

TIME INTERVAL FOR FIRST PAYMENT

It is customary in installment lending and installment selling to allow 30 to 45 days before the first payment is due. A convenient due date can be found in this range. Obviously, because time is money, we should not indiscriminately offer 45 days. The real determinant should be the date most suitable to the customer's needs, which will be the pay day that has the most unallocated income.

DEALER ORIGINATED NOTES AND CONTRACTS

Dealers should be sold on the merits of this system from the standpoint that it improves our collection service for them and, to a large degree, eliminates complaints that result from payments and notices crossing in the mail.

Contracts and notes received without the correct due date should be discussed with dealers where practical. In the absence of confirmation of the correct due date, change the date of the first payment by allowing as much additional time as is necessary to reach the first due date that will coincide with the borrower's income period, up to 15 days.

CHANGE OF DUE DATE

It is permissible to adjust a due date for the customer's convenience, up to 15 days, without charging a fee. A note explaining the need and action should be made in the customer's credit file. Ordinarily, due dates should be changed only by mutual agreement between the bank and the customer. If more than 15 days is required, it should be handled as an extension. (See COLLECTIONS - EXTENSIONS.)

OPERATING BULLETIN

SECTION LENDING, GENERAL

SUBJECT GRADING

TOPIC

 Date 8-8-58

FILE IN OPERATING GUIDE
REPLACES BULLETIN: "SALES FINANCE - GRADING" Dated 1-26-48

In the past only Sales Finance credits have been graded. Now with the means available through IBM equipment of preparing a credit record of over-the-counter loans we are extending our grading to this class of business.

The grading of credits provides a standard yardstick by which loans or purchases may be analyzed without waiting for past due accounts to appear and a ready means of specifying the class of credit to be extended in the future on any given dealer or loan class.

Grading is the analysis of a credit risk and the recording of the credit man's judgement of that risk as defined below. Credits are to be graded only after investigation and/or experience, and not on the basis of the customer's unsupported statement. Each file should contain the necessary credit information to support the grading.

Where credit is extended without investigation based on endorser, collateral or recourse on a strong dealer, no grading can be made. In this case, merely draw an X through the grading space on the discount sheet to indicate that it does not apply.

GOOD (1) Any customer that is better than average from the standpoint of amount of income, stability of income and manner of paying bills. A good risk should be able to meet any normal emergency and still be able to repay us.

FAIR (2) The average customer that we can reasonably expect to pay promptly, barring unforseen emergencies. Income should be adequate for present needs; source of income should be reasonably secure and past bills paid satisfactorily.

POOR (3) The below average customer that we might reasonably expect to have payment difficulties. Income inadequate, frequent changing of jobs or poor paying record.

BAD (4) Any risk that is an almost certain collection case, repossession or loss.

These definitions do not necessar ly agree with any one individual's common usage of the terms good, fair, etc. Please study the definitions carefully so that for purposes of grading, the terms will be used uniformly.

OPERATING BULLETIN

SECTION LENDING, GENERAL

SUBJECT LANDLORD'S AGREEMENT

TOPIC

 Date 11-22-54

NEW SUBJECT

We are occasionally called on to finance equipment which is being installed in leased or rented property where the equipment becomes attached to the realty. Where this is the case, it is desirable to have a waiver from the landlord. The Landlord's Agreement (19-839), reproduced on page 2, is designed to serve this purpose and has been approved by our attorneys.

Our attorneys have this to say:

> "The instrument is so close to the grant of an easement that it would be worth the record thereof so that its record would constitute constructive knowledge to third persons, there being a probability that it would be held to be a conveyance or grant of an interest in real property. A title search would disclose it and any title lawyer would require the purchaser to get a satisfactory release from the creditor or his assignee."

Whether you record the instrument will be a matter of credit judgment depending upon the strength of your purchaser and the size of the transaction involved.

Where this instrument is to be taken in conjunction with a Conditional Sales Contract which is assigned to us, the Landlord's Agreement should run to the seller of the equipment (creditor) and be assigned to us in the space provided. Where you are making a direct loan, the bank will, of course, be the creditor and the transfer will not be used.

Order your requirements from the Purchasing Department, Atlanta, in the usual manner, keeping in mind that the need for these agreements will not arise too often.

LANDLORD'S AGREEMENT

Undersigned is the owner of premises located at _____ (Street Address) _____ (City) _____ (County), Georgia (hereafter called "Premises") which undersigned leases or rents to _____ (hereafter called "Tenant").

Tenant has installed, attached or affixed to Premises or proposes to install, attach or affix thereto the following described property (hereafter called "Property"):

To secure Tenant's obligation to pay certain indebtedness owed _____ (hereafter called "Secured Party"), security title to and a security interest in Property has been or will be retained by or has been or will be transferred, conveyed or assigned to Secured Party under a conditional sales contract, chattel mortgage, bill of sale to secure debt or like agreement (hereafter called "Security Agreement").

In consideration of the premises and Secured Party's reliance upon the described security interest, it is agreed: (1) Undersigned expressly consents to the aforedescribed security interest, disclaims any interest in Property as a fixture of and to Premises and agrees that Property is and shall be and remain personal property whether or not physically attached or affixed to the Premises; (2) undersigned waives and subordinates any and all liens, claims or rights undersigned may have to Property by virtue of contract, operation of law or otherwise, to the security title and security interest of Secured Party in Property; (3) Secured Party is expressly authorized and privileged at any time, and without liability to undersigned for the cost of repairs or otherwise, to enter upon Premises and remove Property therefrom, whether or not such removal requires a physical detachment of the Property from the realty or causes injury or damage thereto; and (4) this agreement shall be binding upon and inure to the benefit of the heirs, representatives, successors and assigns of undersigned and Secured Party.

WITNESS the hand and seal of undersigned this _____ day of _____, 19____.

_____ (SEAL)

Signed, sealed and delivered in the presence of:

_____

_____
Notary Public

TRANSFER OF LANDLORD'S AGREEMENT

STATE OF GEORGIA
COUNTY OF _____

FOR VALUE RECEIVED, the rights, privileges, easements and grants with respect to the personal property and in and to the real property described in the within and foregoing "Landlord's Agreement" dated _____ are hereby transferred and assigned unto THE CITIZENS AND SOUTHERN _____

WITNESS the hand and seal of Undersigned, this _____ day of _____, 19____.

_____ (SEAL)

By _____

Signed, sealed and delivered in the presence of:

_____

_____
Notary Public

E-1388

Replaces Pages 1 and 2 only of: LENDING GENERAL - PERFECTING SECURITY INTERESTS - PROCEDURE AND DOCUMENTARY FEES - Dated 8/29/69

The bank takes a security interest in collateral for the purpose of reducing loss exposure. Protection depends not only on the resale value of the collateral but also on our right to obtain and liquidate the collateral in event of default. (We no longer carry "Non Filing" insurance for protection in cases of error or omission, so be sure that recording requirements are carefully followed). Use of our standard notes and security agreement will give us adequate rights as between ourselves and our customer; however, the rights of other interested parties must also be considered.

Filing of a financing statement or other required action to perfect the security interest in each collateral transaction would be both unnecessary and exceedingly expensive. After considering the probable and possible exposure, the cost of filing a financing statement and the expense of followup, the following general practices are recommended. Sound judgment must be exercised since there will at times be extenuating circumstances which will dictate exceptions. Where judgment dictates, exceptions should be made to gain reasonable protection for ourselves and our dealers.

On all Sales Finance transactions where the dealer files the financing statement or files for title, do not charge a documentary fee. If the dealer wishes, he may collect the fee and charge it to the customer as long as he discloses it according to Regulation Z.

COLLECTING AND PAYING DOCUMENTARY FEES

Documentary fees should be charged only for the actual cash outlay required to perfect and release our security interest in the collateral pledged. On the note form, in the block designated "Other Charges - (Specify)", type in "Filing Fee", "Record Search", etc., as appropriate, and enter the amount(s). The sum of "Amount of Loan" plus "Other Charges - (Specify)" (1+4) is the amount that should be applied to the rate chart. Page 2 shows an example of fees on a Revision Agreement.

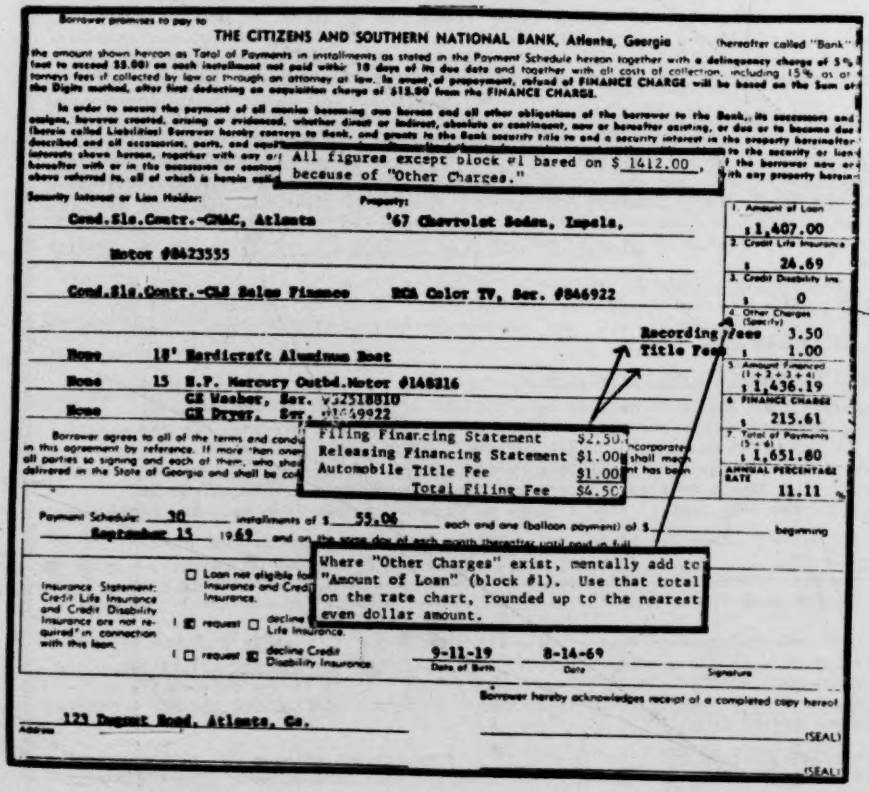
(On Sales Finance contracts, this will be "Unpaid Balance of Cash Price" plus "Physical Damage Insurance" plus "Official Fees" plus "Other charges. Handling in this manner eliminates the need for deducting from the "advance to the dealer".)

Pay applicable documentary fees at time of discounting, by cashier's check. Since the fee charged to the customer includes both the recording fee and the release fee, there should be a very small amount left over - which is the release fee. This should be credited to the General Ledger account MISCELLANEOUS EXPENSE - GENERAL (basic no. 978-00-000).

When the loan is paid out, send a cashier's check for the release fee to the recording office. (See Page 7 - "Release of Filing".) Debit the General Ledger account MISCELLANEOUS EXPENSE - GENERAL (basic no. 978-00-000). Cities with central bill-paying-such as Atlanta - should process this through their central system rather than debiting directly to the General Ledger account.

Replaces Pages 1 and 2 only of: LENDING GENERAL - PERFECTING SECURITY INTERESTS - PROCEDURE AND DOCUMENTARY FEES - Dated 8/29/69

Documentary fees needed at other times - such as to record in other states (when a customer has moved) - should be paid in the same manner. Pay by cashier's check and debit MISCELLANEOUS EXPENSE-GENERAL, or process through your central bill-paying system for the proper entries to be made. N E W



Borrower promises to pay to THE CITIZENS AND SOUTHERN NATIONAL BANK, Atlanta, Georgia hereafter called "Bank"

the amount shown hereon as Total of Payments in installments as stated in the Payment Schedule hereon together with a delinquency charge of 5% (not to exceed $5.00) on each installment not paid within 10 days of its due date and together with all costs of collection, including 15% as attorneys fees if collected by law or through an attorney at law. In event of prepayment, refund of FINANCE CHARGE will be based on the Sum of the Digits method, after first deducting an acquisition charge of $15.00 from the FINANCE CHARGE.

In order to secure the payment of all monies becoming due hereon and all other obligations of the borrower to the Bank, its successors and assigns, however created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due (herein called Liabilities) Borrower hereby conveys to Bank, and grants to the Bank security title to and a security interest in the property hereinafter described and all accessories, parts, and equipment now or hereafter attached to the security or loan and interests shown hereon, together with any and all proceeds of the borrower now or hereafter with or in the possession or control of the borrower now or hereafter with any property hereon above referred to, all of which is herein called Property:

All figures except block #1 based on $ 1412.00, because of "Other Charges."

Security Interest or Lien Holder:

Cond.Sls.Contr.-CMAC, Atlanta — '67 Chevrolet Sedan, Impala,

Motor #8423555

Cond.Sls.Contr.-C&S Sales Finance — RCA Color TV, Ser. #846922

Home — 18' Bardicraft Aluminum Boat

Home — 15 H.P. Mercury Outbd.Motor #148316

Home — GE Washer, Ser. W32518810

Home — GE Dryer, Ser. #1649922

Recording Fees $ 3.50
Title Fee $ 1.00

Filing Financing Statement $2.50
Releasing Financing Statement $1.00
Automobile Title Fee $1.00
Total Filing Fee $4.50

1. Amount of Loan	$ 1,407.00
2. Credit Life Insurance	$ 24.69
3. Credit Disability Ins	$ 0
4. Other Charges (Specify)	
Recording Fees	$ 3.50
Title Fee	$ 1.00
5. Amount Financed (1 + 2 + 3 + 4)	$ 1,436.19
6. FINANCE CHARGE	$ 215.61
7. Total of Payments (5 + 6)	$ 1,651.80
ANNUAL PERCENTAGE RATE	11.11 %

Where "Other Charges" exist, mentally add to "Amount of Loan" (block #1). Use that total on the rate chart, rounded up to the nearest even dollar amount.

Payment Schedule: 30 installments of $ 53.06 each and one (balloon payment) of $ beginning September 15 1969 and on the same day of each month thereafter until paid in full.

Insurance Statement: Credit Life Insurance and Credit Disability Insurance are not required in connection with this loan.

☐ Loan not eligible for Insurance and Credit Insurance.

I ☒ request ☐ decline Life Insurance.

I ☐ request ☒ decline Credit Disability Insurance.

9-11-19 Date of Birth — 8-14-69 Date — Signature

Borrower hereby acknowledges receipt of a completed copy hereof

123 Dupont Road, Atlanta, Ga. Address

(SEAL)

(SEAL)

In all dealer-originated transactions in which the $3.50 filing fee is added the dealer must complete a financing statement, sign it himself, have the buyer sign, and show our bank as assignee; send it to us along with the conditional sales contract.

1. BANK-HELD COLLATERAL (i.e., Stock Certificates, Assignments of Savings Accounts, CVLI):

   Our security interest will be perfected because of "possession" and filing a financing statement is not needed.
   (a) Do not charge a documentary fee.
   (b) Do not file a financing statement.

2. VEHICLES REQUIRED TO BE LICENSED (i.e., Automobiles, Trucks, Mobile Homes, Trailers): A financing statement is not needed since perfection of a security interest in this type collateral is governed by the Georgia Motor Vehicle Title Act. On all models,
   (a) Collect a $1.00 documentary fee.
   (b) Have bank's name and your bank's exact street address shown as first security interest holder on the certificate of title.

3. APPLIANCE AND HOME FURNISHINGS THAT ARE CONSUMER GOODS WITH THE EXCEPTION OF FIXTURES
   (1) If a purchase money security interest can be substantiated, filing is not necessary to perfect. Filing of a financing statement would give one additional protection; it would protect against an individual who buys for his own personal or family use. However because of the usually small amount and minimum risk, a financing statement should not normally be filed.
      (a) Do not charge a documentary fee.
      (b) Do not file a financing statement.
   (2) If ours is not a purchase money security interest, then it will be necessary to file a financing statement in order to perfect. Although in many cases the dollar amount of the transaction may be small, the credits will generally be marginal.
      (a) Charge a documentary fee of $3.50.
      (b) File a financing statement.

4. BOATS AND MOTORS WHICH ARE CONSUMER GOODS:
   (1) If a purchase money security interest can be substantiated, it is not necessary to file a financing statement to have a perfected security interest. However, filing of a financing statement would give one additional protection; it would protect against an individual who buys for his own personal or family use. However the loss exposure from this source is minimal.
      (a) Do not charge a documentary fee.
      (b) Do not file a financing statement.

      Exceptions should be made on questionable transactions and on all transactions of $3,000 or more. File a financing statement on these to gain the additional protection, and charge a $3.50 documentary fee.

   (2) If we do not have a purchase money security interest, it is necessary to file a financing statement in order to have a perfected interest.
      (a) Charge a $3.50 documentary fee.
      (b) File a financing statement.

5. FARM EQUIPMENT FOR FARM USE (Other than vehicles required to be licensed and fixtures):
   (1) If the selling price is $2,500 or less and a purchase money security interest can be substantiated, the security interest is perfected without filing a financing statement. Filing of a financing statement would give one additional protection; it would protect against an individual who buys for his own personal use or farming operation. Again the loss exposure from this is small.
      (a) Do not collect a documentary fee.
      (b) Do not file a financing statement.
      Contracts on chain saws are discounted under a full recourse agreement for several of our better farm dealers. Chain saws may or may not be "farm equipment", but, in any case, this is high risk business. The dealer should understand that we will not file to perfect and that we will not assume any risk of loss of the collateral to another interested party.
   (2) If ours is not a purchase moneysecurity interest or if the selling price exceeds $2,500, it is necessary to file a financing statement to have a perfected security interest. The risk factor warrants filing in every case.
      (a) Collect a $3.50 documentary fee.
      (b) File a financing statement.

Replaces Pages 5 and 6 only of: LENDING GENERAL - PERFECTING SECURITY INTERESTS - PROCEDURE AND DOCUMENTARY FEES - Dated 8-29-69.

6. EQUIPMENT - FARM PRODUCTS - FIXTURES - INVENTORY

It is always necessary to file a financing statement in order to have a perfected security interest in each of these types of collateral. Procedure is:

(a) File a financing statement whenever the transaction exceeds $500 or the risk is greater than normal.

(b) In such cases, charge a $3.50 documentary fee.

EXCEPTIONS TO #6

(1) Domestic Dealers (appliance, furniture and boats and motors): If the dealer's sales are predominantly for home or personal use with only an occasional sale being made to someone that will use the merchandise for business purposes or when the merchandise will become a fixture; we may waive the documentary fee. However, the remaining steps should be followed as outlined.

(2) "Small Equipment" Dealers (retail sales average under $500): This class of business is normally handled on a full recourse basis and if the dealer's financial condition warrants, we may waive the requirements in paragraph 6. When done, we will not assume the risk and the dealer must understand his exposure. Provide the dealer with necessary forms so that he may file if he deems it advisable.

(3) "Heavy Equipment" Dealers:
On rare occasions, where the dealer's financial condition warrants, a dealer may be permitted to file the financing statement himself. This is no different from past procedures where an occasional dealer was permitted to handle his own recordings. When this is permitted, have the dealer show the bank as assignee on the financing statement, and maintain a follow-up to receive a copy of the financing statement acknowledged by the clerk of court.

7. PROPERTY IMPROVEMENT TRANSACTIONS

Whether to record is a matter of credit judgment on each transaction: However, the instrument should be recorded if:

(1) The total note exceeds $1500.00.

R (2) There is reason to believe that the property might be sold during the term of the loan, i.e., customer might be subject to transfer.

(3) Collection problems and deterioration of credit are encountered.

If the note is to be recorded the amount of the documentary fee will depend on where the note is recorded.

(a) If filed as a financing statement, to cover fixtures, collect a $3.50 documentary fee.

N E W (b) If filed in the Real Estate records, the fee is $2.00. Where a Deed to Secure Debt is involved, the fee is $2.00 per page. (Georgia law standardized these fees effective July 1, 1970).

8. COMBINATIONS OF VARIOUS TYPES OF COLLATERAL (i.e., an auto and home furnishings):

In certain multiple collateral transactions, it may be necessary to record in more than one place. In these instances collect a documentary fee sufficient to cover the costs of both recordings and releases.

9. PRIOR LIENS

Some of our loans involve paying off balances with other banks, finance or loan companies. Where we are paying off a secured party on goods (other than vehicles covered by the Title Act) and taking the goods as collateral, we must determine if a financing statement covering the goods has been filed by the secured party. Where this is the case, we should request the secured party to assign his security interest to us. This is accomplished by having the secured party complete the assignment portion of a Uniform Commercial Code-Form 2. When properly filed with the Clerk of Superior Court, the assignment will continue the original filing, showing the bank as the secured party of record, and will afford us the same rights and privileges as those held by the original secured party. Be especially careful to note the maturity date (if any) shown in the assignment and when necessary, file a continuation statement as outlined above under "FILING TO PERFECT".

10. OUT-OF-STATE MOVES

Upon learning of a customer's new out-of-state address, it will be necessary in many instances to take immediate action to perfect our security interest. Requirements vary by state as to place of filing and type of filing. System Consumer Credit can furnish precise information on this when needed.

Replaces Page 7 of Bulletin: LENDING GENERAL - PERFECTING SECURITY INTERESTS - PROCEDURE AND DOCUMENTARY FEES - Dated 8/29/69

RELEASE OF FILING

1. Financing Statement:

   The second copy is used to release the filing. Called a Termination Statement, it only requires your signature and $1.00. Send it to the County Clerk to release the filing. (Filing costs $2.50; termination costs $1.00.)

2. Cancellation of Recording of Deeds:

N E W Sign and date the section of the deed that attests to the fact that our interest has been satisifed. Forward the deed and a $.25 cancellation fee to the County Clerk. The clerk will cancel the recording and return the deed to us. The deed should then be forwarded to the customer. (This is an excellent opportunity to develop future business.)

THE FINANCING STATEMENT

The form itself is a four-part snap-out carbon. It is a numbered stock form (19-891). Each copy bears a number and distribution information. Shown on page 8 is an example.

Replaces Bulletin: LENDING GENERAL - PERFECTING SECURITY INTERESTS - PROCEDURE AND DOCUMENTARY FEES - Dated 8-29-69.

STATE OF GEORGIA
UNIFORM COMMERCIAL CODE—FINANCING STATEMENT—FORM 1

INSTRUCTIONS

1 PLEASE TYPE this form. Fold only along perforations for mailing.
2 Remove Secured Party and Debtor copies and send Nos. 1 copies with appropriate carbon paper to the filing officer. Enclose filing fee of $2.50
3 If the space provided for any item(s) on the form is inadequate the item(s) should be continued on additional sheets, preferably 8½" or 8" x 10". Only one copy of such additional sheets need be presented to the filing officer with a set of two copies of the financing statement. Long schedules of collateral, indentures, etc., may be on any size paper that is convenient for the secured party.
4 When a copy of the security agreement is used as a financing statement, it is requested that it be accompanied by a completed but unsigned set of these forms, without extra fee.
5 At the time of original filing, filing officer should return second copy as an acknowledgment. At a later time, secured party may date and mail Termination Legend and one second copy as a Termination Statement. Filing fee is $1.00 for Termination Statement.

This FINANCING STATEMENT is presented to a filing officer for filing pursuant to the Uniform Commercial Code:

(For Filing Officer Only)
File Number:
Time:
Date:
County, Georgia, Office of Clerk of Superior Court.
Maturity date (if any):

1 Debtor(s) (Last Name First) and address(es):

Fixit, Dr. I. Will
428 Medical Bldg., N.W.
Atlanta, Ga. 30304

2 Secured Party(ies) and address(es):

CAS National Bank
Broad & Marietta Sts.
Atlanta, Ga. 30302

Assignee of Secured Party (if any):
(Name and address)

4 This financing statement covers the following types (or items) of property:

☐ 5 (If collateral is crops, check box and complete.) The described crops are growing or are to be grown on (general description of real estate and name of record owner.)

6 (If collateral is goods which are or are to become fixtures, check box and complete.) The described goods are affixed or are to be affixed to: (general description of real estate and name of record owner.)

1 Medicare X-ray machine, Serial #3343331
1 Pure-form sterilizer, Serial #555555
2 Rest-ose Examination chairs
2Grey-metal, formica top desks
1 IBM electric typewriter, Serial #404049
1 Burroughs electric 10-key adding machine, Serial #8909876

Check box if any of: ☐ Proceeds of Collateral are also covered ☐ Products of Collateral are also covered No. of additional sheets presented:

Dr. I. Will Fixit
By: Dr. I. Will Fixit
Signature(s) of Debtor(s)

Citizens and Southern National Bank
By: Sandra Horne
Signature(s) of Secured Party(ies)

1 Filing Officer Copy
FORM 10-001

TERMINATION STATEMENT: The Statement of Termination of Financing is presented to a Filing Officer for filing pursuant to the Uniform Commercial Code. The Secured Party certifies that the Secured Party no longer claims a security interest under the financing statement bearing the file number shown above.

Date , 19 By:
(Signature of Secured Party or Assignee of Record. Not Valid Until Signed.)

2 Filing Officer Copy — Acknowledgment — Filing officer is requested to note file number, date and hour of filing on this copy and return it to the person filing, as an acknowledgment.
FORM 10-001

3 File Copy—Secured Party(ies)
FORM 10-001

4 File Copy—Debtor(s)
FORM 10-001

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT POWER OF ATTORNEY

TOPIC TITLES

 Date 10-11-67

NEW BULLETIN

On the reverse side is illustrated a Power of Attorney form, T-8, which has been approved by the Georgia Title Bureau. This form can be used when needed to expedite or make more convenient the application for, or transfer of, a title certificate by enabling us to sign the customer's name on the necessary papers.

> Example: We are financing a car for our customer who is buying the car from an individual who has it financed with G.M.A.C. After we remit our check to G.M.A.C., they, in turn, would mail us the title certificate with a satisfaction of their lien. It would have to be signed on the reverse side by the seller in order to transfer title to our customer before application for a new title certificate could be made in his name.

PROCEDURE

Future automobile loans involving transfer of ownership between individuals, with title being held by a creditor, should be handled in this manner:

1. Have our customer sign a completed MV-1 form.
2. Have seller sign T-8 form.
3. Mail check to creditor, requesting Title Certificate.
4. Upon receipt of Title Certificate, sign the seller's name, followed by (POA).
5. Forward the properly completed MV-1, Title Certificate, and copy of T-8 to: Motor Vehicle Unit
   109 State Office Building
   Atlanta, Georgia 30334

ORDERING FORMS

The T-8 forms are <u>not</u> supplied by the Title Bureau. An initial supply will be sent to each location by System Consumer Credit. Use is not expected to be heavy enough to warrant making this a regular stockroom item.

Sales Finance offices may wish to mention this to their dealers who may not be using this method, and supply them with the forms.

Form T8 Approved by Georgia Title Bureau Date _____

POWER OF ATTORNEY

I hereby appoint (Name) _____

OF (Address) _____

as my attorney-in-fact to apply for Certificate or duplicate Certificates of Title to. (and/or) to transfer to: the Motor Vehicle described as:

Make	Year Model	Body Style	Model Number

Manufacturer's I.D.# (Serial Number)	License Number	State and Year

and for said purpose(s) to sign my Name and do all things necessary to this appointment.

_____
Signature of Owner

Sworn to and subscribed before me on Date above recited.

_____
Permanent Mail Address

_____
Notary Public or Justice of Peace

E- 1398

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT REAL ESTATE

TOPIC PROPERTY VERIFICATION

 Date 7-1-69

Replaces Bulletin: LENDING GENERAL - PROPERTY VERIFICATION - LEGAL MESSENGER SERVICE Dated 12-10-68

Many times a need arises for property verification that is neither as expensive or exhaustive as the title search, etc., required on a conforming real estate loan. Arrangements have been made with a firm, Legal Messenger Service, Atlanta, telephone 873-5753 collect, that can give us property checking service in approximately 90 Georgia counties. In addition to a listing of the unsatisfied encumbrances of record, there are other items reported which will be of some help:

1. A verification of the exact name in which the property is titled.

2. Since county assessments are, by law, based upon 40% of the market value of the property, some idea of property value can be gained from this information.

3. A record of the various unsatisfied liens of record can provide additional points to be considered in the overall credit.

4. Should you desire to take a security deed, a recordable legal description is provided on each report form.

5. Errors and omissions by this firm, Legal Messenger Service, are insured by Lloyd's of London.

Service in these specifically named counties can normally be expected within
N 4 to 8 working hours, at a charge of $15:

Bibb, Chatham, DeKalb, Dougherty, Fulton, Muscogee, Richmond, and Whitfield.

Service is available in about 80 other counties at $20 and $25, and will take somewhat longer than for those listed above. Also, if no record of ownership is found in the name of the applicant, no charge will be made.

INTERVIEW INFORMATION

It is important to secure from the customer, during the initial interview, certain specific information:

1. Exact name in which the property is titled.
2. Specific county where recorded.
3. The year the property was purchased.
4. Any mortgages the Bank is aware of.

Replaces Bulletin: LENDING GENERAL - PROPERTY VERIFICATION - LEGAL MESSENGER SERVICE Dated 12-10-68

It can be helpful also to state the purpose of the report - Legal Messenger Service may be able to give better information if they know this. Contact may be made via collect telephone call to Atlanta, ~~Bill T. Segal~~, 873-5753, area code 404.

Miss Grace Perry

REGULATION Z

The cost of the property verification should be handled just as documentary fees - by adding them into the principal balance so the customer will bear the cost. This fee must be shown and identified in the "Other Charges" portion of the note in order to comply with Regulation "Z".

In many of these transactions, the customer will have the right to rescind the transaction by making a written statement within 3 working days of the date of transaction or date of disclosure, whichever is later. (See LENDING GENERAL - REAL ESTATE - RIGHT TO RESCIND).

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT REAL ESTATE

TOPIC RIGHT TO RESCIND

Replaces pages X and 2 ONLY of Bulletin dated 7-1-69.

When we (or Sales Finance dealers) take a first or second mortgage on a customer's residence as collateral on a loan or credit sale (not a purchase of a home), the customer has the right to rescind the transaction during a few days "cooling-off" period. All lending personnel must be completely familiar with this portion of Regulation Z to avoid both violation of the regulation and exposure to possible loss.

GENERAL RULE

In case of any credit transaction in which a security interest or lien interest is or will be retained or acquired in any real property which is used or is expected to be used as the customer's home, the customer shall have the right to rescind that transaction. (See Exceptions To General Rule - next paragraph). This right lasts until midnight of the third business day following the date of consummation of that transaction or the date of delivery of all disclosures required under Regulation Z, whichever is later. (A business day is any calendar day except Sunday, or the following business holidays: New Year's Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving, and Christmas).

The customer rescinds by notifying the creditor by mail, telegram, or other writing of his intention to do so. Notification by mail shall be considered given at the time mailed; notification by telegram shall be considered given at the time filed for transmission; and notification by other writing shall be considered given at the time delivered to the creditor's designated place of business.

NOTE: Creditor, for purposes of this bulletin, means bank or Sales Finance dealer.

EXCEPTIONS TO GENERAL RULE

This section does not apply to:

1. Purchase money first mortgages on customer's residence.
2. Construction loans that will be replaced by permanent financing as in (1) above.
3. Advances for agricultural purposes made under an open end real estate mortgage or similar lien, provided:
   a. The maturity of the advance does not exceed 2 years;
   b. No increase is made in the annual percentage rate previously disclosed; and
   c. All required disclosures were made at the time the security interest was acquired by the creditor or at any time prior to the first advance made on or following July 1, 1969.

   (The Right to Rescind need be given only once on open-end agricultural loans. The Right to Rescind must be given on any new advances made on agricultural loans that comply with (a), (b), and (c) above, after July 1, 1969).
4. Liens such as in (1), (2), and (3) on page 1 that are later placed in second mortgage position (subordination).

Replaces pages 1 and 2 ONLY of Bulletin dated 7-1-69.

N

E

W

5. A refinancing of one of our own accounts, when the amount of such new transaction does not exceed the balance due at the time.

Ordinarily, however, there will be some increase in the total balance due. When this occurs, the customer must be given the Right to Rescind only the difference between the present balance and the new balance.

NOTICE OF RIGHT TO RESCIND

Whenever a customer has the right to rescind a transaction, the creditor shall give notice of that fact to the customer by furnishing the customer with two copies of the Notice of Right to Rescind, one of which may be used by the customer to cancel the transaction. Before furnishing copies of the notice to the customer, the creditor shall complete both copies with (1) description of the transaction, (2) name of creditor, (3) address of creditor's place of business, (4) date of the transaction, and (5) the date (not earlier than the third business day following the date of the transaction) by which customer may give notice of cancellation.

Form 1405, Right to Rescind, has been developed to use when required. It is a 3-part snap-out carbon form. All three copies have the same wording, front and back, required by law. In addition, the first copy (original, which goes to customer's file) has space and wording at the bottom to secure the customer's signature to attest that he has received two copies of the Right to Rescind forms from you. Example "A" shows the front-page wording, and example "B" shows the reverse-side wording required.

WAIVER OF RIGHT OF RESCISSION

A customer may modify or waive his right to rescind provided:

1. The extension of credit is needed in order to meet a bona fide immediate personal financial emergency of the customer; AND
2. The customer has determined that a delay of 3 business days in performance of the creditor's obligation under the transaction will jeopardize the welfare, health or safety of natural persons or endanger property which the customer owns or for which he is responsible; AND
3. The customer furnishes the creditor with a separate dated and signed personal statement describing the situation requiring immediate remedy and modifying or waiving his right of rescission. THE USE OF PRINTED FORMS FOR THIS PURPOSE IS PROHIBITED.

DELAY OF PERFORMANCE

Except as provided under "Waiver of Right of Rescission", the creditor shall not perform, or cause or permit the performance of, any of the following actions until after the rescission period has expired and he has reasonably satisfied himself that the customer has not exercised his right of rescission:

C&S

Right to Rescind Property Improvement Note $3900.00
Description of Transaction

EXAMPLE "A"

Notice To Customer Required By Federal Law:

You have entered into a transaction on 7/1/69 which may result in a lien, mortgage, or other security interest on your home. You have a legal right under federal law to cancel this transaction, if you desire to do so, without any penalty or obligation within three business days from the above date or any later date on which all material disclosures required under The Truth In Lending Act have been given to you. If you so cancel the transaction, any lien, mortgage, or other security interest on your home arising from this transaction is automatically void. You are also entitled to receive a refund of any down payment or other consideration if you cancel. If you decide to cancel this transaction, you may do so by notifying:

Congress Home Improvement Company
Name of Creditor

at 100 Citizens Pow Milledgeville, Georgia
Address of Creditor's Place of Business

by mail or telegram sent not later than midnight of 7/5/69. You may also use any other form of written notice identifying the transaction if it is delivered to the above address not later than that time. This notice may be used for that purpose by dating and signing below.

I hereby cancel this transaction

Customer's Signature

Date

The undersigned hereby acknowledges receipt of two copies of the foregoing notice of Right to Rescind, as required by Federal Law.

Witness Signature

See reverse side for important information about your Right of Rescission

EXAMPLE "B"

EFFECT OF RESCISSION. When a customer exercises his right to rescind under paragraph (a) of this section, he is not liable for any finance or other charge, and any security interest becomes void upon such a rescission. Within 10 days after receipt of a notice of rescission, the creditor shall return to the customer any money or property given as earnest money, downpayment, or otherwise, and shall take any action necessary or appropriate to reflect the termination of any security interest created under the transaction. If the creditor has delivered any property to the customer, the customer may retain possession of it. Upon the performance of the creditor's obligations under this section, the customer shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the customer shall tender its reasonable value. Tender shall be made at the location of the property or at the residence of the customer, at the option of the customer. If the creditor does not take possession of the property within 10 days after tender by the customer, ownership of the property vests in the customer without obligation on his part to pay for it.

1. Disburse any money other than in escrow;
2. Make any physical changes in the property of the customer;
3. Perform any work or service for the customer; or
4. Make any deliveries to the residence of the customer if the creditor has retained or will acquire a security interest other than one arising by operation of law.

EFFECT OF RESCISSION

When a customer rescinds, he is not liable for any finance or other charge, and any security interest becomes void. Within 10 days after receipt of a notice of rescission, the creditor shall return to the customer any money or property given as earnest money, downpayment, or otherwise, and shall take any action necessary or appropriate to reflect the termination of any security interest created under the transaction. If the creditor has delivered any property to the customer, the customer may retain possession of it. Upon the performance of the creditor's obligations, the customer shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the customer shall tender its reasonable value. Tender shall be made at the location of the property or at the residence of the customer, at the option of the customer. If the creditor does not take possession of the property within 10 days after tender by the customer, ownership of the property vests in the customer without obligation on his part to pay for it. It is vitally important that our Sales Finance Property Improvement dealers understand this.

JOINT OWNERSHIP

Where two or more owners are involved:

N
1. Each owner who is a party to the transaction must be given two completed copies of the Right to Rescind form.
2. Any one may rescind; and the effects apply to all.
3. A waiver must be signed by all owners who are parties to the note.

OVER-THE-COUNTER LOANS

To comply with the disclosure provisions of Regulation Z and conform to the regulation with respect to rescindable transactions, specific steps must be taken in documentation and disbursement.

Where we take a first or second lien on real estate as secondary collateral to a consumer loan (generally in amounts of $10,000 or less), the following procedures should be followed. The handling of other real estate loans will be governed by instructions from our Real Estate Department.

Replaces Bulletin: LENDING GENERAL - REAL ESTATE - RIGHT TO RESCIND - Dated 7-1-6[illegible]

A. At the time of approval of a rescindable transaction:

1. Prepare all applicable loan forms and obtain customer's signature where required. Give him a copy containing the disclosure information.
2. Complete Notice of Right to Rescind, give two copies to your customer, obtain his signature, acknowledging receipt of the forms on the original which should be retained with the other loan forms.

B. Wait until the rescission period has expired before disbursing funds. After the rescission date, Regulation Z requires that you reasonably satisfy yourself that your customer has not rescinded the transaction. Then make a note in the customer's file showing the date, how you determined fact of non-rescission, and sign it. Example "C" may be used where customer's signature is desired.

C. Disburse funds and complete handling of the transaction.

EXAMPLE "C"

Borrower Name and Address

_____

_____

Date _____

Total of Payments $ _____

CERTIFICATION THAT RIGHT OF RESCISSION HAS NOT BEEN EXERCISED

Undersigned certifies that: (a) Notice of Right to Rescind transaction of above date and Total of Payments has been received, in duplicate, and (b) such right has not been exercised.

Date _____ Borrower _____

19-1415 Borrower _____

Keep in mind that if the transaction is rescinded, you cannot collect the cost of appraisal or title check from your customer. If you feel there is a probability that your customer will rescind, steps A and B can be taken subject to appraisal and title check, which will then be made after the waiting period. This is a judgment decision, taking into consideration that unwarranted delays are contrary to our concept of good customer service.

Replaces Bulletin: LENDING GENERAL - REAL ESTATE - RIGHT TO RESCIND - Dated 7-1-69

SALES FINANCE

Dealers transacting business in which the Right to Rescind is involved must follow essentially the same steps as shown on page 5 under Over-The-Counter Loans before making delivery or commencing work for the customer.

Normally, a dealer will obtain a sales agreement as the first step and at this point will execute the Notice of Right to Rescind. Sales agreements used by dealers must be reviewed and approved by us as conforming to Regulation Z in all respects and a copy of the sales agreement must accompany the loan documents. In addition, we also require a signed copy of (1) the Notice of Right to Rescind and (2) the Certification That Right of Rescission Has Not Been Exercised.

The penalties resulting from failure to give a customer the right to rescind are so severe that a legitimate dealer would be foolhardy to willfully ignore this provision of Regulation Z. Unfortunately it is difficult to legislate "fly by night" dealers or unscrupulous salesmen out of existence. This act makes it increasingly important that we keep constantly aware of the sales methods of our dealers and that we verify individual transactions as stipulated on Approval of Dealer Lines for classes of business and various dealers. Verifications for completion and workmanship should now also include a verification that the customer was notified of his right to rescind.

Where applicable the assignment on our note and contract forms has been revised to include a warranty that Regulation Z has been complied with.

SECURITY FOR PRIOR DEBT

N

If we demand additional security on an already existing debt, our agreement to defer payment of the existing debt constitutes "credit". If the customer then offers his personal residence, he must be given the right to rescind. This will not apply to the original debt - only to the remaining balance. COLLECTION PERSONNEL NEED TO TAKE PARTICULAR NOTE OF THE FOREGOING.

ORDERING FORMS

R Present stocks of 19-1405, Right to Rescind, can still be used. Order supplies in the usual manner from Purchasing Department.

RELATED BULLETINS

LENDING GENERAL - REGULATION Z - SUMMARY
LENDING GENERAL - REAL ESTATE - PROPERTY VERIFICATION

OVER-THE-COUNTER - LOT FINANCING
OVER-THE-COUNTER - PROPERTY IMPROVEMENT
OVER-THE-COUNTER - PROPERTY IMPROVEMENT - GEORGIA PLAN

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT REAL ESTATE

TOPIC SECONDARY COLLATERAL

 Date 10/31/69

NEW BULLETIN

In relation to consumer loans, both State and National banks are permitted to take real estate as secondary collateral without conforming to the regulations governing real estate loans. Usually the need for secondary collateral arises in transactions where the basic credit of the borrower is satisfactory, but where larger amounts or extended terms make it desirable to strengthen the loan against unforeseen contingencies.

The National and State banking regulations are clear in defining the circumstances under which real estate may be taken as secondary collateral. As a matter of policy, we want to be sure that primary reliance is not being placed on the real estate. Also, complete documentation and recording are mandatory, so that in event of default we can recover on the secondary collateral.

NATIONAL BANKS

The following definition from the Comptroller's Manual makes clear what constitutes a real estate loan, and also states what does not constitute a real estate loan.

"General Definition: A real estate loan within the meaning of 12 U.S.C. 371 (Par. 668) is any loan secured by real estate where the bank relies upon such real estate as the primary security for the loan. Where the bank, in its judgment relies substantially upon other factors, such as the general credit standing of the borrower, guaranties, or security other than real estate, the loan does not constitute a real estate loan within the meaning of 12 U.S.C. 371 (Par. 668), although as a matter of prudent banking practice it may also be secured by real estate."

HOME IMPROVEMENT LOANS

The governing quotation is from the Comptroller's Manual: "Home Improvement loans made in substantial reliance upon the credit standing of the borrower, insurance, collateral, or combinations of these factors, are not real estate loans, and additional security in the form of junior mortgages taken as a matter of prudent banking practice, need not meet the requirements of U.S.C. 371 (Par. 668)." (The requirements of U.S.C. 371 (Par. 668) pertain to conforming real estate loans).

NEW BULLETIN

STATE BANKS

HOME IMPROVEMENT LOANS

State banking regulations governing real estate loans specifically exempt unsecured home improvement loans, and home improvement loans where second mortgages are taken: "Home improvement loans, whether insured or not, made in primary reliance upon the character and credit standing of the borrower, where such additional security in the form of a junior mortgage is taken as a matter of prudent banking practice, may be exempt from the limitations and restrictions imposed by this regulation."

OTHER LOANS

State banking regulations governing real estate loans specifically exempt loans that mature in 3 years or less and do not exceed $3,500.

CREDIT REQUIREMENTS

The extent of investigation and the results of investigation must be sufficient and favorable enough to substantiate a conclusion on the part of any examiner that the real estate is indeed secondary collateral. In addition, the discount sheet should carry a short statement of the basis for the loan other than the lien on real estate.

PRE-EXISTING DEBT

Both National and State banking regulations exempt liens taken on real estate to secure pre-existing debt from the requirements covering real estate loans. In work-out situations, equity in real estate should always be considered as possible security to strengthen any proposed revision of repayment terms and improve the chances of ultimate collection.

EVALUATION AND APPRAISAL OF COLLATERAL

Although banking regulations do not require a stipulated form of appraisal, it is essential that the lending officer satisfy himself as to the value and equity in real estate being taken as secondary collateral. Frequently an evaluation can be made based on general knowledge of the neighborhood plus verification of date of purchase, purchase price and amount of existing mortgage. The file should reflect this data. If a more complete appraisal is necessary, it may be made in proper form by the lending officer or outside agency.

NEW BULLETIN

VERIFICATION OF OWNERSHIP AND TITLE

Generally, a property checking report made by Legal Messenger Service will be sufficient. See LENDING GENERAL - REAL ESTATE - PROPERTY VERIFICATION. If there is any reason to doubt the ownership or validity of title, obtain an attorney's title opinion.

Any out-of-pocket appraisal costs, title checking costs and documentary fees should be collected from the customer. For method, see LENDING GENERAL - PERFECTING SECURITY INTERESTS - PROCEDURE AND DOCUMENTARY FEES.

SECURITY DEED

In addition to the note and whatever agreements are necessary on the basic transaction, the secondary real estate collateral will require the execution of a Security Deed (Form 32-1034). Record the deed in the county clerk's office of the county in which the property is located. Be sure that the recording is release when the loan is paid in full.

RIGHT TO RESCIND

If the loan is for personal, family, household, or agricultural purposes, and the second mortgage is on his home, the customer has the right to rescind. If so, we must use our Right to Rescind form (19-1405). See LENDING GENERAL - REAL ESTATE - RIGHT TO RESCIND.

INSURANCE

Evidence of adequate insurance coverage must be obtained showing us as loss payee as "OUR INTERESTS MAY APPEAR".

CLASSIFICATION

Loans made with real estate taken as secondary collateral will be classified according to the nature of the loan - NOT as a Real Estate loan.

RELATED BULLETINS

LENDING GENERAL - REAL ESTATE - RIGHT TO RESCIND
LENDING GENERAL - REAL ESTATE - PROPERTY VERIFICATION
LENDING GENERAL - PERFECTING SECURITY INTERESTS - PROCEDURES & DOCUMENTARY FEES
GOG 9.27 - Loans - Real Estate Mortgage Foreclosures

Replaces pages 1 and 2 ONLY of Bulletin dated 7-1-69

The Consumer Credit Protection Act was passed by Congress in May, 1968, to give more protection to the consumer. Title I of this Act is entitled "Consumer Credit Cost Disclosure" and may also be called the Truth-In-Lending Act. This title covers disclosure of credit terms, and the right to cancel or rescind certain transactions.

Congress empowered the Federal Reserve Board to draw up regulations to implement Title I of Act. Regulation Z was the result and will be the guiding source. The Federal Reserve Board will interpret the regulations as particular points are raised. Most of the provisions in this legislation will be covered here, however, some major points will be covered in other bulletins.

TYPES OF CREDIT COVERED

"All credit of $25,000 or less, or if secured by real estate regardless of amount, which is primarily for personal, family, household, or agricultural purposes made to a person, if a finance charge is made or the transaction is payable in four or more payments".

N Credit for business or commercial purposes, other than agricultural purposes, is not subject to Regulation Z.

The Act covers a lot more than consumer transactions. For instance, all loans in CAS and Sales Finance, almost all installment loans, and a great many loans that we classify as time, term, real estate and demand loans are covered. When making a loan, we must now always determine the purpose of the loans, since this is the controlling factor as to whether the loan is regulated. Whenever there is any doubt as to whether a particular transaction is covered, go ahead and make the required disclosures.

N E W NOTE: The Federal Reserve Board has commented on one particular type of "mixed-purpose" credit, and has clarified the issue to some degree. "Credit extended to an owner of a dwelling containing more than 4 family housing units for the purpose of acquiring, financing, refinancing, improving, or maintaining that dwelling is an extension of credit for business or commercial purposes".

REGULATORY AUTHORITIES

Nine federal agencies will enforce the Act. In banking the three agencies below are responsible:

National Banks - Comptroller of Currency
Member Banks - Federal Reserve Board
Non-Member Insured Banks - Board of FDIC

Replaces pages 1 and 2 ONLY of Bulletin dated 7-1-69.

FINANCE CHARGE DEFINITION

"The sum of all charges imposed directly or indirectly by the creditor as a condition to the extension of credit and payable directly or indirectly by the customer to the creditor or third party by the customer, seller, or anyone else on behalf of the customer".

We will still continue to use some old terminology such as interest, etc., but we will have to combine all charges imposed into one amount using the term "Finance Charge".

Certain charges are not part of the Finance Charge if itemized and disclosed They are:

Real Estate Transactions

1. Fees for title search, title insurance, and property surveys.
2. Fees for preparation of deeds, settlement statements, or other documents.
3. Escrow amounts for taxes, insurance, etc., and
4. Fees for credit reports, appraisals and notarizing of documents.

Other Credit Transactions

1. Fees for perfecting, releasing or determining if a security interest exists on property related to the transaction.
2. Taxes, license fees and title fees required by law.
3. Credit life and disability insurance, if the insurance is not required by the creditor and the customer signs separately indicating his desire to purchase the insurance.
4. Property insurance if the customer is given the option of purchasing the insurance through any agent of his choice and
5. Late charges or reinstatement charges if imposed for actual unanticipated occurrences.

DEMAND LOANS

A one half year maturity will be used to compute the amount of Finance Charge and Total of Payments. Information to this effect will be printed on all time notes being revised.

NEW BULLETIN

ANNUAL PERCENTAGE RATE

The purpose of quoting an annual percentage rate is to reduce all transactions to a single comparative term which will supposedly allow the customer to "shop" for credit just like any other item he may purchase. All credit transactions covered must carry this disclosure.

We will use various sources to determine what the actual percentage will be.

SPECIFIC INFORMATION TO BE DISCLOSED

The law requires many items of information to be disclosed. All of this information is incorporated in our notes and contracts and will not be covered here.

MULTIPLE CREDITORS

Where there is more than one creditor in a transaction all must be identified in the note or disclosure statement.

MULTIPLE CUSTOMERS

Other than requirements imposed on rescindable transactions (in which case disclosures must be made to all parties to the transaction), disclosures need only be made to one customer, but that customer must be a primary party, not an endorser or guarantor.

UNKNOWN INFORMATION ESTIMATE

If information that is required to be disclosed is not available at the time the loan is made, an estimate can be made and identified as such, as long as the actual disclosures are delivered when this information is determined.

Special procedures are being developed for our auto-draft loans (See OVER-THE-COUNTER - AUTOMOBILE LOANS - DRAFT PLAN).

EVIDENCE OF COMPLIANCE

We must keep evidence that we are complying with the Act for two years after all disclosures are made. An extra copy of the note is being provided for this purpose. (See: ACCOUNTING - RECORD RETENTION).

NEW BULLETIN

CHARGE ACCOUNT SERVICE ACCOUNT NOTIFICATION

Certain information must be given to all new CAS customers before the 1st transaction and all CAS accounts during July 1969. (See CHARGE ACCOUNT SERVICE - CREDIT APPROVAL - NEW APPLICATIONS).

FINANCE CHARGE PAID SEPARATELY

Any Finance Charge paid separately, such as points or discounts on real estate loans, must be:

1. Deducted from the proceeds and
2. Added to the Finance Charge when computing the amount of Finance Charge and Annual Percentage Rate.

REQUIRED DEPOSIT BALANCE

If a balance in a specific amount or percentage is required to be kept with the creditor as a condition of the loan, this amount must be deducted from the "Amount Financed" when computing the "Annual Percentage Rate". Certain types of balances are exempt:

1. Escrow amounts for taxes, insurance, etc.
2. A deposit balance that will be wholly applied to the loan at maturity.
3. A deposit balance in existence prior to the date of the transaction offered as collateral in the transaction.
4. A deposit balance created by the loan and offered as collateral for the loan, upon written request of the customer.

FIRST LIEN CONSTRUCTION LOANS

The amount of Finance Charge and Total of Payments need not be disclosed on real estate credit sales and real estate loans made to purchase real estate. Construction loans are considered purchase money real estate loans, regardless of whether the customer previously owned the land, and are exempt from these two disclosures.

ADD-ON CONTRACTS

Disclosures must be made at the time of the transaction unless previous collateral is released. We will disclose at the time of the add-on sale.

NEW BULLETIN

ADVANCES UNDER LOAN COMMITMENTS

If all disclosures are made at the time of the loan commitment each advance under the commitment need not carry full disclosure.

REFINANCES, CONSOLIDATIONS OR INCREASES IN EXISTING ACCOUNTS

All loans of this type must be treated as original extensions of credit and all required disclosures made.

TRANSFER OF EQUITY OR LOAN ASSUMPTION

All required disclosures must be made to the new customer before he becomes obligated. Our Transfer of Equity form has been revised for this purpose. (See LENDING GENERAL - TRANSFER OF EQUITY).

EXTENSIONS AND DEFERRALS

Certain information is required to be disclosed in connection with every extension or deferral. (See: COLLECTIONS - EXTENSIONS).

RIGHT TO RESCIND OR CANCEL

In instances where a security interest or lien interest may be retained or acquired in real property that is expected to be used as the customer's residence, the customer can cancel the transaction during a three day period. Notice of this right must be given to the customer and the creditor is prohibited from performing under the contract until this period has expired. The customer may waive this right under certain circumstances. Also certain transactions are exempt from this right. (See: LENDING GENERAL-REAL ESTATE - RIGHT TO RESCIND)

ADVERTISING OF CREDIT TERMS

We have never advertised rates and terms to any degree and this area will not affect us too much. However, every officer who handles any advertising material should be familiar with these provisions.

Regulation Z is quite specific in what cannot be advertised. Generally speaking, if any of the terms of a transaction are advertised then all must be advertised. Advertisement means any method or media used to aid or promote an extension of credit. No advertisement may state:

1. That a specific amount of credit or installment amount can be arranged unless the creditor usually and customarily arranges

NEW BULLETIN

or will arrange credit amounts or installments for that period and in that amount; or

2. That no down payment or a specified down payment will be accepted unless the creditor usually and customarily accepts or will accept down payments in that amount.

ADVERTISING OPEN END CREDIT

No advertisement may set forth any of the items required to be disclosed when opening a new account, or that no down payment, a specified down payment, or a specified periodic payment is required, or any of the following unless all the following items are set forth clearly and conspicuously in prescribed terminology:

1. An explanation of the time period during which any credit extended may be repaid without incurring a finance charge.
2. The method of determining the balance upon which a Finance Charge may be imposed.
3. The method of determining the Finance Charge, including any minimum or fixed charge that may be imposed.
4. Each periodic rate used to compute the Finance Charge, the range of balances to which each rate is applicable, and the corresponding Annual Percentage Rate.
5. The conditions under which other charges will be imposed and how they are determined.
6. The minimum periodic payment required.

ADVERTISING CREDIT OTHER THAN OPEN END

No advertisement shall state:

1. The rate of Finance Charge unless it states the rate of charge expressed as an Annual Percentage Rate.
2. The amount of down payment required or that no down payment is required, the amount of any installment, the dollar amount of any Finance Charge, the number of installments or period of repayment or that there is no charge for credit, unless it states all of the following in prescribed terminology:
   (a) Cash price of amount of loan.
   (b) Amount of down payment or that none is required.
   (c) The number, amount and due dates of all payments or period of repayment if the credit is extended.
   (d) The Finance Charge expressed as an Annual Percentage Rate.
   (e) Except in the case of a sale of a dwelling or a purchase money loan to purchase a dwelling, the deferred payment price or the total of payments as applicable.

OPERATING BULLETIN

SECTION	LENDING GENERAL
SUBJECT	RETAIL RATES
TOPIC	RATE CHARTS
Page	1 of 11 **Date** 12-31-71

Replaces Bulletin: LENDING GENERAL - RETAIL RATES - RATE CHARTS
Dated 2-17-67

Due primarily to changes in our Credit Life Insurance and Disability Insurance Programs, our rate charts were revised in May, 1971. This bulletin reflects these changes. All charts not mentioned in this bulletin are obsolete, and must be destroyed immediately.

CODING

Each installment loan rate chart has a code in the lower left corner, which designates the basis on which the chart was calculated. These must be used in ordering charts. While the column headings on each chart identify the types of insurance coverages provided, the codes are important in assuring that the proper charts are used.

KEY TO CHART CODING

Insurance Coverages Provided, If Any. Charts for most rates are available (1) with no insurance, (2) with only Credit Life Insurance, and (3) with both Credit Life and Disability Insurance.

C - Life Insurance @ 92¢ per $1,000 of outstanding balances per month

D - Disability Insurance @ .65% per annum

E - Property Insurance @ $1.20 per $1,000 of outstanding balances per month

(If no symbol is shown, no insurance coverages are provided)

The Rate On Which The Chart Is Computed

5.75 = 5.75%. 6 or 6.00 = 6.00%.

The Basis On Which The Rate Is Applied

A - Indicates the chart was computed using the Add-on Method.
S or SA - Indicates the chart was computed using the Simple (Actuarial) Method.

The Payment Frequency Used In Calculating The Charts

M - Monthly Payments
Q - Quarterly Payments

Monthly payment charts without insurance do not have a payment frequency code.

Replaces Bulletin: LENDING GENERAL - RETAIL RATES - RATE CHARTS
Dated 2-17-67

The Maximum Term, Or Range Of Terms, Shown On The Chart

36 - terms of 6, 12, 15, 18, 21, 24, 30, and 36 months

60 - on monthly payment charts, terms of 42, 48, 54, and 60 months

Q-60 - on quarterly payment charts, terms of 9, 12, 15, 18, 21, 24, 30, 36, 42, 48, 54, and 60 months

84 - on charts without insurance, terms of 66, 72, 78, and 84 months

84 - on charts with insurance, terms of 48, 60, 72, and 84 months

120 - terms of 90, 96, 108, and 120 months. (Not available with disability insurance)

324-M - 3, 6, 9, 12, 15, 18, 21, and 24 months, with a minimum finance charge

636-M - on appliance charts, terms of 6, 9, 12, 18, 24, 30, and 36 months, with a minumum finance charge

COLOR CODING

In addition to the coding and the column heading designations, charts are printed on different color stock according to the type insurance included:

Buff - no insurance

Blue - Credit Life Insurance Only

White - Both Credit Life and Disability Insurance

ANNUAL PERCENTAGE RATE (A.P.R.)

This is the Actuarial Rate equivalent to the rate used in calculating the rate chart. This rate must appear on all notes and contracts. On charts calculated by the Simple (Actuarial) Method, the A.P.R. is the same as the rate used in calculating the chart. On charts which include a minimum finance charge, the A.P.R. for each amount advanced is shown in the extreme right column under each term. For all other charts, the A.P.R. is shown at the bottom of each term in bold face type followed by a % sign.

CHART CALCULATIONS

The "charge" is computed at the base rate on the "unpaid balance" plus insurance premiums. The insurance premiums are computed on the note amount, or on the cumulative outstanding balances over the term of the note.

REGULAR MONTHLY PAYMENT CHARTS

These are calculated on the add-on method. They are used for over-the-counter lending, as well as for sales finance. The maximum legal add-on rate for over-the-counter loans to individuals is 6%.

Base Rate	No Insurance	Life Insurance	Life & Disability Insurance
5.00%	5A36	C-5.00AM36	CD-5.00AM36
	5A60	C-5.00AM84	CD-5.00AM84
	5A84	C-5.00AM120	
	5A120		
5.25%	5.25A36	C-5.25AM36	CD-5.25AM36
	5.25A60	C-5.25AM84	CD-5.25AM84
	5.25A84	C-5.25AM120	
	5.25A120		
5.50%	5.5A36	C-5.50AM36	CD-5.50AM36
	5.5A60	C-5.50AM84	CD-5.50AM84
	5.5A84	C-5.50AM120	
	5.5A120		
5.75%	5.75A36	C-5.75AM36	CD-5.75AM36
	5.75A60	C-5.75AM84	CD-5.75AM84
	5.75A84	C-5.75AM120	
	5.75A120		
6.00%	6A36	C-6.00AM36	CD-6.00AM36
	6A60	C-6.00AM84	CD-6.00AM84
	6A84	C-6.00AM120	
	6A120		
6.25%	6.25A36	C-6.25AM36	CD-6.25AM36
	6.25A60	C-6.25AM84	CD-6.25AM84
	6.25A84	C-6.25AM120	
	6.25A120		
6.50%	6.5A36	C-6.50AM36	CD-6.50AM36
	6.5A60	C-6.50AM84	CD-6.50AM84
	6.5A84	C-6.50AM120	
	6.5A120		

Base Rate	No Insurance	Life Insurance	Life & Disability Insurance
6.75%	6.75A36	C-6.75AM36	CD-6.75AM36
	6.75A60	C-6.75AM84	CD-6.75AM84
	6.75A84	C-6.75AM120	
	6.75A120		
7.00%	7A36	C-7.00AM36	CD-7.00AM36
	7A60	C-7.00AM84	CD-7.00AM84
	7A84	C-7.00AM120	
	7A120		
7.25%	7.25A36	C-7.25AM36	CD-7.25AM36
	7.25A60	C-7.25AM84	CD-7.25AM84
	7.25A84	C-7.25AM120	
	7.25A120		
7.50%	7.5A36	C-7.50AM36	CD-7.50AM36
	7.5A60	C-7.50AM84	CD-7.50AM84
	7.5A84	C-7.50AM120	
	7.5A120		
7.75%	7.75A36	C-7.75AM36	CD-7.75AM36
	7.75A60	C-7.75AM84	CD-7.75AM84
	7.75A84	C-7.75AM120	
	7.75A120		
8.00%	8A36	C-8.00AM36	CD-8.00AM36
	8A60	C-8.00AM84	CD-8.00AM84
	8A84	C-8.00AM120	
	8A120		
8.25%	8.25A36	C-8.25AM36	CD-8.25AM36
	8.25A60	C-8.25AM84	CD-8.25AM84
	8.25A84		
8.50%	8.5A36	C-8.50AM36	CD-8.50AM36
	8.5A60	C-8.50AM84	CD-8.50AM84
	8.5A84		
8.75%	8.75A36	C-8.75AM36	CD-8.75AM36
	8.75A60	C-8.75AM84	CD-8.75AM84
	8.75A84		

Replaces Bulletin: LENDING GENERAL - RETAIL RATES - RATE CHARTS
Dated 2-17-67

Base Rate	No Insurance	Life Insurance	Life &Disability Insurance
9.00%	9A36	C-9.00AM36	CD-9.00AM36
	9A60	C-9.00AM84	CD-9.00AM84
	9A84		
9.50%	9.5A36	C-9.50AM36	CD-9.50AM36
10.00%	10A36	C-10.00AM36	CD-10.00AM36
10.50%	10.5A36	C-10.50AM36	CD-10.50AM36
11.00%	11A36	C-11.00AM36	CD-11.00AM36
12.00%	12A36	C-12.00AM36	CD-12.00AM36
13.00%	13A36	C-13.00AM36	CD-13.00AM36
14.00%	14A36	C-14.00AM36	CD-14.00AM36

MINIMUM CHARGE CHARTS

In addition to the regular monthly payment charts, charts are available which have a built-in minimum charge of $6.00 plus 50¢ per payment. These are prepared as stapled booklets, punched to fit the standard rate chart binders. They show the Annual Percentage Rate (A.P.R.) for each amount of "unpaid balance". The amounts at the top of the chart ($1 - $19) do not include the minimum charge, so they can be combined with any larger unpaid balance. Quote the A.P.R. shown for the larger amount. Under no circumstances should balances be combined for amounts over $1,800 (the largest unpaid balance on the chart). Instead, use the appropriate regular monthly payment chart.

These charts provide for terms of 3, 6, 9, 12, 15, 18, 21, and 24 months. They are available with no insurance, with life insurance only, and with life and disability insurance, at add-on rates of 6%, 7%, and 8%.

The following codes identify the minimum charge charts:

Base Rate	No Insurance	Life Insurance	Life & Disability Insurance
6.00%	6A324-M	C-6AM324-M	CD-6AM324-M
7.00%	7A324-M	C-7AM324-M	CD-7AM324-M
8.00%	8A324-M	C-8AM324-M	CD-8AM324-M

Replaces Bulletin: LENDING GENERAL - RETAIL RATES - RATE CHARTS - Dated 2-17-67

QUARTERLY PAYMENT CHARTS

These charts are computed at 6% add-on with credit life insurance, and without insurance. Terms provided are 9, 12, 15, 18, 21, 24, 30, 36, 42, 48, 54, and 60 months. The chart codes are:

6AQ60 - No Insurance

C-6AQ60 - With Credit Life

Quarterly rebate charts are also available.

CONVERSION TABLES

There are two conversion tables for equal monthly payments:

1. "Add-on Rates Converted To Actuarial Annual Percentage Rates" - use this table to determine the A.P.R. when the charges are computed at a straight add-on rate. Order by code "AO-APR".

2. "Actuarial Annual Percentage Rates Converted To Dollar And Cent Charges Per $100" - instructions for its use are printed on the cover. This chart can also be used in making term loans at a simple interest rate - simply multiply the amount financed by the appropriate dollar and cent factor to determine the finance charge. Order by code "APR-D&C".

EMPLOYEE LOAN CHARTS

These charts are designed especially for use in making loans to employees and are identified as "Employee" charts. They are computed at 4.50% simple and 5% simple (actuarial), and are available without insurance, with credit life insurance, and with credit life and disability insurance. Terms are provided to 60 months. Life and disability insurance is calculated at ½% per annum per each coverage. The chart codes are:

Employee	4.5SM60 and	Employee	5.SM60 - No Insurance
Employee	C-4.5SM60 and	Employee	C-5.SM60 - With Credit Life Only
Employee	CD-4.5SM60 and	Employee	CD-5.SM60 - With Credit Life and Disability

SINGLE PAYMENT CHARTS (TIME LOANS)

The only chart available for use in making single payment loans is the "Conversion Chart - Single Payment Loan - 365 Day Basis". This chart is used to find the Annual Percentage Rate (A.P.R.), after the finance charge is calculated. No charts are available for calculating the finance charge.

Replaces Bulletin: LENDING GENERAL - RETAIL RATES - RATE CHARTS
Dated 2-17-67

For instructions on calculation of finance charge and A.P.R. by audio and video inquiry to the computer, as well as by manual computation, see the bulletin "OVER THE COUNTER - SINGLE PAYMENT TIME LOANS TO INDIVIDUALS."

REBATE CHARTS

Rebate charts are available for monthly payment loans and for quarterly payment loans. The chart for monthly payment loans covers terms up to 60 months. The chart for quarterly payment loans covers terms up to 48 months. Order "Rebate Chart - Monthly" or Rebate Chart - Quarterly". For monthly payment loans with terms up to 120 months, the book "Financial Monthly Rebate Table" is available. Order by name.

SALES FINANCE CHARTS

APPLIANCE DEALER CHARTS

These charts are for use in Sales Finance transactions only. They are prepared at four rates - 8%, 9%, 10% and the Georgia Maximum Rate of 12% on the first $400 and 10% on the excess. They also include a minimum charge of $6.00 plus 50c per payment. Terms of 6, 9, 12, 18, 24, 30, and 36 months are provided for each rate. Minimum payment amount is $7.50. Charts are available at each rate with life, disability, and property insurance. Charts are available at the Georgia maximum rate with no insurance, and with both life and disability insurance. We do not offer the option of selecting only credit life on a deal using the Georgia maximum rate. Since the customer must be given the choice of insurance, dealers must be supplied with regular monthly payments charts at 8%, 9%, and 10% with no insurance, with life only, and with life and disability. We do not offer the option of selecting Property Insurance only.

The identification codes for appliance charts are:

8% - CDE - 8A636-M
9% - CDE - 9A636-M
10% - CDE -10A636-M

Georgia Maximum - CDE-12/10A636-M - With Life, Disability, and Property Insurance
CD-12/10A636-M - With Life and Disability
12/10A636-M - No Insurance

Replaces Bulletin: LENDING GENERAL - RETAIL RATES - RATE CHARTS
Dated 2-17-67

FARM PLAN CHARTS

These charts are computed at simple (actuarial) interest rates, rather than at add-on rates. Each chart provides monthly payments for terms of 6, 12, 18, 24, 30, 36, 42, 48, 54, and 60 months. They also provide up to 5 years terms on 2, 3, 4, and 5 crop payment plans, plus semi-annual and one-amount payments. The charts are printed on different color stock for easy identification. They do not have an identification code.

COLOR	BASE RATE
Pink	10%
Yellow	11%
White	12%
Blue	13%
Green	14%

When ordering farm charts, specify the rate. Charts are available with Credit Life Insurance, and without insurance. Specify which version is needed.

SIMPLE (ACTUARIAL) MONTHLY PAYMENT CHARTS

These charts are intended for special applications, such as mobile home dealers. They are computed at simple (actuarial) interest rates. Codes are:

ACTUARIAL RATE	NO INSURANCE	LIFE INSURANCE
11.00%	11SA36	
	11SA60	
	11SA84	
	11SA120	
11.50%	11.5SA36	
	11.5SA60	
	11.5SA84	
	11.5SA120	
12.00%	12SA36	C-12SM36
	12SA60	C-12SM84
	12SA84	C-12SM120
	12SA120	
12.50%	12.5SA36	
	12.5SA60	
	12.5SA84	
	12.5SA120	

Replaces Bulletin: LENDING GENERAL - RETAIL RATES - RATE CHARTS
Dated 2-17-67

ACTUARIAL RATE	NO INSURANCE	LIFE INSURANCE
13.00%	13SA36	C-13SM36
	13SA60	C-13SM84
	13SA84	C-13SM120
	13SA120	
13.50%	13.5SA36	
	13.5SA60	
	13.5SA84	
	13.5SA120	
14.00%	14SA36	
	14SA60	
	14SA84	
	14SA120	
14.50%	14.5SA36	
	14.5SA60	
	14.5SA84	
	14.5SA120	
15.00%	15SA36	
	15SA60	
	15SA84	
	15SA120	
15.50%	15.5SA36	
	15.5SA60	
	15.5SA84	
	15.5SA120	
16.00%	16SA36	
	16SA60	
	16SA84	
	16SA120	

Replaces Bulletin: LENDING GENERAL - RETAIL RATES - RATE CHARTS
Dated 2-17-67

INSERTS

They are available which either explain the insurance coverage, or provide a suitable cover sheet for use in dealer rate chart books.

Insurance - credit life insurance
disability insurance
property insurance
boat and motor insurance

Cover Sheets - Boat and Motor Financing
Dental Payment Plan
Equipment Financing
Farm Equipment Financing
Home Appliance Financing
Home Repairs and Remodeling

INDEXES

Card Stock Index Tab Separators are available for automobile dealer rate books with the following wording printed on the tabs:

Preface	2, 3, & 4 Years Old	Miscellansous
Current Model	5 Years & Over	Insurance
1 Year Old		

RATE CHART COVERS

There are five rate chart covers available:

Green Unprinted Paper (Form 19-870)
Blue Printed Paper, With Brads (Form 19-1021)
Blue Plastic ¼", With Brads (Form 19-3005-0)
Blue Plastic ½" Ring Binder (Form 19-3010)
Blue Plastic 1" Ring Binder (Form 19-3015)

These covers should be requisitioned by form number from the Purchasing Department, Atlanta.

The blue printed C&S paper cover (form 19-1021) is for use by C&S Bank Dealers. The blue plastic covers may be given to C&S Dealers, also. However, because of the relatively high cost to the distributing office, these plastic binders should not be used in lieu of our standard blue paper cover. Consider using them in cases of volume dealers, and in competitive situations where the need for a quality cover exists.

The blue plastic ½" ring binders (form 19-3010) should be sufficient for most lending officers in C&S Offices.

Replaces Bulletin: LENDING GENERAL - RETAIL RATES - RATE CHARTS
Dated 2-17-67

DEALER RATE CHART BOOK PREPARATION

Our rate chart structure is designed so that individual rate books may be "tailor made" by selecting suitable rate charts and inserts to be enclosed in the C&S rate chart cover (19-1021) or the blue plastic ½" cover. A typcial book will consist of cover, insert describing class of business, insurance inserts, if applicable, and the rate chart itself. The complete rate book represents an attractive advertising piece and should always be used - do not give out rate charts except in complete book form.

ORDERING CHARTS

All rate charts, inserts, and indexes should be ordered in writing from Retail Banking, 9 North Avenue, Atlanta. Telephone orders will not be accepted. Orders should specify the chart code of each chart, as shown in this bulletin. Also specify the quantity of each chart needed. A signed supply requisition form must accompany each order. The cost will be billed by the Purchasing Department, along with the regular supply billing.

CORRESPONDENT BANKS

Those correspondent banks which participate in our Group Creditor Insurance Policies (Life, Disability, and Property) may use our charts by ordering from Retail Banking (99 Annex, Atlanta, Georgia 30399). They will receive a bill for the cost. The charts will not be appropriate for non-participating banks because of the difference in premium calculations for each coverage.

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT TITLE ACT

TOPIC

 Date 12-15-67

NEW BULLETIN:

The Georgia Motor Vehicle Certificate of Title Act became effective in July, 1962. Subsequently, it has been amended several times by the State Legislature and numerous changes in mechanics and proceuures have been initiated by the Director of the Motor Vehicle Unit of the Department of Revenue. Recently, the title section of this department was automated and consolidated with other sections of the Motor Vehicle Unit.

While other changes and refinements will undoubtedly continue to occur with the passing of time, many of the original stumbling blocks and problem areas have been eliminated entirely or improved upon. It therefore seems appropriate to include our policy and procedures for operating under the Title Act in the Consumer Credit Operating Guide at this time.

I. GENERAL POLICIES, REQUIREMENTS, AND FORMS

VEHICLES COVERED

Any 1963 or newer model vehicle of the following type is required to be titled if the owner resides in Georgia.

Automobiles
Trucks (including tractor-trailer)
Tractors (unless farm equipment)
Camping Trailers
Mobile Homes

1962 and older model vehicles cannot now be titled. However, between July, 1962 and January, 1964, 1962 and older model vehicles were permitted to be titled if the owner desired to do so; and, all vehicles brought into Georgia from a title state were required to be titled in Georgia. It must be remembered, therefore, when handling a transaction involving a 1962 or older model vehicle, to inquire of the owner if the vehicle has previously been titled in Georgia. If there is a title outstanding on such a vehicle, the procedures for perfecting security interests are the same as those for 1963 and newer models.

BASIC FORMS

The basic forms required for title applications are the MV-1 (automobile), MV-2 (truck), and MV-3 (trailer). These forms are combination tag, title, and ad valorem tax forms and are essentially the same in each of the three instances, except that the appropriate form must be used for the type vehicle involved. The same type application form is used when applying for a new title or tag and whenever making application for subsequent changes in the title or the tag registration. In addition, each time an application is filed it must be accompanied by the appropriate fee. Other commonly used forms are:

NEW BULLETIN:

1. MV-5 Used for making application for a duplicate title.
2. MV-18 Used to make minor corrections in the title and/or tag registration.
3. T-4 Used to release a lien or security interest which has previously been recorded on the title certificate if space is not provided on the back of the certificate for such release.
4. T-8 Used to secure the customer's power of attorney to enable us to handle loans and transfers in a more expeditious manner.
5. T-16 Used to secure a proper title for a vehicle which has been repossessed.
6. T-20 Used to secure a proper title for a vehicle which has been inherited.
7. T-53 Used by a second lien or security interest holder to request the first lien or security interest holder to forward the title certificate to the Motor Vehicle Unit so that the second lien may be recorded thereon.

ALL FORMS MENTIONED IN THIS BULLETIN CAN BE SECURED FROM THE MOTOR VEHICLE UNIT AT NO CHARGE.

TITLING AND TAG REGISTRATION

The titling of a vehicle as in titling of other real property is intended to protect ownership by showing a complete and unquestionable "chain of ownership" from the manufacturer to and including the present owner.

Titling of vehicles does not take the place of tag registration. TITLING proves and protects ownership while TAG REGISTRATION licenses a vehicle to be operated in the state of the owner's residence. Both tag and title (title if 1963 or newer model) are required for vehicles owned by Georgians.

APPLYING FOR TITLE AND TAG

Application for title may be made prior to tag registration; however, application for tag registration cannot be made prior to application for title since the applicant must show proof that title application has been made or that a title has been issued on the vehicle before a tag can be purchased.

Applications for tags must be made each year on or before April 1 or at the time of first sale or transfer of the vehicle after January 1, whichever comes first. These applications must be made through the Tag Agent in the county of legal residence of the individual who owned the vehicle on January 1, and payment for the current year ad valorem taxes on the vehicle must accompany the application.

NEW BULLETIN:

Applications for title are made by sending the Title Application, all supporting documents, and the fee of $1.00, either directly to:

Department of Revenue
Motor Vehicle Unit
Title Section
109 State Office Building
Atlanta, Georgia 30334

or to the county Tag Agent in the county of the owner's residence. As a general rule, it will be our policy to send applications directly to the Motor Vehicle Unit when applying for a title, thus eliminating any delay caused by filing through the Tag Agent.

There are certain situations in which it is impractical to make application for title through the Motor Vehicle Unit for the reasons outlined below:

1. Title applications for <u>new vehicles</u> should be made through the Tag Agent simultaneously with the tag application since:
   a. The law requires that application for a license tag be made within three days after purchase of a new vehicle,
   b. License tags can be purchased only through Tag Agent ,
   c. Proof of application for a Georgia title is require before a tag can be purchased.

   In such cases, the dealer will normally file the application for tag and title with the Tag Agent.
2. Title application for <u>used vehicles not previously registered in Georgia</u> should be made through the Tag Agent simultaneously with the tag application since tags cannot be purchased without proof of application for a Georgia title.

When a change in ownership of a titled vehicle occurs, the owner is required by law to apply for a new title <u>and</u> have the ownership change recorded on the tag registration. If the change in ownership takes place after January 1 and <u>a current year tag has not been purchased,</u> this must be done before the vehicle can be transferred to the purchaser because:

1. The tag registration for a given year is not transferable after December 31 of that year, and
2. The ad valorem taxes for the current year have not been paid by the owner.

The proper procedure would be for the owner of the vehicle as of January 1 to purchase a current year tag in his county of residence, pay the ad valorem taxes, and then assign the tag registration to the purchaser. The purchaser should then make application for title and tag transfer. If this is not done, the purchaser may eventually have to pay the ad valorem taxes on the vehicle for the current year even though he was not the owner on January 1.

NEW BULLETIN:

In view of the above, it should become standard practice, when making a loan on a vehicle involving a change in ownership, to require that the vehicle have a current year tag before the loan proceeds are disbursed. This will protect the bank and the customer against the possibility of a future tax lien being filed for the current year ad valorem taxes.

SECURITY INTERESTS AND LIENS

DEFINITION OF TERMS

1. Security agreement - a written agreement which reserves or creates a security interest.
2. Security interest - an interest in a vehicle reserved or created by agreement which secures the payment or performance of an obligation, such as conditional sales contracts, chattel mortgages, bills of sale to secure debt, etc.
3. Lien - an interest created by operation of law and not by contract or agreement with respect to vehicles, and includes all liens for taxes.
4. A Manufacturer's Statement of Origin is the document issued by the maker of a vehicle to a dealer in a title state providing proof of original ownership by the dealer.

PERFECTING SECURITY INTERESTS

The only way now provided by law for a creditor to establish and protect a legal interest in a vehicle required to be titled in Georgia is to appear on the face of the title certificate itself as a security interest holder. In order to accomplish this, a title application must be completed, showing the name and address of the security interest holder, and must be transmitted, along with the necessary fee and the properly assigned title certificate to either the tag agent in the county of the owner's residence or to the State Motor Vehicle Unit.

A security interest in a vehicle is perfected as of the date of its creation if the application and other necessary documents are delivered to the Revenue Commissioner or his agent (tag agent or Motor Vehicle Unit) within 10 days after creation; otherwise, perfection is not accomplished until the actual date of delivery.

To perfect a security interest in a vehicle which is not required to be titled, the security interest holder completes a T-3 form and mails it, together with a $1.00 fee, to the Motor Vehicle Unit at the State Capitol. Part #1 and Part #2 of the T-3 form will be retained by the State. Part #3 will be validated and returned to the security interest holder.

PERFECTION OF SECOND SECURITY INTEREST

When a second security interest is created in a vehicle which is required to be titled, perfection can only be accomplished by having the security interest recorded on the title certificate. In order to accomplish this, the second security interest holder forwards by registered mail, return receipt requested, the completed Title

NEW BULLETIN:

Application form, the necessary fees, and a request for transmittal (form T-53) to the first security interest holder. The first security interest holder must, within 10 days, forward all the above together with the title certificate to the Motor Vehicle Unit. When a new title certificate is received by the first security interest holder, he must notify the second security interest holder within 5 days after receipt of the certificate, that the certificate has been received and that the second security interest is shown thereon.

RELEASE OF SECURITY INTERESTS

When a security interest is perfected on a titled vehicle, the title certificate is delivered to the first security interest holder by the Motor Vehicle Unit. When the first security interest holder's interest is satisfied, the first security interest holder must forward the title certificate to the next security interest holder shown on the certificate within 10 days of the date of satisfaction. If no other security interest is shown on the certificate, the certificate must be forwarded to the owner within 10 days of the date of satisfaction. The law requires that a release of the security interest be sent to the owner within 10 days after demand for such release. However, since title certificates now have space provided on the back for release of the security interest, it is easier, as a practical matter, to complete this release before the certificate is forwarded to the owner or second security interest holder. On certificates which do not have space for the release printed on the back, a T-4 release form should be prepared and forwarded with the certificate.

To release a security interest which has been filed against a vehicle not requiring a Georgia title, the reverse side of the T-3 form, which was returned at the time of filing, must be completed and mailed to the Motor Vehicle Unit within 10 days of the date of satisfaction of the security interest. No fee is required when releasing a notice.

MECHANIC'S LIENS

It is the unofficial opinion of both the title division and the Attorney General's office, concurred in by our attorneys, that a Mechanic's Lien against a properly titled vehicle would be ineffective if our security interest is shown on the title. They consider the fact that we are on the title to be "constructive notice" to the mechanic of the pre-existence of our security interest, even though he is not told of its existence or does not call the title division to find out. It is their feeling that he cannot retain possession, even after having completed repairs, under these circumstances.

On the other hand, if our security interest does not appear on the title certificate, there is some question about our ability to obtain possession if the mechanic is holding the vehicle pending payment, even though he is not on the title.

REVISION OF PAGE 6 Dated 4-29-68

OTHER LIENS

Although security interests on titled vehicles can only be perfected by having the interest recorded on the title certificate, this is not true of liens. Liens on vehicles for taxes and those created by operation of law (judgments) can be perfected by filing a T-3 notice of lien with the Motor Vehicle Unit, and the existence of this lien will not appear on the title certificate until a subsequent change in the title is requested. When the subsequent title certificate is issued, the lien will appear on the certificate as of the date of its perfection and will take priority over any subsequent lien or security interest.

There is one exception to this priority. Liens for ad valorem taxes on a vehicle take priority over any other lien, regardless of the date of perfection. Where there is a possibility that a lien has been filed against a vehicle and the amount of the loan is more than would otherwise be advanced on the customer's signature, it would be to our advantage to check the T-3 file in the Motor Vehicle Unit before disbursing the loan proceeds.

When a motor vehicle is repossessed and sold, the bank giving the buyer form T-16 and Bill of Sale, all liens except those attached for ad valorem taxes are automatically released from the vehicle when the new title is issued.

TITLE INQUIRIES

The Motor Vehicle Unit has suggested a form letter for use when inquiring about the status of a pending Title Application. A copy of the suggested form is illustrated on the next page. The letter should be reproduced on your bank's letterhead and used when making such an inquiry.

REQUESTS FOR INFORMATION

The law provides that a security interest or lien holder must, upon request, give to any interested party, information concerning the security interest or lien, including the amount, pay off figure, etc.

FOLLOW-UP PROCEDURES

The following procedures apply to all direct loans and sales finance transactions involving vehicles for which a Georgia title is required.

1. At the time the discount sheet is completed, the lending officer should circle the "Y" opposite the word "Title in the completeness check-off box.
2. A collateral follow-up card (19-984) should be made on all transactions involving vehicles requiring a Georgia title. The follow-up date should be no more than forty-five days from the date of loan.
3. As title certificates are received, they should be checked to see that the bank is properly shown as first security interest holder.
4. The title certificate should be checked against the discount sheet to be sure that the description of the vehicle on the title is correct.
5. The title certificate should then be filed in the customer's credit file.

[redacted]

Department of Revenue
Motor Vehicle Unit
Title Section
100 State Office Building
Atlanta, Georgia 30334

RE: Year & Make _____

Serial # _____

Gentlemen:

This is to request status of title application on the above mentioned vehicle.

Owner's Name and Address: _____

Exact Date of Application: _____

Place of Application: ( ) County Courthouse (_____County)

( ) State Office Building, Atlanta, Georgia

Fee of $1.00 submitted with Application: ( ) Yes ( ) No

Selling Dealer: _____

Security Interest Holder: _____

( ) New Vehicle ( ) Transfer - Former Owner: _____

Remarks: _____

REPLY

( ) No record of Georgia Title.
( ) No record of Form T-1, Notice of Lein or Security Interest.
( ) Title No. _____ issued to the name of _____
_____ and mailed to _____
on _____
( ) The title records no lien or Security Interest. To record same, submit the above Title No. _____ the enclosed MV Form (correctly typed with complete name and address of security interest holder and date and type of lien), and fee of $1.00
( ) If title is lost, duplicate may be applied for by submitting Form MV5 (typed in accordance with the enclosed copy of our record) and Fee of $1.
( ) Application was rejected (see attached photo copy of Rejection File records).

REMARKS: _____

_____

6. The follow-up card file should be checked and, if there is a card for the transaction involved, it should be pulled and destroyed.
7. Title follow-up cards should be worked on a daily basis. Cards on which title certificates have not been received by the follow-up date should be referred to the lending officer who made the loan. The customer must then be contacted and, if he has received the title certificate (we will not have been shown as a security interest holder), the certificate should be obtained from him, a new title application completed showing the bank as security interest holder and should be forwarded to the Motor Vehicle Unit. A new follow-up date should be shown on the card and it should be refiled in the follow-up card suspense file. A memorandum recording this follow-up activity should be placed in the customer's credit and collection folder.

   If the customer has not received the title certificate, we should correspond with the Motor Vehicle Unit, (using the form letter described earlier), requesting the status of the title application.

NEW BULLETIN:

II. DETAILED PROCEDURES

A. TITLE FOR A NEW VEHICLE

Responsibility	Action
Dealer and Applicant	1. Completes (TYPES application MV-1, MV-2, MV-3 or MV-4 as applicable). Application must be properly completed, signed by applicant, and signature notarized. a. Includes name and complete address of security interest holder if security interest created *(see note at end of section B).
	2. Pays fee of $1.00
Dealer	3. Completes line #16 of application giving dealer's notarized signature, Master Tag Number, Dealer's Sales Tax Account Number, indicates Sales Tax has been paid, and date of sale.
	4. Supplies the Manufacturer's Statement of Origin properly assigned on the back.
	5. Transmits application, fee, and Statement of Origin to the Tag Agent in the owner's county of residence. (Application for license tag and affidavit concerning payment of ad valorem taxes should be filed at the same time).
Tag Agent	6. Receives fees for title and tag along with application and supporting documents.
	7. Issues tag and gives owner's copy of application to applicant for his records.
	8. Forwards original copy of application, fee, and supporting documents to Motor Vehicle Unit Title Section.
Motor Vehicle Unit	9. Process application and forwards Title Certificate to: a. Owner, if no security interest shown. b. Security interest holder, if one is shown on certificate.

B. TITLE FOR A PREVIOUSLY UNTITLED USED VEHICLE (1963 and newer models only, including vehicles brought into Georgia from a non-title state).

Responsibility	Action
Applicant	1. Completes (TYPES) application for Tag and Title. Application must be properly filled out, signed by applicant, and signature notarized.

NEW BULLETIN:

2. Furnished notarized Bill of Sale from previous owner and registration certificate in name of applicant or applicant's predecessor in an unbroken chain of ownership covering a minimum of 3 months.

or

Furnishes satisfactory notarized explanation of inability to furnish notarized Bills of Sale, affidavit of purchase giving name and address of party from whom purchased and approximate date of purchase, and continuous unbroken registration in applicant's name for six months AND receipt for payment of ad valorem taxes on vehicle.

Dealer and Applicant

3. If vehicle purchased from a dealer, line #16 of application must be completed by dealer giving dealer's notarized signature, Master Tag Number, Dealer's Sales Tax Number indicating if sales tax has been paid, and date of sale.
   a. Includes name and complete address of security interest holder if security interest created. *(See note at end of section B.)
4. Pays title fee and tag fee.
5. Transmits completed application, fees, and supporting documents to Tag Agent in applicant's county of residence.

Tag Agent

6. Receives fees for Tag and Title, application, and supporting documents.
7. Issues tag and gives owner's copy of application to applicant.
8. Forwards fee, original of application, and supporting documents to Motor Vehicle Unit Title Section.
9. Processes application and forwards Title Certificate to:
   a. Owner, if no security interest shown, or
   b. Security interest holder, if one is shown on certificate.

*NOTE

Sales Finance Dealer Paper - Sufficient control exists within our relationship with the dealer so that we should not have to worry about his showing us as security interest holder when he completes the application.

NEW BULLETIN:

Direct Loans for the Purchase of New Vehicles - Whenever practical, the lending officer should complete the security interest holder portion on a blank application form and give the form to the customer at the time the note is signed, requesting the customer to ask the dealer to use that application. In all cases, the customer should be cautioned, at the time he signs the note, not to sign the application form for the dealer unless the bank is shown thereon as security interest holder.

When completing the security interest holder portion of the application, be sure to show your bank's COMPLETE address so that the title certificate will be returned to you without delay.

C. VEHICLES PREVIOUSLY TITLED IN GEORGIA WITH CHANGE IN OWNERSHIP

1. No Security Interest Created

Responsibility	Action
Applicant	a. Secures properly assigned Title Certificate and current year Tag Registration from previous owner with release of Security Interest (if any) completed on back of Title Certificate OR a completed T-4 release form.
	b. Completes (TYPES) application for Title and Tag Transfer.
Dealer and Applicant	c. If vehicle purchased from dealer, follow step B-3
	d. Pays title fee ($1.00) and Tag Transfer fee (50c)
	e. Transmits application, fees, Title Certificate, Tag Registration, and supporting documents to Tag Agent in applicant's county of residence.
Tag Agent	f. Receives application and supporting documents, gives owner's copy of application to applicant, and forwards necessary documents to Title Section Motor Vehicle Unit.
Motor Vehicle Unit	g. Processes application and forwards new Title Certificate to owner.

2. Security Interest Created

Applicant and Dealer	a. Follow procedures outlined under Section C-1 except that fees, application and supporting documents are transmitted to Security Interest holder instead of Tag Agent.

NEW BULLETIN:

Security Interest Holder	b. Records name and complete address of Security Interest holder on application and forwards together with fees and supporting documents to Motor Vehicle Unit Title Section.
Motor Vehicle Unit	c. Processes application and forwards new Title Certificate to Security Interest holder.

3. Transfer of Equity

Responsibility	Action
Applicant and Security Interest Holder	a. Secures previous owner's assignment on back of Title Certificate and Tag Registration.
	b. Completes (TYPES) application for Title and Tag Transfer in name of new owner and shows name and complete address of security interest as appears on old Title Certificate.
	c. Applicant (new owner) signs application and pays title fee ($1.00) and Tag Transfer fee ($1.00)
Security Interest Holder	d. Transmits fees, application, old Title Certificate, and Tag Registration to Motor Vehicle Unit Title Section.
Motor Vehicle Unit	e. Processes application and forwards new Title Certificate to Security Interest holder.

NOTE: Substitution of Collateral should be handled in the same way as a Transfer of Equity with respect to title procedures.

D. VEHICLES PREVIOUSLY TITLED IN GEORGIA WITH NO CHANGE IN OWNERSHIP

1. Security Interest Created

Responsibility	Action
Security Interest Holder	a. Completes (TYPES) application showing name and complete address of Security Interest holder, date security interest created, and type of security interest.
	b. Application must show exact name and address of owner as recorded on outstanding Title Certificate - if not, form MV-18 must be submitted.
Owner	c. Signs application; (signature must be notarized).

NEW BULLETIN:

	d. Supplies outstanding Title Certificate and release of any security interest which may appear on outstanding Title Certificate.
	e. Pays title fee of $1.00
Security Interest Holder	f. Mails all documents and fee to Motor Vehicle Unit Title Section.
Motor Vehicle Unit	g. Processes application and forwards new Title Certificate to Security Interest Holder.

NOTE: When a loan application is made after title has been applied for but before it has been issued, check the owner's copy of the Title Application to see that no lien or security interest holder is shown. Arrange for the customer to surrender the Title Certificate when he receives it. Have him complete and sign a new Title Application. If any of the above steps cannot be completed, do not disburse proceeds until the Title Certificate has been issued and surrendered to you.

2. Reworking Existing Loans

Security Interest Holder	a. If previous security interest appears on the Title Certificate and original instrument is not released, no change in Title is necessary.
	b. If original instrument is released, complete application for new Title Certificate (follow procedures in D1) showing date of reworked loan.

E. VEHICLES PREVIOUSLY TITLED IN ANOTHER STATE

Responsibility	Action
Applicant (owner)	1. Completes (TYPES) application for Tag and Title, signs application, and has signature notarized. (Name must be identical to the name which appears on the out of state title).
	2. Supplies original out of state Title Certificate properly assigned.
	2a. If all spaces provided for assignment on the Title Certificate are filled, a notarized Bill of Sale is required to show complete chain of ownership.
	3. Supplies Release of Lien or Security Interest if reflected on outstanding Title Certificate.
	4. Pays title fee and tag fee.

NEW BULLETIN:

Tag Agent	5. Receives application, fees and supporting documents. 6. Issues license tag and gives owner's copy of application to applicant for his records. 7. Forwards original application, fee, and supporting documents to Motor Vehicle Unit Title Section.
Motor Vehicle Unit	8. Processes application and forwards Title Certificate to owner.

NOTE: If the bank creates a security interest in the vehicle before application for a Georgia Tag and Title is made, an application should be completed showing the bank as security interest holder. The owner of the vehicle should then present this application to the Tag Agent, purchase a tag for the vehicle, and return the validated owner's copy of the application to the loan officer before the loan proceeds are disbursed. If a Georgia title has already been issued for the vehicle, proceed as outlined in Step D-1.

F. TITLE FOR REPOSSESSION

Responsibility	Action
Repossessor	1. Completes (TYPES) application in the name of the new owner. 2. Supplies the outstanding Title Certificate. 3. Completes Release of Lien or Security Interest on back of Title Certificate, or on T-4 form if space not provided on Title Certificate. (This releases lien or security interest held against person from whom vehicle was repossessed. 4. Completes form T-16 (Affidavit of Repossession). 5. Supplies notarized Bill of Sale from Repossessor to party to whom vehicle is sold when sold to an individual. 5a. If assigned to a dealer for disposition, Bill of Sale is not required. 6. Supplies a copy of the original contract between the Repossessor and the person from whom the vehicle was repossessed.
Applicant (New Owner)	7. Signs completed application (signature must be notarized) and pays fee of $1.00. 8. Transmits application, fees, and supporting documents to Tag Agent.
Tag Agent	9. Receives application, fees, and supporting documents from applicant. 10. Gives owner's copy of application to applicant for his records.

NEW BULLETIN:

	11. Forwards original of application, fee, and supporting documents to Title Section, Motor Vehicle Unit.
Motor Vehicle Unit	12. Processes application and forwards new Title Certificate to owner.

G. TITLE ALTERATIONS AND EXCEPTIONS

1. Title Corrections

Responsibility	Action
Applicant	a. Completes a form MV-18 for all corrections required on title or tag registration except name of Manufacturer's I. D. Number and lienholder. NOTE: This form is only available at the Motor Vehicle Unit, State Office Building, Atlanta, Ga (1) If a name or lienholder change is required, you must follow the procedure for a new title. (2) If a Manufacturer's I. D. Number change is required and the I. D. Number is other than that reflected on the Statement of Origin or notarized Bill of Sale, a pencil tracing is required. For details, contact Motor Vehicle Unit, Atlanta, Georgia. If the correction is reflected on the Statement of Origin or notarized Bill of Sale, Form MV-18 is used.

2. Change of Name on Title

Responsibility	Action
Applicant	Follows procedures outlined in Section C-1, omitting steps c and e.
Applicant	a. Obtains a court order giving the complete description of the vehicle and a certified copy of the court proceedings. b. Completes application form reflecting the necessary information and has signature notarized. (The date of purchase is the date of the Court Order.)

c. Submits the above documents, with a fee of $1.00 to the County Tax Commissioner.

4. Duplicate Titles

Responsibility	Action
Applicant	a. Completes form MV-4. NOTE: Owner's name and vehicle description must appear as that reflected exactly by the original certificate on file. b. Pays fee of $1.00

5. Title Transfer Due to Death

Responsibility	Action
(Heir) Applicant	a. Submits the current Title, with a certified copy of the Will or Letter of Administration. b. Completes application reflecting the necessary information and has signature notarized. (The date of purchase is the date of death.) c. Submits the above documents with a fee of $1.00. d. In the absence of the above documents, submits the current Title, with an affidavit of Inheritance (T-20 form) and a copy of the Death Certificate, and a completed application for Title, to the Motor Vehicle Unit.

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT TRANSFER OF EQUITY

TOPIC

 Date 6/15/70

Replaces Bulletin: LENDING GENERAL - TRANSFER OF EQUITY - Dated 7-9-69

The Transfer of Equity form (38-904) is a 6-part snap-out carbonized form, and replaces the older version. The terminology is that required by the Georgia Retail Installment Sales and Home Solicitation Act and Regulation Z, but it is intended that this form be used by both Sales Finance (including the C&S Financial Corporation) and Over-The-Counter operations. Z requires creditors to disclose certain information before the new customer (transferee) obligates himself by signing the transfer form. This form must be used where the original purchaser or borrower is selling pledged property under the condition that the new party assume the indebtedness. Certain commercial transactions are not subject to Z, but this form can be used, as applicable, for those transactions.

CREDIT REQUIREMENTS

From a credit standpoint, transfers should be examined closely. Be certain you are not merely deferring a repossession or other positive collection action. Very often the new party is merely assuming the indebtedness with no equity being paid to the original owner. The new party should have adequate equity by one or a combination of the following:

1. Paying loan up to date if past due.
2. Paying one or more payments in advance if loan is current.
3. Payment for equity to original owner.

Credit investigation and approval routines are the same as on any other new transaction.

INSURANCE ELIGIBILITY

Special care must be taken with respect to insurance election. In fact, you should determine what insurance the customer wants before going on to complete the Transfer of Equity form. We can make a Transfer of Equity ONLY where the new customer's eligibility and election are the same as the old customer's insurance status.

PROCEDURE

Complete the Statement of Transaction down through the Annual Percentage Rate based on the original transaction. (Over-The-Counter starts at line 7 (Consolidated Unpaid Balance), where "Amount of Loan" is the figure to be entered). Business consummated prior to the effective date of Regulation Z, July 1, 1969, will not have the insurance coverage separately itemized nor will the Annual Percentage Rate be shown. In these instances, show the total Interest and Discount amount which previously included insurance coverages as the Finance Charge and leave the Annual Percentage Rate blank. However, contracts or loans made July 1, 1969 and after, on which Transfer of Equity occurs, must show all of the Statement of Transaction information given on the original loan including a breakdown of insurance coverages, any other charges, and the Annual Percentage Rate.

Replaces Bulletin: LENDING GENERAL - TRANSFER OF EQUITY - Dated 7-9-69

When the paper has been endorsed to you by a dealer or other party, the consent of that other party should be obtained in the space provided at the bottom of the form. The new customer and the old customer must be given copies. The original is to be retained in the note file until paid out or for 2 years as specified by Z, whichever is longer. Enough copies are provided to include one in both the old and new customer's file, and to give one to the dealer, if it is a Sales Finance transaction. After conclusion of the transfer, get the original note, and

(1) Cross out old number.

(2) Assign new number.

(3) Attach original of the transfer.

(4) File again in note file in new number's place.

The following comments A through K apply to the illustration shown on page 3.

A. Date of Transfer
B. Original customer
C. New Customer
D. Bank of _____, National Bank, or Financial Corporation.
E. Present balance owed, which equals the Total of Payments in the Remaining Payment Schedule box. DO NOT INCLUDE LATE CHARGES. This would cause Regulation Z complications. You should, of course, collect them from the old customer.
F. Date of the original note or conditional sale contract.
G. Sales Finance transactions require completion of all this bracketed area.
H. Over-The-Counter transactions require completion of this bracketed area.
I. Must all be collected at time of transfer. DO NOT ADD TO TOTAL INSTALLMENTS DUE.
J. Sales Finance dealership name and address.
K. Sales Finance dealership authorized signature.

C&S

TRANSFER OF EQUITY

ORIGINAL

STATEMENT OF TRANSACTION (ORIGINAL)

Sales Tax $

1. Cash Price $
Cash Down Payment

2. $
Trade-In

3. $
On

4. Total Down Payment (2 + 3) $

5. Unpaid Balance Cash Price (This Purchase) (1 − 4) $

6. Net Balance First Contract $

7. (Consolidated) Unpaid Balance Cash Price (5 + 6) $
Credit Life Insurance

8. $
Credit Disability Insurance

9. $
Property Insurance

10. $
Physical Damage Insurance

11. $ _____ Dual Cost
☐ Comprehensive
☐ Fire and Theft
☐ Other
☐ Policy Furnished by Buyer—Premium Advanced Under this Contract
Official Fees

12. $
Other (Specify)

13. $
Other (Specify)

14. $

15. Total Other Charges (8 + 9 + 10 + 11 + 12 + 13 + 14) $

16. (Consolidated) Amount Financed (7 + 15) $

17. FINANCE CHARGE $

18. Total of Payments (16 + 17) $

Deferred Payment Price (11 + 6 + 15 + 17)

ANNUAL PERCENTAGE RATE %

Agreement between _____ (Customer), _____ (Transferee) and The Citizens and Southern _____ (Holder)

Customer is indebted to Holder in the amount of $ _____ secured and evidenced by a Security Agreement dated _____ 19____, under the terms of which the Statement of Transaction is as set forth hereon, and a security interest is granted to Holder on the following Property:

_____

_____

_____

1. Customer hereby sells, transfers and assigns to Transferee all of Customer's rights, equity and interest in the Property and, with the consent of Holder, delivers the Property to Transferee. Transferee hereby assumes and agrees to fully and perform all obligations and covenants, contained in the Security Agreement which is incorporated herein by reference and refers to the Holder as the Secured Party, including (a) Payment of all remaining installments of $ _____ each and any deferred installments and (b) the due performance of all the terms of the Security Agreement. Customer represents that the Property (and any other Property at times used or security as part of another or this transaction) has or will have at the time of delivery to Transferee a fair market value of not less than the unpaid balance due Holder as the amount of the purchase price financed, otherwise FINANCE CHARGE will be based on the basis of the Rights assigned, after first deducting an equitable charge of $18.00 ($22.00 if Property is a motor vehicle) from the FINANCE CHARGE.

2. The consent of Holder to the transfer by Customer to Transferee of all the former's equity and interest in the Property and the delivery of possession thereof to Transferee shall not operate to vary, alter, or affect Customer's obligations under the Security Agreement, and Customer shall remain as fully and completely bound thereby as though the transfer and delivery to Transferee had never taken place, or Holder consent thereto been given.

3. It is agreed that the liability of Customer under the Security Agreement or hereunder shall not be affected by any release, subsidence, compromise, settlement, extension, hope, time to time (whether or not longer than original period), or variation of terms effected by or with Transferee or any other person.

4. Customer does hereby authorize Holder or Transferee to have in force insurance on Transferee with fire, theft or other insurance as may be in force, so that the loss payable clause in policies or certificates of this insurance shall run in favor of Transferee and Holder as their interests may appear. Transferee assumes full responsibility for such transfer and agrees to maintain insurance on property as provided in the Security Agreement.

5. Transferee acknowledges receipt of a completed copy of this agreement.

Executed the day and year first above written.

Insurance Statement: Property Insurance (Inserted in connection with Motor Vehicles) Credit Life Insurance and Credit Disability Insurance are not required in connection with the credit. Property Insurance may be obtained in connection with this credit (in which case the cost is set forth in the Statement of Transaction) or from a person of your choice

☐ Loan not eligible for Credit Life or Credit Disability Insurance.
☐ I request ☐ decline Credit Life Insurance
☐ I request ☐ decline Credit Disability Ins.
☐ I request ☐ decline Property Ins.

Date of Birth _____

Date _____

Signature _____

Remaining Payment Schedule _____ installments of $ _____ each and one (balloon payment) of $ _____ beginning _____ 19____ and on the same day of each month thereafter until paid in full or as per schedule attached.	No.	Amount	Due	No.	Amount	Due	No.	Amount	Due
Total of payments $ _____	1			5			9		
	2			6			10		
	3			7			11		
	4			8			12		

Address

Address

Customer (SEAL)

Transferee (SEAL)

Holder

By

Transfer Fee	$
Other (Specify)	
Total Fees	$

The foregoing transfer of equity is consented to and undersigned agrees that it shall not affect the liability of undersigned with respect to the Security Agreement mentioned thereon.

Address

By (SEAL)

E- 1444

Replaces Page 4 Only Of Bulletin: LENDING GENERAL-TRANSFER OF EQUITY-Dated 6/15/70

TRANSFER FEE

The transfer fee should be paid at the time of transfer, by either party. A charge of $25.00 should be adequate to cover your cost of investigation of the new party and the details of handling on contracts covering automobiles, airplanes, farm
N equipment, and property improvement. Credit the fee on Over The Counter transactions to Miscellaneous Expense General - Other Income. On Sales Finance transactions, the fee should be deposited to the Financial Corporation's checking account in your city. Then, Financial Corporation General Ledger entries should be prepared debiting "Due From C&S - Operating Account" and crediting "Other Income." The original entries should be sent to the Financial Corporation bookkeeper in Atlanta. On other types of transactions, a $15.00 charge should suffice. This charge may be increased if you encounter unusual expenses in handling. Show "Transfer Fee" collected in the space on the form just below the Transferee signature block. (Regulation Z does not require that the Annual Percentage Rate be recalculated on the new transaction. It does require us to show any additional charge made to the new customer as the result of the transfer).

This form may be used whether the original instrument was recorded or not. The same procedure of perfecting our security interest should be followed on a transfer as on the original transaction.

PHYSICAL DAMAGE INSURANCE

Followup procedures for securing an insurance policy covering our interests will be the same as for an original transaction.

COMPLETING DISCOUNT SHEET

This is a major change from past procedure. A discount sheet should be prepared just as if this is a new loan. It should be treated as a new loan in all respects, with the exception of variations shown later in this section. This will assure that proper credit information is always given on either the old or the new customer. It is a simple wash-out transaction, with "proceeds" of the new loan going to pay off the net balance on the old account. This procedure also gets an up-to-date payment book to the new customer, and in his name.

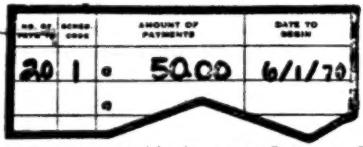
The following example shows how to fill in those portions of the discount sheet that differ somewhat from the normal new loan or contract.

20 monthly payments of $50.00 remaining. Next payment due 6/1/70.

BALANCE REMAINING IS	$1000.00
Interest Rebate is	75.00
Dlr. Reserve Rebate is	25.00
Net Payoff is	$ 900.00

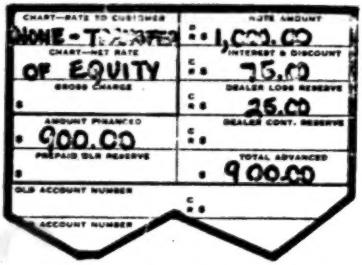
Replaces Bulletin: LENDING GENERAL - TRANSFER OF EQUITY - Dated 7-9-69

1. Enter payments remaining on new Discount Sheet.



2. Enter Balance in Note amount blank, enter Interest Rebate and Dealer Reserve Rebate Due In Interest & Discount and Dealer Loss Reserve blanks.

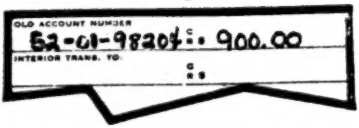
3. Enter the Net Payoff amount in both the Amount Financed and Total Advanced blanks.



4. Enter the remaining number of months that the loan has to run in the "No. of Mos." blank.

5. Enter today's date in the Date of Loan blank.

6. Close out old transaction by entering the old account number and amount of net payoff.



7. Prepare the necessary rebate tickets and interiors or cashiers check, as applicable. Normal loan procedure follows from this point on.

8. Payoff transaction code is 54, Refinance - C&S.

C&S

BUYER - PAYS FINANCE TRANSACTION

TRANSFER OF EQUITY

ORIGINAL

STATEMENT OF TRANSACTION (ORIGINAL)

May 29, 1970

Agreement between Jerry P. Herald (Customer), Barry D. Land (Transferee) and The Citizens and Southern Financial Corp. (Holder)

Customer is indebted to Holder in the amount of $ 3560.76 secured and evidenced by a Security Agreement dated July 11, 1969 under the terms of which the Statement of Transaction is as set forth hereon and a security interest is granted to Holder in the following Property:

1969 Road Runner-Plymouth #WM21R9G246788

1. Customer hereby sells, transfers and assigns to Transferee all of customer's rights, equity and interest in the Property, and, with the consent of Holder, delivers the Property to Transferee. Transferee hereby assumes and agrees to and will perform all obligations and covenants made and to be performed by Customer under Customer's aforementioned contract or agreement and agrees to be bound by all of the provisions including (a) Payment of a delinquency charge of 5% (but in amount $5.00) on each delinquent installment not paid within ten days of the due date; (b) [illegible] as set forth above; and covenants made and to be performed by Customer in the Security Agreement, which is incorporated herein by reference

C&S

SAMPLE - OVER THE COUNTER TRANSACTION

TRANSFER OF EQUITY

ORIGINAL

STATEMENT OF TRANSACTION (ORIGINAL)

May 29, 1970

Agreement between Jerry P. Herald (Customer), Henry D. Land (Transferee) and The Citizens and Southern National Bank - Moreland Avenue (Holder)

Customer is indebted to Holder in the amount of $ 3373.40 secured and evidenced by a Security Agreement dated July 11 1969, under the terms of which the Statement of Transaction is as set forth hereon and a security interest is granted to Holder in the following Property:

1968 Road Runner-Plymouth #WM21N9Q246788

1. Customer hereby sells, transfers and assigns to Transferee all of Customer's right, equity and interest in the Property and, with the consent of Holder, delivers the Property to Transferee. Transferee agrees to pay and perform all obligations and conditions to be paid or performed by Customer in connection with the Property hereafter remaining and agrees to be bound by all terms thereof including (a) Payment of a documentary charge of $ 0 (not to exceed $3.00) on each installment on the Property (and any other Property at any time) or description now or hereafter in the possession of Holder or its assignee) (c) on arrest of prepayment, refund of FINANCE CHARGE will be based on the Rule of 78ths method; other than disbursing an application charge of $15.00 ($20.00 if Property is a motor vehicle) from the FINANCE CHARGE.

2. The consent of Holder to the transfer by Customer to Transferee of the former's equity and interest in the Property and the delivery of possession thereof to Transferee shall not operate as any waiver or effect Customer's obligations under the Security Agreement and Customer shall remain as fully and completely bound thereby as though the transfer and delivery to Transferee had never taken place, or Holder consent thereto been given.

3. It is agreed that the liability of Customer under the Security Agreement or hereunder shall not be affected by any release, extension, modification, agreement, compromise from time to time with Customer or any person liable (whether or not longer than original period), or indulgence of terms effected by or with Transferee or any other person.

4. Customer does hereby authorize Holder or Transferee to have maintained by Transferee such fire, theft or other insurance as may be in force on what the loss payable clause or policy providing insurance shall name as loser or Transferee and Holder as their interests may appear. Transferee assumes full responsibility for such insurance and agrees to maintain insurance on property as provided in the Security Agreement.

5. Transferee acknowledges receipt of a completed copy of this agreement

Executed the day and year first above written.

Insurance Statement: Property (this insurance identified in connection with Motor Vehicles) Credit Life (single) Credit Disability Insurance are not required in connection with this credit transaction. Property Insurance may be obtained by Customer in connection with this credit (or which may be the case is set forth in the Statement of Transaction) or from a person of Customer's choice.

- ☐ Loan not eligible for Credit Life or Credit Disability Insurance
- I ☒ request ☐ decline Credit Life Insurance
- I ☐ request ☒ decline Credit Disability Ins.
- I ☐ request ☒ decline Property Ins.

Feb. 4, 1943 Date of Birth

May 29, 1970 Date

Henry D. Land Signature

Remaining Payment Schedule 28 installments of	No.	Amount	Due	No.	Amount	Due	No.	Amount	Due	No.	Amount	Due
$ 120.55 each and one (bottom payment) of	1			5			9			13		
$ -- beginning June 22	2			6			10			14		
1970 and on the same day of each month thereafter until paid in full or as per schedule at right.	3			7			11			15		
Total of payments $ 3373.40	4			8			12			16		

Sales Tax	$
1 Cash Price	$
Cash Down Payment	
2 $ Trade-In	
3 $ On	
4 Total Down Payment (2 + 3)	$
5 Unpaid Balance Cash Price (This Purchase) (1 − 4)	$
6 Net Balance First Contract	$
7 (Consolidated) Unpaid Balance Cash Price (5 + 6)	$ 3600.00
Credit Life Insurance $ 678.13	
Credit Disability Insurance $	
9 $ Property Insurance	
10 $ Physical Damage Insurance	
11 $ Dual Coll. ☐ Comprehensive ☐ Fire and Theft ☐ Other ☐ Policy Furnished by Buyer — Premium Advanced Under this Contract	
Official Fee	
12 $ Other (Specify)	
13 $ Other (Specify)	
14 $	
15 Total Other Charges (8 + 9 + 10 + 11 + 12 + 13 + 14)	$ 78.13
16 (Cancel-desired) Amount Financed (7 + 15)	$ 3678.13
17 FINANCE CHARGE	$ 661.67
18 Total of Payments (16 + 17)	$ 4339.80
Deferred Payment Price (1 + 8 + 15 + 17)	$ ---
ANNUAL PERCENTAGE RATE	11.08

Address 825 Barr Street Atlanta,Ga. 30306

Address 825 Barr Street Atlanta,Ga. 30306

Customer Jerry P. Herald (SEAL)

Transferee Henry D. Land (SEAL)

Holder C&S National Bank - Moreland Avenue

By Forest Adams

Transfer Fee	$ 25.00
Other (Specify) Title Transfer Fee	1.00
Total Fees	$ 26.00

The foregoing transfer of equity is consented to and undersigned agree that it shall not affect the liability of undersigned with respect to the Security Agreement referred thereon.

Address

By (SEAL)

E- 1448

OPERATING BULLETIN

SECTION LENDING GENERAL

SUBJECT UNIFORM COMMERCIAL CODE

TOPIC GENERAL

 Date 8-15-64

New Bulletin

This bulletin does not attempt to cover all of the ramifications of the Code, but only discusses the major areas which affect Installment Lending and our methods of operation. Do not construe this bulletin as C&S Policy in every respect. Policy will at times deviate from procedures and provisions set forth here. These will be made after consideration of the probable and possible exposure, cost of handling and expenses involved in various approaches, and convenience to ourselves and our customers. Bulletins such as "Lending General - Perfecting Security Interests" and other bulletins to be written in the future dealing with specific areas of consumer lending supercede this bulletin. In the absence of policy decisions to the contrary the provisions of this bulletin should be followed to obtain reasonable protection for the Bank under the Code.

Situations are bound to arise which are not covered in this bulletin, and in such instances which involve legal questions, consult with your local attorney or with System Consumer Credit for clarification from our attorneys. Operational or policy questions should be discussed with System Consumer Credit.

All forms used in our installment lending on which the Code has a bearing have been revised by our attorneys. All such forms should carry a 1-64 or subsequent revision date.

1. Purpose - The primary purposes of the Code are to clarify and simplify the many and varied laws and interpretations now governing commercial transactions and to standardize the laws of the various states. To both of these ends we will benefit by knowing more specifically our position in any commercial transaction, not only in the State of Georgia, but in other states now under or as they adopt the Code.

2. Effective Date - The Code became effective in Georgia on January 1, 1964. Any transaction entered into prior to the effective date of the Code will be governed under the laws in effect at the time the transaction originated. Future advances, extensions, renewals, taking additional collateral, or other events or transactions occurring after January 1, 1964, under an agreement executed prior to the effective date will be governed by the Code. All transactions entered into after January 1, 1964, will be governed by the Code.

3. General Routine and Procedures - Have not been greatly changed because of the Code and except where specifically prohibited we are allowed to contract with our customers as we see fit. However, there are certain clearly defined rights, duties, and procedures with which we must comply if we are to take advantage of the privileges provided and prevent incurring penalties for failure to perform as prescribed.

ARTICLE 9 - SCOPE - EXCLUSIONS Article 9 of the Code deals with secured transactions and with few exceptions this bulletin is related to this part of the Code.

New Bulletin

1. Scope - Generally, Article 9 applies to all secured transactions within the jurisdiction of Georgia except those listed under "Exclusions" below.

   A. Property located in other states is governed under the laws of such other states, except where it is intended, at the time of the transaction, that the property is to be brought into Georgia and is actually brought into Georgia within 30 days.

2. Exclusions - This article does not apply to any: (a) right of set-off, (b) transfer of or interest in any policy of insurance, (c) savings accounts or other forms of deposits, (d) real estate mortgages, or (e) security interests subject to a statute of the United States such as the Ship Mortgage Act.

DEFINITIONS Some new terminology has been introduced by the Code, and while the meaning of most of the terms is clear, it is necessary that each be understood as they are now a matter of common usage and without an understanding of these terms, it will be impossible to gain any understanding of the Code itself. The best method of gaining a clear understanding of these terms is by considering:

1. THE PEOPLE OR PARTIES INVOLVED

   A. Debtor - This is the direct borrower or buyer. He is the person receiving the primary benefit of the advance or other consideration.

   B. Secured Party - This is the bank when we give value and take an interest in some collateral to protect ourselves. It also includes others such as a merchant who takes a conditional sales contract. The merchant is a secured party and the buyer is a debtor.

   C. Account Debtor - Under certain circumstances a "Debtor" becomes an "Account Debtor" This occurs when the Debtor's obligation is sold or discounted to a third party. In this case, the original debtor becomes the "Account Debtor"; the original secured party becomes the debtor (he is considered a borrower and receives direct benefit of the advance or other consideration); and, the new or third party becomes the secured party; i.e. - an individual buys a TV from a dealer and signs a conditional sales contract - he is the debtor and the dealer is the secured party. The dealer then discounts the conditional sales contract with his bank. The bank now becomes the secured party, the dealer, the debtor; and the buyer, the "Account Debtor".

   D. Lien Creditor - This is the "attachment creditor." He is not one of the parties involved in the transaction itself but one who acquires a lien on property by attachment, levy, or the like. Note that under the Code this also includes: an assignee for the benefit of creditors from the time of assignment, a trustee in bankruptcy from the date of filing of the petition, and a receiver in equity from the time of appointment.

New Bulletin

2. THE TRANSACTION ITSELF

A. Security Agreement - Is any writing which conveys an interest in certain collateral to a secured party and includes bills of sale to secure debt, conditional sales contracts, chattel mortgages, etc.

B. Security Interest - When a security agreement is taken, this provides a security interest in the collateral described. Prior to the Code we had a security interest in an automobile or other type of collateral when the customer signed and delivered to us a bill of sale to secure debt or a conditional sales contract covering the particular property.

C. Purchase Money Security Interest - This is a specific type of transaction and is of particular importance as will be discussed later. It is a security interest as previously discussed, but in addition is an interest taken by a lender or retained by a seller when the purpose of the value given was to make it possible for the customer to acquire rights in or use of the collateral. This purchase money security interest is limited to the extent that the value given is actually used for the purchase of the merchandise. In other words, if we make a loan which the customer tells us is for the purchase of a television and he uses the money for something else, even though he may have the television, we do not have a purchase money security interest in it. Therefore, we must be able to substantiate a purchase money security interest, and the best way is by making the disbursement of proceeds jointly to the borrower and seller or directly to the seller. All conditional sales contracts are purchase money security interests.

D. Financing Statement - (19-891) - This term is not in any way related to a financial statement and should not be confused with it. It is the media we use to give notice of our interest in the collateral to protect our interest against subsequent secured parties and lien creditors. This must be in written form; it must be signed by both the debtor and the secured party and give the address of each. This is a completely new form and replaces our old "recording copy."

E. Statement of Continuation, Partial Release, Assignment - (19-892) - This term refers to the media used to extend the time of notice given in the original Financing Statement, and it is also the means by which notice is given for the partial release of collateral assignment. Its use is discussed in the subsequent paragraph "FILING TO PERFECT."

3. THE COLLATERAL

In the above sections we have discussed the parties involved and methods of granting and taking a security interest in collateral. While there are few

new terms introduced in regards to collateral, there is considerable difference in the meaning, from that which we have normally applied, of some of the following terms. It is absolutely necessary that we clearly understand these new definitions in order that we recognize the proper category to which any individual piece of collateral belongs.

A. Goods - This is tangible property other than real estate. Goods include most of the collateral we take in consumer lending and more specifically include all things which are moveable at the time the security interest attaches or which are to become fixtures. This term also includes the unborn young of animals and growing crops, but would not include such things as money, documents, instruments, accounts, chattel paper, contract rights or general intangibles. Goods is a very broad classification and is subdivided into four specific groups determined by the purpose or use of the goods:

(1) Consumer Goods - This is no longer as broad as it used to be, but is specifically goods used, or bought for use primarily for personal, family or household purposes.

(2) Equipment - This is goods used, or bought for use, primarily in a business (including farming or a profession). This also includes goods owned or purchased by a debtor who is a non-profit organization or a governmental subdivision or agency; and, any other goods which do not specifically fit under the definitions of consumer goods, inventory, or farm products. It is important to recognize here the importance of usage; i.e., a refrigerator which would normally be consumer goods by character would be equipment if it were purchased by a merchant and used in his retail store. Likewise, an automobile will be consumer goods when the person owning it uses it for his own personal purposes; however, if he is a salesman and buying and using it in his business, then it is equipment.

(3) Farm Products - This is crops, livestock, or supplies used or produced in a farming operation. Note that an item such as a farm tractor does not fit under this definition, but is equipment.

(4) Inventory - This is goods held by a person for sale or lease. While this is very similar to the definition we have always applied, the Code broadens the meaning by including raw material where in process and other materials used or consumed in a business.

Extreme care must be taken to understand these divisions clearly and

not to make the mistake of considering collateral as belonging to one of these groupings because of the very nature of the collateral itself rather than the usage of the collateral. For example, there is a tendency on our part to refer to a piece of road building machinery as "equipment." This may or may not be the case; when it is on the dealer's floor for sale, it is inventory.

B. Intangibles - Are such things as contract rights, accounts receivable, literary rights, etc. This has little application to our installment lending and will not be discussed in this bulletin.

C. Other Collateral - Are combinations of tangible and intangible collateral. These are written agreements which alone represent an ultimate right of some particular value.

(1) Chattel Paper - Is a written agreement(s) which evidences both the monetary obligation and the security interest in specific goods. A note and a security agreement or a combination note-security agreement is chattel paper - as is a conditional sales contract.

(2) Documents - Are bills of lading, warehouse receipts or other such written agreement which represents a specific right to certain goods held by a bailee.

(3) Instruments - Are stock certificates, notes, checks, drafts and other such written agreements which evidence a specific right to payment of money and are not themselves security agreements or leases.

OBTAINING A SECURITY INTEREST In transactions governed by the Code, there are two methods by which we obtain a security interest in collateral.

1. By Taking Possession - This is physically holding the collateral as we have always done in loans on stock certificates. There is no change in our procedures. A collateral note is obtained to evidence the debt and possession of the collateral is taken. No security agreement is needed.

2. By Taking a Security Agreement - Having the customer sign a security agreement reasonably describing the collateral.

When do we get our security interest?

Our security interest does not necessarily become effective immediately upon taking the security agreement. There are three requirements for a security interest to become effective, and these are: (a) that there be an agreement, (b) that value be

given, and (c) that the debtor acquire rights in the collateral. As soon as these three events occur (no matter in what order) a security interest attaches. This phrase "attachment of security interest" is used often, and it is important to recognize the three requirements which are necessary and will determine the time of attachment. As an example, you may take a security agreement to give an interest in a specific automobile, you may advance the money to the customer for the purchase of this automobile, but your interest would not attach until the customer made the payment and acquired rights in the automobile. The important point to recognize is that the date of agreement does not necessarily indicate the date of attachment. The importance of this will be discussed later in regard to priorities.

RIGHTS TO COLLATERAL The entire purpose of our taking a security agreement or taking possession of certain collateral is to give us rights in the borrower's property for the purpose of securing his indebtedness to us. Our protection is the right of having or gaining possession of the collateral in event of default and then making recovery through its disposition. Our rights in the property are affected by two factors: (1) the contractual right given to us by the customer, and (2) conflicting rights of other parties also claiming an interest in the collateral.

Our contractual right between us and our borrower is good in all cases according to the terms of the agreement. The Code puts some limitation on secured parties to the extent that absolutely unfair (unconscionable) advantage of the borrower cannot be taken. As a practical matter we are using our own security agreements designed by our attorneys or taking possession in our normal manner and will not need to further concern ourselves with this limitation.

However, there will occasionally be two or more conflicting claims on the same collateral other than the owner or borrower's claim. As a result of the possibility of conflicting claims, it becomes necessary that we put ourselves in the best position possible. In the past we have done this by recording our bill of sale or other such evidence in order to give notice of our claim to an interest in the collateral. As previously mentioned, recording copies have been eliminated and, in fact, recording as we used to know it is eliminated on transactions governed by the Code. Getting ourselves in this best possible position is referred to as "perfecting the secured interest."

How do we perfect since recording has been done away with?

1 By Possession - We may perfect our security interest by physically taking possession of the collateral if the collateral is letters of credit, goods, instruments, negotiable documents, or chattel paper. Our interest is perfected from the time we take possession and continues just as long as we retain possession.

2 By Filing a Financing Statement - This is the most common method of perfecting a security interest, and the manner and method of doing this will be discussed

in more detail later in this bulletin. Basically it will be similar to what we have done in the past by recording.

3. Some Specific Purchase Money Interest - There are a limited group of goods in which the Code provides that a purchase money security interest, once attached, will thereby be a perfected security interest without the necessity of taking possession or filing a financing statement. It is necessary to be very specific in relying on this since any goods not meeting the specific requirements set forth can be perfected only by possession or by filing the financing statement. This automatic perfection is limited to, but includes, all purchase money security interests in (a) consumer goods, with the exception of vehicles required to be licensed or fixtures, and all purchase money security interests in (b) farm equipment having a selling price of $2500 or less, with the exception of vehicles required to be licensed or fixtures.

4. Certain Other Methods of Perfecting or Gaining Temporary Perfection in Goods.

   A. Vehicles Required to be Licensed - The manner of perfecting these is specifically excluded from the Code, and perfection will be governed under the rules set forth in the Motor Vehicle Title Act.

   B. A security interest in instruments or negotiable documents may be perfected without filing or taking possession for a period of 21 days from the time it attaches and to the extent that it arises for new value given under a written security agreement. This type perfection gives very limited protection. This will seldom be encountered in consumer lending but could arise in making a loan secured by negotiable stock certificates when the loan is made and the funds advanced for the purchase of the stock. If you leave it to the customer to deliver the stock to you upon issue, you are perfected for a period of 21 days, but you would lose to an innocent third party who gained an interest in the stock and took possession of the certificates. (In such cases, it is best to arrange directly with the broker to have the certificates delivered to you.)

   C. If you have a perfected security interest in instruments (including stock certificates) or documents as a result of possession, then you can remain perfected for a period of 21 days if you release the collateral for specific purposes such as sale, exchange, collection, renewal, etc. The trust receipt lists these purposes. Limited protection is provided and you would lose to innocent third parties.

   D. Perfection by Claim of Proceeds - A security interest in specific collateral continues in the proceeds received if the collateral is sold or exchanged. If the security interest in the collateral was perfected, then the interest in the proceeds is perfected for a

period of 10 days after the sale. The perfected interest in the proceeds is a continuously perfected interest if the financing statement covering the original collateral also covered proceeds: or if not, a new financing statement covering the proceeds is filed within 10 days or possession of the proceeds is taken.

E. There are two other methods of having a perfected security interest in goods which we seldom will encounter in our installment loan operation. These involve an interest in goods which are in the possession of a bailee, warehouseman, etc. If a negotiable document has been issued covering the goods, then an interest in the goods themselves is perfected by perfecting a security interest in the document (this may be done by possession or by filing). If no negotiable document has been issued, then an interest would be perfected by a document being issued in the name of the secured party, by notification being given to the bailee of the secured party's interest, or by filing as to the goods themselves.

F. All purchase money security interest, except one in inventory, is temporarily perfected for 10 days against lien creditors, bulk purchasers and conflicting security interest provided that the secured party files within 10 days after the collateral comes into the possession of the debtor. A similar interest in inventory is temporarily perfected for 10 days against lien creditors or bulk purchasers but not against conflicting security interest.

PRIORITIES We have already discussed the fact that our agreement is good as between ourselves and our customer in accordance with its terms. Secondly, we have discussed the methods or factors which will give us a perfected security interest. The following then is for the purpose of discussing how good our claim to the collateral will be as related to other secured parties; lien creditors; other buyers; and, tax claims.

1. Other Secured Parties - The following four rules can be applied to determine priority with certain specific exceptions.

A. The four rules are:

(1) If one interest is perfected and the other is not, then the perfected interest will have the superior claim.

(2) If both of the interests are perfected by filing, then the one who filed first will have a superior claim to the collateral. This is no change from the position of recorded parties in the past.

(3) If both interests are perfected and at least one of them was perfected by some means other than by filing a financing statement, then the interest which was perfected first will have a superior claim to the collateral.

(4) If neither interest is perfected, then the interest which attached first will have the superior claim.

B. Exceptions to the above rules:

(1) A security interest in chattel paper or nonnegotiable paper may be perfected by filing. Even though this is done and is the first perfected, a subsequent security interest would take priority provided that the subsequent interest: (a) is perfected by possession, and (b) was acquired in the normal course of business, and (c) was taken without actual knowledge of the prior interest. If the first interest resulted only from a claim to proceeds, then the subsequent interest would prevail even though the holder had knowledge of the original interest.

(2) When the collateral is inventory, a subsequent purchase money security interest would take priority provided that (a) prior to the time the debtor receives possession of the inventory the purchase money security interest is perfected by filing, and (b) the one taking the purchase money security interest gives notification to the party having previously filed that he has or expects to acquire the purchase money interest in the inventory and describes the inventory by item or type.

(3) A subsequent security interest in fixtures, accessions, or products may take priority over a previously perfected security interest in the whole. All of these represent specific and usually identifiable property which becomes attached to or a part of some other larger piece of property. A fixture becomes attached to or part of the real estate; an accession is property such as tires, a motor or a radio which becomes attached to an automobile; and, parts of a manufacturer's inventory become a part of the finished product when the inventory is used in the manufacture of the finished product. A security interest which attaches to goods before they are installed, affixed to, or become a part of the whole takes priority over all persons having an interest in the whole, provided the subsequent security interest is perfected before future advances are made by the prior perfected security interest holder and that any such advances were made without knowledge of a subsequent interest.

(4) A subsequent security interest in crops will take priority over a previously perfected security interest, provided the subsequent interest is acquired (a) for new value given to enable the debtor to produce the crops, (b) not more than three months before the crops become growing crops by planting or otherwise, and (c) to the extent that the earlier interest secures an obligation due more than six months before the crops became growing crops.

2. Lien Creditors - As discussed under definitions, we know that this is the levying or attachment creditor and includes an assignee for the benefit of creditors, trustee in bankruptcy, etc. In determining priorities as between their interest and that of a secured party, we can consider the lien creditor as having an interest which is perfected as of the time the judgement is entered on the general execution docket, the assignment for the benefit of creditors is made, the trustee in bankruptcy from the date of filing the petition and receiver of equity from time of his appointment. The same rules set forth to determine priority between two secured parties will apply with the following exceptions:

   A. A purchase money security interest in inventory is temporarily perfected for 10 days against a lien creditor but not against a conflicting security interest.

   B. A lien creditor will not take priority over any security interest whether or not perfected if the lien creditor had knowledge of the existing security interest at the time he became a lien creditor.

3. Other Buyers - Whether or not our security interest would be lost to other buyers would be determined by the following rules:

   A. Regardless of whether or not we are perfected we would lose our security interest to a buyer in the ordinary course of business. Note that this means a buyer from one who is normally engaged in selling that particular type of goods but does not include a buyer of farm products from a farmer or a buyer from a pawn broker.

   B. In cases involving our purchase money security interest in consumer goods or farm equipment of $2,500 or less value (except when we are "super-perfected" by filing), we would lose our interest to an individual who buys for his own personal, family, or household use, or personal farming operation provided he buys without knowledge of our security interest.

   C. If our interest is in chattel paper, whether or not we have perfected by filing, then a purchaser of that chattel paper in the normal course

of business and without specific knowledge of our security interest would take priority over our claim.

D. If our security interest is in goods, instruments, documents, or chattel paper, a buyer of these goods not in the ordinary course of business would still take priority over us, provided that the buyer gave value, received delivery of the collateral and had no knowledge of our security interest and provided that our security interest is not a perfected security interest. (If such buyer is a transferee in bulk, he would not take priority over us if ours was a purchase money security interest and was then perfected by filing within the ten day period.)

E. Anyone that is not a secured party but purchases an interest in accounts, contract rights, and general intangibles as a transferee takes priority to the extent that he gives value without knowledge of the security interest and before the security interest is perfected.

4. Taxes and Other Claims

A. Property taxes duly assessed on the subject collateral take priority over all security interest in the collateral.

B. Liens for other state taxes will take priority over a security interest which is not perfected at the time execution for such taxes are entered on the execution docket. There is a conflict of opinion on certain portions of this rule; however, our attorneys feel that we can operate on this principle.

C. Liens for other unpaid taxes will take priority over security interest, but only if execution of the lien is duly recorded before we perfect our security interest; also, any purchase money security interest, whether or not perfected, will always take priority over such liens.

D. A year's support to the family duly set apart in collateral prior to the time we perfect our security interest would take priority over us.

FILING TO PERFECT The importance of perfecting a security interest has been discussed as well as those circumstances where filing is necessary to perfect. As previously mentioned, a financing statement (the paper to be filed) must be signed by both the borrower and the customer. There is an important exception to this in that a financing statement covering property brought into Georgia from another state does not have to be signed by the borrower if the security interest was perfected in the other state. One other specific provision of the Code affecting a filing is that one which is made in the proper place in this state remains effective even though the debtor's residence, place of business, or the location of the collateral is thereafter changed. Keep in mind, however, that if the residence

or other change involves a move from Georgia to another state, then we must follow to perfect in the other state since the laws of that state would then likely govern.

1. What is Filing? - This is tendering or presenting to the Clerk of Superior Court a financing statement along with the established fee, or, acceptance of a financing statement by the Clerk of Court.

2. Where to File? - In Georgia, filing is to be with the Clerk of Superior Court and, of course, this applies only to transactions to be governed by Georgia law. The following rules will help in determining the county in which filing is to be made:

   A. If the goods are, or are to become, fixtures, then filing should be made with the Clerk of Superior Court in the county where a mortgage on the real estate involved would be recorded.

   B. In all cases other than when the collateral is fixtures, or vehicles to be governed by the Title Act, the proper county in which to file is:

      (1) When the debtor is a resident individual, file in the county of his residence.

      (2) When the debtor is a partnership, corporation or other business entity, or a non-resident individual, file in the county in which the principal place of business in Georgia is located. However, if there is no principal place of business in Georgia, then file in the county where the property is kept or used.

3. When to File? - Filing should always be made as soon as practical since with few exceptions priority is given to the first to file. It is important to understand that filing can be made prior to the completion of other requirements to perfect in which case perfection dates from the time of attachment of the security interest.

4. Duration of Filing - The financing statement may or may not show a maturity date; this is a matter of choice of the lender. If a maturity date is shown and is for five years or less, the filing is effective until 60 days after the maturity date. If no maturity date is shown, the filing is effective for 5 years. The perfection period can be extended by filing one or more successive continuation statements which can be filed within 6 months before or 60 days after the stated maturity date or 6 months before the expiration of a five-year effective period. A continuation statement does not have to be signed by the borrower, but it must reflect the file number of the original statement.

New Bulletin

When no maturity date is shown, filing of a continuation statement 6 months before the original statement lapses will result in perfection continuing for five additional years after the original expiration date; i.e., a financing statement showing no maturity date is filed on inventory for the purpose of a continuing lien which perfects for five years. Four and one-half years later a continuation statement is filed which continues perfection to the tenth year rather than for only five years after the date the continuation statement is filed.

5. Cost of Filing:

   A. An original or continuation statement whether or not an assignment is included or indicated. $2.50

   B. A termination statement. $1.00

   C. An assignment or statement of assignment accompanying a termination statement. $2.00

   D. A subsequent financing statement indicating an assignment of all or part of the rights. $2.00

   E. A separate statement of assignment. $2.00
   (Note that an assignment may be included in the original statement at no extra charge.)

   F. A statement of release of collateral. $2.00

   G. To obtain a copy of a filed financing statement from the Clerk of Court, it is necessary that the number of the financing statement be furnished to the filing officer. None

RIGHTS OF ACTION AND OTHER REMEDIES IN EVENT OF DEFAULT When our debtor is in default under a security agreement, we may reduce our claim to judgement, foreclose, or otherwise enforce the security interest by any available judicial procedure. Or, we may repossess the collateral if this can be done without a "breach of the peace" and, if the security agreement so provides, we can require the customer to assemble the collateral at a place reasonably convenient to both parties. Normal procedures will not vary from those we have been following in the past with the exception of the disposition of the collateral. There are rather specific provisions and requirements which we must carefully observe in disposition of any collateral. Failure to observe these can result in rather severe penalties.

1. Sale or Retention of the Collateral - The Code provides that unless a debtor waives his rights after default, repossessed collateral must be sold or specific procedures followed to permit retention of the collateral. At any time

before these things are done, the customer can reclaim the collateral by satisfying the unpaid balance plus costs.

A. Sale of the Collateral - Sale of the collateral may be by judicial sale, public sale, or private sale. We must give reasonable notice to the customer and in some instances to other interest parties of the sale or intent to sell. An exception to this is if the collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, then notice of the sale or intent to sell is not required.

Secondly, in the event of the sale of any collateral, we must account to the debtor for any surplus and are entitled to any deficiency unless the collateral is accounts, contract rights, or chattel paper, in which case we are entitled to a deficiency and have to pay any surplus only if so agreed in the security agreement. We may alter these rights in our security agreements.

(1) Judicial Sale - When handled through the Courts, notice is not our responsibility.

(2) Public Sale - This is a sale by or on behalf of the secured party held at a specified time, date, and place (all being commercially reasonable). Advertisement of the intended sale must be placed in the paper where the sheriff advertises his sales in that area at least once each week for two weeks preceding the sale. The advertisement must specify the time, date, and place and describe the property to be sold. In addition to this advertisement, a reasonable notice must be given to the debtor and if the property is anything other than consumer goods, to any other person having a security interest in the collateral who has filed a financing statement indexed in the name of the debtor in this state, or who is known to have a security interest in the collateral. At such a sale we may bid and buy.

(3) Private Sale - If the sale is to be a private sale, that is a negotiated sale, reasonable notice must be sent to the debtor and to other interested parties qualifying under the conditions set out under (2) above. The notice must describe the collateral and state the date and time after which a private sale is to be held. A private sale must be commercially reasonable and we as a secured party cannot buy.

(4) In addition to the requirement to sell, a special requirement applies to the situation where the collateral is consumer goods and the debtor has paid 60% of the cash price in a purchase

money security interest or 60% of the loan in any other security interest and has not specifically renounced his rights under this article after default, then the secured party must dispose of the collateral by sale within 90 days.

B. In all cases except where the collateral is consumer goods in which the customer has paid 60% of the cash price or 60% of the amount of the loan, we may, after default, propose to retain the collateral in satisfaction of the obligation. Written notice of such a proposal can be sent to the debtor and except in the case of consumer goods to other interested parties, and unless the debtor or other interested parties object in writing within 30 days then the collateral can be retained but the debtor's obligation is completely satisfied. In the event objection is received in writing, then the collateral must be disposed of by sale.

C. If we release the collateral to our dealer or to any endorser, guarantor, or assignee, then all of our rights and duties pass with the collateral to the new holder and must be observed by him. Such a release or delivery is not considered a sale.

OTHER GENERAL BUT SPECIFIC DUTIES REQUIRED OF A SECURED PARTY

1. If the debtor sends to us a signed statement indicating what he believes to be the aggregate amount of unpaid indebtedness as of a specified date and requests that we approve or correct his statement and return it, we must comply with his request within two weeks after receipt by sending a written correction or approval. Likewise, the debtor may request us to approve or correct a list of the collateral claimed, and we must do so within two weeks; however, if the claim is a security interest in all of a particular type collateral, we can so indicate in our reply and not approve or correct the itemized list. The debtor is entitled to such a statement once every 6 months without charge, but we may assess a charge not exceeding $10.00 for each additional statement.
Note: This does not apply to such a request from anyone other than the debtor himself and is no authority to give out confidential information on our customers.

2. If the debtor's obligation to us has been satisfied and we have no further commitment to make advances or to incur other obligations, we must on written demand by the debtor send to him a statement that we no longer claim a security interest under the financing statement which we must identify by file number. Such a termination statement must be signed by the person of record or include or be accompanied by the assignment or a statement by the secured party of record that he has assigned the security interest to the signer of the termination statement.

In the event that such a request for a termination statement is received by

one who has transferred the security interest to another party such as one of our dealers transferring the conditional sales contract to us, then the one receiving the request must notify the debtor by disclosing the name and address of any successor in interest known to him, and he is liable for any loss caused by the debtor as a result of failure to do so.. A successor in the interest is not subject to this section until the request is received by him.

3. The secured party must exercise reasonable care in the custody and preservation of collateral in his possession. This is no problem to us since this has always been done; however, the Code includes in this the responsibility of taking necessary steps to preserve rights as against third parties in instruments or chattel paper. This duty cannot be waived; however, it can be modified which has been done in the revision of our notes and security agreements.

CONSUMER CREDIT OPERATING BULLETIN INDEX*

OVER THE COUNTER VI 3-01-72

APPLIES TO	SUBJECT	TOPIC	DATE
	APPLICATION & INTERVIEW (P.566 Rev. 11/11/70)		11-10-67
	AUTOMOBILE LOANS		12-19-67
	AUTOMOBILE LOANS	AUTO APPRAISAL SHEET	10-17-57
	AUTOMOBILE LOANS	INSURANCE FOLLOWUP	12-14-70
	BUSINESS DEVELOPEMENT	PAID-IN-FULL SOLICITATIONS	See A.G.O. - PAID-IN-FULL PROCEDURES
	BUSINESS DEVELOPMENT	SELLING UP	5-07-68
	CASH VALUE LIFE INSURANCE LOANS		3-23-66
	CONSUMER NEGOTIABLE NOTE		12-23-69
	CREDIT SERVICE CORPORATION		7-25-69
CAS	DEBT CONSOLIDATION	CAS PAYOFF	1-29-68
	DEBT CONSOLIDATION LOANS		12-22-67
	DEMAND LOANS TO INDIVIDUALS		10-11-71
SF	DENTAL PAYMENT PLAN	CA. DENTAL ASSOCIATION	~~9-29-61~~ 6/22/72
	INDORSED LOANS		4-25-69
	LOT FINANCING (P.162 Rev. 9/1/71)		1-23-69
	NEGOTIABLE SECURITIES		4-24-69
	PROPERTY IMPROVEMENT		7-01-69
	PROPERTY IMPROVEMENT	GEORGIA PLAN	11-26-68
	REGULATION "U"		9-18-69
	REJECTIONS		1-16-69
	REJECTIONS	CUSTOMER RELATIONS	1-10-69
	SAVINGS ACCOUNT LOANS		3-07-66
	SINGLE PAYMENT TIME LOANS TO INDIVIDUALS		~~8-16-71~~ 6/21/72
	TIME DEPOSITS	WITHDRAWAL LOANS	11-20-70

Sec. VI LENDING Over-the-Counter

*Information on how to use guide, indexes, and bulletins is on the pink page in Sec. I

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT APPLICATION AND INTERVIEW

TOPIC

 Date 11-10-67

NEW BULLETIN:

Consistent with our concept of personal banking, C&S considers the personal interview to be the best means of obtaining information from consumer loan customers. The interview is a vital phase in the credit decision process. This bulletin suggests guidelines to be followed in personal interviewing. It covers the purpose of an interview, qualities of interviewers, preliminary stage-setting, introduction to the customer, the step-by-step securing of information using the discount sheet, and closing the loan.

Personal interviewing provides numerous advantages over the practice of some banks which allow the customer to fill out his own application before seeing a loan interviewer. The purpose of the personal interview is:

1. To emphasize the bank's desire to be of personal service. This sales contact can result in a loan, but it can also result in selling additional bank services on the spot, and setting up a long-time customer who will use many of our services over the years.
2. To get a first-hand appraisal of the borrower, thus aiding in the credit decision.
3. To find out why the customer wants this loan, and to discuss the purpose of the loan to determine if the loan will serve his needs or accomplish his purpose.
4. To develop sufficient personal data and financial information.
5. To aid in the identification of the customer.

QUALITIES OF INTERVIEWERS

To be effective, loan interviewers should develop certain qualities:

1. The interviewer should know his product thoroughly and how to use his product knowledge to sell bank services. The interviewer must use every opportunity to sell specific bank services. The interview gives us a unique opportunity to sell because of personal facts and financial data brought out during the course of the interview. Any lack of confidence is usually imparted to the customer, so the interviewer must learn his forms, rates, and procedures, as well as his interviewing techniques. Occasional brush-up study and role-playing can be a wise investment. Nothing builds confidence better than knowledge and practice, which incidentally, is also known as experience.
2. All loan requests should be approached from the standpoint of trying to make the loan a bankable proposition.
3. The interviewer should develop the exercise of sound judgment and apply common sense to the loan request.
4. The interviewer should be well versed in public relations and human nature.
5. The interviewer should be a student of both local and national economic conditions.

NEW BULLETIN:

The interviewer must acquire skills in developing questions to bring out all the facts necessary for a proper credit decision. Many customers are unable to state their objectives clearly. Often the customer will tend to undersell his financial situation, due to failure to communicate or fear of approaching a bank for a loan. The alert interviewer will draw the favorable aspects of the loan application from the customer by careful and considerate questioning. Two areas of the interview that are most often obscured by the customer are namely, the purpose of the loan and the lists of debts the customer owes. Purpose of the loan, such as "to pay bills" is too general. Interviewers should bring out the specific names of creditors and the amount owed to each one.

Many interviewers have difficulty listening in an attentive manner without pre-evaluating the person's words according to the terms of their own frame of reference and experience. Too often, interviewers are too busy thinking of what they are going to say and drawing hasty conclusions to stop and listen to the customer intelligently. Don't jump to conclusions. Do give the customer the full benefit of undivided attention and thought. Try to see his problem from his viewpoint as well as our viewpoint.

A few customers may show resentment to an interviewer's questions. Generally, a tactful explanation of the reasons for the information requested will suffice to overcome the customer's reluctance. If the borrower realizes that his objectives are understood, and that we have a sincere desire to help him, he will usually cooperate to the extent desired.

PROCEDURE

Interviewing of loan customers should take place in an atmosphere of privacy. Without reasonable privacy, a customer will not talk freely. In addition, steps should be taken to reduce interruptions to a minimum. For example, the interviewer should answer his telephone, but tell the caller that he has a customer - then ask if he can take his number and return the call a little later. If at all possible, the receptionist should introduce the customer to the interviewer and bring the customer's credit file, if available, to the interviewer. The interviewer's desk should be stocked with supplies for all C&S services. Smoking should be at the customer's option, not the interviewer's.

Upon being introduced to the customer, the interviewer should be certain to understand the customer's name correctly, and write it down on the Discount Sheet as the interview begins. Use of the customer's name throughout the conversation is important. The first few moments of the interview are significant in establishing proper communications with the customer. The interviewer should welcome the customer, make him feel at ease, and give the impression that the customer is doing the bank a favor by applying for a loan. He should control any nervous mannerisms which might suggest a lack of confidence to the customer. Every interview should be approached with an attitude of personal interest in the borrower. The customer's request may seem insignificant, but the interviewer should never convey that impression.

NEW BULLETIN:

The Discount Sheet is the basic guide used in interviewing. The Discount Sheet is a means for billing, and also the gathering of personal and financial data to be verified by credit investigation. The following are sections of the Discount Sheet which are important to the credit decision and should be completed legibly:

1. NAME - The customer's full name is needed for billing purposes, and for proper credit investigation. Caution should always be exercised to be certain that the customer is properly identified.
2. ADDRESS - Certain areas present marginal credit risks, such as slums and transient neighborhoods. Accuracy of address is necessary for billing and also for credit verification. Four lines of 22 spaces each are available for name and address. This allows us to handle names of joint makers, and unusually long addresses, such as overseas addresses. There is no reason not to get a full address, including ZIP code. When a P. O. Box is given, you should also obtain an address sufficient for physical location of the customer.
3. AGE - Maturity of the individual is an important credit consideration. The borrower must have legal capacity to sign a note. Showing the age on the application is necessary for insurance purposes, also.
4. PREVIOUS ADDRESS - Location of the customer's previous address aids in credit investigation, particularly if the customer has moved in from out-of-town.
5. TELEPHONE NUMBER - Telephone numbers of both the customer's residence and employment are most helpful in the event of collection or other contact needed with the customer. Absence of a telephone is a red flag, requiring a closer evaluation of the customer's credit. In many cases, an unlisted telephone number is a red flag, also.
6. WIFE'S NAME - This information assists in credit verification and also in the event of skip tracing.
7. NUMBER OF DEPENDENTS - The number of dependents which a borrower supports bears directly on the customer's ability to repay. Interviewers should be aware that customers often neglect to include dependents other than children.
8. NEAREST RELATIVE - This information is vital in tracing a customer who has skipped. Be certain to obtain the name of a relative not living with the customer, and if possible the relationship, address, and a telephone number. Where we do not know the customer well, it is best to obtain the names of relatives of both the husband and the wife.
9. EMPLOYER - Employment should be verified with the employer whenever it has not been verified through our own files, or an agency report. Verification will aid in evaluating the employment skill of the customer and his permanency of employment. If the customer is employed by a large organization, his badge number or department number, and the name of his immediate supervisor should be listed on the Discount Sheet. If he is in the armed services his serial number should be on the Discount Sheet.

NEW BULLETIN:

10. INCOME - Net income after payroll deduction should be verified with the employer. If the customer states that he has other income, the reliability of the source should be determined along with some idea of the degree of regularity with which the customer receives it.
11. FORMER EMPLOYMENT - If the customer has been on his present job less than one year, his previous employment should be checked to determine length of service and reason for leaving.
12. PURPOSE AND AMOUNT - Answers in this area provide one of the keys to whether we have a bankable loan. Avoid any hesitation about careful inquiry into the purpose of the loan.
13. BANK ACCOUNTS - Knowledge of the bank accounts the customer has is important because it represents assets upon which he can rely in the event of financial difficulty. If the accounts are with another bank, or savings and loan association, we have a perfect opportunity to solicit these accounts for our bank.
14. REAL ESTATE - Ownership of property is evidence that the customer has some stability and also may own a substantial equity in the property. Interviewers should inquire whether the customer's real estate payments include taxes and insurance.
15. DEBTS - Careful interviewing is most important in this area. Interviewers must approach this portion of the interview with the assumption that the customer has debt. Questions concerning debts outstanding should include inquiries such as:
    a. Do you own an automobile?
    b. Where is it financed?
    c. Do you have any credit union debt?
    d. Do you owe any book clubs?
    e. Do you owe any oil companies?
    f. Do you owe any mail-order companies?
    g. Do you owe any finance companies?
    h. Do you owe any other debts?

    Some of these questions may bring out debt information that you would not have secured through a credit bureau report.

Check the Discount Sheet thoroughly to determine that you have sufficient information while the borrower is still present. If additional information will be needed before making a credit decision, be certain to let the customer know this, so that he will understand any delay in your decision. Be sure to get good identification from your customer, preferably a driver's license and another type of card that has a signature on it.

No loan commitments should be made before assembling all the facts and verifying them through credit investigation. Once a statement of commitment is made or implied by the interviewer, the customer is entitled to conclude that the loan will be made.

Revision of Page 5 only of Bulletin: OVER THE COUNTER - APPLICATION AND INTERVIEW - Dated 11-10-67

Basically, the Discount Sheet will suggest most of the information which should be brought out in the interview. Additional facts necessary to render a credit decision should be developed consistent with good judgment. DO NOT LEND ON THE BASIS OF YOUR IMPRESSIONS OF THE BORROWER, WITHOUT GATHERING FACTS AND VERIFYING THEM TO SUPPORT YOUR CREDIT DECISION.

CHECKLIST FOR CLOSING LOANS

Attention and follow-through on these items should result in properly closed loans.

1. DO NOT RUSH.
2. Review the terms of the loan with the customer. You can do this by recapping, in order, all of the numbered blocks on the note, plus the payment schedule and insurance selected or refused.
3. Explain how and where he is to make his payments. If he has a checking account with us, sell him on having payments charged to his account as they become due. If the customer does not bank with us, this presents a splendid opportunity to get a new account -- either Special or Regular checking account. From the customer's standpoint, convenience is the main selling point:

   a. He does not have to mail the payment or come into the bank to make the payment.
   b. Reduced cost of postage and/or checks.
   c. Money will be deducted from his checking account at a time of the month when he has just made a deposit. (No temptation to spend money before he writes us a check or comes in.)
   d. Debit ticket in his statement acts as receipt.
   e. Date of automatic charge can be changed in the case of vacations, customer to be out of town or emergency. All that is necessary is that he notify us a few days prior to the regular charge date. All that he needs to do is to tell you he wants it done - then the discount sheet is checked and filled in as shown here:

SPECIAL INSTRUCTIONS CODE 0 - NONE 1 - DEBIT CHECKING ACCT. FOR PAYMENTS 2 - SPECIAL COLLECTION HANDLING	TITLE OF ACCOUNT TO BE DEBITED FOR PAYMENTS	Mr. & Mrs. John R. Smith
	CHECKING ACCOUNT NUMBER	9'4 38 : 491
	DISCOUNTING AND COMPLETION OF DISCOUNT SHEET CHECKED BY:	

Addition of Page 6 to Bulletin: OVER THE COUNTER - APPLICATION AND INTERVIEW - Dated 11-10-67

NOTE: Offices not yet on computer should continue handling just as in the past.

4. Always wrap up all of the details of the loan while the customer is still in the bank. Any collateral taken should be in proper order along with all necessary signed documents to perfect the bank's security interests, including any other papers incidental to the transaction. Followup cards for return of assignments, liens on title certificates and recorded financing statements should be made. Review all details of the loan so that contact with the customer for additional signatures and information is not necessary.

5. Closing the loan provides the interviewer with an excellent opportunity to sell other bank services as well as encourage the customer to return again when further borrowing is needed.

6. Give the customer your business card so that he will have someone to contact the next time he needs banking services, and thank him for the business.

RELATED BULLETINS:

LENDING GENERAL - CREDIT INVESTIGATION
LENDING GENERAL - DISCOUNT SHEET

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT AUTOMOBILE LOANS

TOPIC

 Date 12-19-67

NEW BULLETIN:

Direct automobile loans represent the largest single classification, percentage-wise, of our total consumer loan outstandings, and are among the most desirable in the bank's portfolio. Comparatively large amounts and longer maturities combined with an adequate rate, low loss ratios and comparatively low collection costs result in an excellent return. In addition, the auto loan is repetitive, opening the door for future loans and providing more opportunities to cross sell other bank services. Next to the home, the automobile represents the largest investment the average consumer will make, and is an important part of providing complete "family banking." This bulletin sets forth the key points in financing an automobile.

CLASSIFICATION

1. Any loan secured solely by an automobile, regardless of the purpose of the loan, will be classified as an automobile loan.
2. If more than one type of security is carried on the loan, then the security with the greater value determines the proper classification.

CREDIT REQUIREMENTS

The value of the car being financed is an important factor in considering automobile transactions; however, any guidelines used must be tempered with judgment. The decision making factors in considering an automobile finance transaction, in order of importance are:

1. Creditworthiness of the purchaser or borrower. His credit background must show:
   a. Sufficient income - he should have enough income to pay all present expenses and obligations plus this car payment.
   b. Job and residence favorability.
   c. A marked tendency to pay obligations as agreed. A partial indication of this should be the absence of derogatory information in the credit file report.
2. Down-payment (equity).
   The use of a down-payment percentage in determining true equity in automobiles can sometimes be misleading. The use of the "list" or "sticker" price by new car dealers allows room for cash discounts and over-allowances on used cars. Where the amount of equity is a deciding factor, the following formula should be used to determine "true" equity and the advance adjusted accordingly:

   List Price as Shown by Invoice:

Cash Selling Price	$2,800
*Down-Payment (including trade in)	900 (33%)
Requested to Finance	$1,900

   *This figure will be placed in the "down-payment" space provided on the discount sheet.

E- 1472

NEW BULLETIN:

As Recomputed:

Black Book "Clean Sales Price" of Trade-in	$ 300
Cash	100
Total Down-payment	400
Requested to Finance	1,900
Adjusted Selling Price	$2,300

Actual equity based on true values is only 17% and additional down-payment may be needed, depending on the credit factors involved.

3. Collateral value of the automobile (wholesale or dealer cost). For the sake of consistency, our guidelines, for the maximum amount that should normally be advanced, are based on dealer cost of a new car or the NARC (Black Book) loan value of a used car.

Since June 1, 1967, the Black Book has been our guide in determining automobile values and for identification. It is a new service of the National Auto Research Company, Inc., Gainesville, Georgia. The Black Book is now being used by the majority of automobile dealers and lenders in our area because used car prices, based on weekly auction sales, are more realistic than NADA. New car valuations have been condensed to the major items affecting resale value, which should materially reduce the time needed to evaluate a new car transaction. To determine dealer cost, merely deduct 10% from the "dealer Whse + 10%" column on both the automobile and accessories. Also, we can predict the depreciation ratio of a particular model auto, based on actual depreciation of same model a year older.

ADVANCE AND TERMS

New Cars:

*Advance - Dealer Cost
Terms - 36 Months

Used Cars:

*Advance - Black Book Loan Value
Terms:
1 Year Old Models - 30 Months
2, 3, & 4 Year Old Models - 24 Months
5 Years Old and Older - 12-18 Months

*This amount will be placed in "NADA/Dlr.Cost/Value" space provided on the discount sheet.

Variances from these guidelines should be based on above average credits.

NEW BULLETIN:

EXTENT OF INVESTIGATION

The number and degree of apparent favorable credit and equity factors will determine extent of investigation. The first place to check is in our own credit files, or CIF, as applicable, following through to determine total bank indebtedness. This is to be done, without exception. You may be able to get a fairly current credit report from one of our own departments. Further credit investigation will be a matter of judgment. In most cases, you will want to secure a credit bureau file report, and determine then if you want further employment verification and trade reference updating.

APPRAISAL

An appraisal of a used automobile should be made whenever possible to determine the fact of existence, condition of the car in relation to loan value, and to obtain serial numbers. Certain conditions may justify waiving an appraisal, however, it is strongly recommended that appraisal be made when:

1. An over-advance is considered.
2. When purchase is being made from a dealer whose reputation is unknown to you, or questionable.
3. When we are refinancing a loan for the purpose of reducing payments.
4. When the loan is for debt consolidation and the auto is the major part of the collateral.
5. When the customer's credit background is somewhat lacking in strength.

The Appraisal Sheet (19-971 Rev. 3-55), is to be used for this purpose. See Over-The-Counter, Automobile Loans, Auto Appraisal Sheet.

RELATIONSHIPS WITH DEALERS AND SALESMEN

Most locations have valuable relationships with dealers and salesmen who refer customers to us. Such referrals in many cases come about because the car dealer was unable to get the transaction financed for the customer through his usual sources, consequently, it behooves us to be especially careful in our analysis of these situations. Although these are not sales finance dealers, they are an important continuing source of business for us. Here are some pointers that may aid in steadying such relationships.

DON'T	DO
1. Quote dealer cost to a customer, or even bring up the subject.	1. If the customer is "pushing" the subject, tell him that cost information is confidential, or "not available."
2. Tell a customer, "That's too much money to pay for that car."	2. Talk in terms of our maximum loan on that model car. Price and profits are the concern of the customer and [illegible] with the customer's credit and equity.

NEW BULLETIN:

3. Don't allow dealers and salesmen to get the customer to sign the note at the dealer's place of business.	3. Have notes signed in the bank in the presence of of the interviewer. This eliminates certain elements of fraud.

PURCHASE

Dealer: Purchase from a dealer requires three steps prior to disbursement of funds.

1. Contact dealer to ascertain trade-in and/or cash down payment and amount to be financed.
2. Since the dealer makes the application for certificate of title, you will have to inform him of the correct name and address of the lending office to be shown as lienholder.
3. Obtain description of auto and I. D. number.
4. See Disbursement section of this bulletin for payment of funds.

Individual: Purchase from an individual requires an early determination of whether a lienholder exists. If there is no lienholder - (seller has title certificate):

1. Get buyer and seller into the bank together, with all papers necessary to transfer title and registration to the new purchaser.
2. Complete the reverse of the Owner's Certificate of Registration and have the seller sign it in a notary's presence. (There is a $.50 transfer fee.) Be certain to enter C&S as new lienholder, showing amount.
3. Forward the Owner's Certificate of Registration to the Motor Vehicle Unit for issuance of a new title.
4. See Disbursement section of this bulletin for payment of funds.

If a lienholder exists:

1. Ascertain indebtedness on the auto, and to whom.
2. Obtain a net payoff. (Be sure you have enough loan proceeds to pay off lienholder.)
3. Disburse funds jointly. Check for outstanding balance on lien should be made out to lienholder, buyer, and seller. Buyer and seller should endorse.
4. Forward check to lienholder and request that title be forwarded to us, along with cancelled papers.

NEW BULLETIN:

5. Have seller sign a T-8 power of attorney form which enables us to sign in his behalf for transfer and titling purposes. This eliminates the need for the seller to return to the bank to sign a title transfer application.
6. Have buyer sign a MV-1 form in blank, which is held by us until we receive the title from the lienholder.
7. Upon receipt of title certificate from lienholder, we then sign, per the T-8 power of attorney, the seller's name (adding P.O.A.), and attach a copy of the T-8. This and the completed MV-1 form should then be sent to the Motor Vehicle Unit for issuance of a new title certificate.

REFINANCING

This will occur for three reasons - (1) to get additional money, or (2) to reduce payments, or (3) both.

If the car is already financed by C&S:

1. Determine what location has the loan.
2. Get the net payoff.
3. Disburse funds by check to the branch that holds the lien.
4. Since we are already listed as lien-holder on the title, simply request the title certificate from the branch presently holding it.

If the car is financed elsewhere:

1. Determine who has the lien.
2. Obtain net payoff.
3. Issue check jointly to customer and lien holder.
4. Have customer endorse check and forward to lienholder with letter requesting title certificate be forwarded along with cancelled papers.
5. Have customer sign a MV-1 form and hold until title certificate is received from lienholder.
6. Upon receipt of title certificate, forward it and the completed MV-1 form to the Motor Vehicle Unit for issuance of new title certificate.

DISBURSEMENT

1. The joint check is the preferred method of payment. Depending on type of purchase, payees should be - dealer and purchaser; buyer, seller, and lienholder; buyer and seller.
2. The check payable to purchaser is acceptable if we have secured a signed Borrower's Authorization (19-889 Rev. 6-55).

NEW BULLETIN:

3. Funds may be deposited to the customer's checking account.
4. A purchase draft may be issued when credit has been approved and customer has already signed a note for a specific amount of money.

DOCUMENTATION

1. Completed Discount Sheet (19-898 Rev. 5-66).
2. Completed Automobile Note-Security Agreement.
3. If funds are to be disbursed other than to borrower, secure signed Borrower's Authorization (19-889 Rev. 6-55).

PERFECTING OUR SECURITY INTEREST

1. On all 1963 and later model cars, our security interest has been perfected when we are shown as lienholder on the title certificate.
2. On 1962 and earlier models, we perfect our security interest by filing a T-3 Notice of Lien or Security Interest. The T-4 Request to Revenue Commissioner to cancel security interest is also required from a lienholder whom we are paying.
3. Except as noted above in (2), procedures for perfecting our security interest have been stated in this bulletin in each financing situation.

INSURANCE REQUIREMENTS

It is an accepted fact that automobiles that are pledged as collateral must be adequately insured against loss or damage. This is sound business practice for the borrower as well as the lender. In connection with C&S automobile loans:

1. Comprehensive and at least $100 deductible collision insurance is mandatory.
2. We require a copy of the insurance policy with our interest named in the policy.
3. Liability insurance is not a loan requirement, but our customers should be encouraged to have this coverage for their own protection.
4. The customer should be encouraged to include insurance for the full term of the loan.

It is important that we point out the customer advantage of full term insurance -- no annual or semi-annual premium coming due at a time that may not be convenient -- financing the total amount provides insurance protection without lapse for the period of the loan. The insurance premium can be financed as part of the automobile loan on a monthly basis. The total payment can be paid direct or deducted from a checking account. Additionally, the customer has the advantage of not being subject to any increase in rate during the policy period. From our own standpoint, insurance for the term of the loan decreases cost of handling and increases our profit by virtue of the additional amount financed.

NEW BULLETIN:

INSURANCE FOLLOWUP
This coverage is no longer available on loans made after 12-31-67. See Insurance - Coverage Failure, dated 12-4-67 for followup procedure.

CLOSING THE LOAN

Automobile Note and Security Agreement

1. This form should be signed by the borrower with the appropriate block indicated as to whether the automobile is to be used for personal or business purpose.
   a. Personal - If an auto is used less than 50% of the time for business purposes, this block should be checked.
   b. Business - This block should be checked if the vehicle is used more than 50% of the time for business purposes -- that is, if the vehicle is used primarily during the day in the operation of the driver's business or profession.
2. Descriptions of Automobile(s) must be exactly the same on all papers pertaining to the loan.
3. Statement of Insurance on back of note must show what coverage is used.

CHECKLIST TO USE BEFORE CLOSING AUTO LOANS

1. Use proper rate and terms.
2. Add the exact documentary fee to amount financed and compute interest on that amount. Do not show the documentary fee in amount financed on discount sheet.
3. On new cars, get serial number and motor number before you give customer money. If a draft is used, the dealer should fill in information on back.
4. Always check Black Book and indicate value of car and over-advance on discount sheet. Show purchase price, down-payment or trade-in and % down.
5. Get company name and address, and agent's name of customer's insurance company. Call agent to verify coverage. Require at least $100 Deductible and Comprehensive. Also give the agent the exact bank name and address to be shown on policy.
6. Get information from customer for Statement of Insurance.
7. On titled auto, get customer to sign all necessary forms and be sure that we can get title. If auto is being bought from reputable dealer, he will get it. If auto is purchased from individual, have customer bring title, properly assigned to him, to bank before you give him money. Be sure existing liens are released and we have all necessary documents to obtain title.

RELATED BULLETINS
INSURANCE - COVERAGE FAILURE - Dated 12-4-67.
OVER-THE-COUNTER - AUTOMOBILE LOANS - AUTO APPRAISAL SHEET - Dated 10-17-67

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT AUTOMOBILE LOANS

TOPIC AUTO APPRAISAL SHEET

 Date 10-17-57

Replaces Bulletin: "AUTOMOBILE LOANS - AUTO APPRAISAL SHEET" Dated 1-11-47

The Automobile Appraisal Sheet (19-971 Rev. 3-55) was revised in 1955. This bulletin has been rewritten to include those changes, and to provide a complete illustration of the revised form.

USE OF APPRAISAL SHEET

This form should be used on all Over-The-Counter used automobile loans, and whenever any automobile is repossessed for ourselves, a dealer, or as a Foreign Claim. When used for repossessions where the vehicle is to be stored, be sure to have the completed Appraisal Sheet signed by a representative of the storage concern.

We should continue to base our used car advances on the "Loan Value" as reflected in current N.A.D.A. publications. With few exceptions cars should be inspected to determine their condition, and a combination of the N.A.D.A. "Loan Value" plus the condition of the car will help determine the proper advance.

FILING AND ORDERING OF THE APPRAISAL SHEET

After the loan has been made, the Appraisal Sheet should be filed with the other papers covering the loan in the customer's folder.

Your requirements of this form may be obtained in the usual manner from the Purchasing Department in Atlanta.

APPRAISAL SHEET

APPLICANT'S NAME John J. Doe

DESCRIPTION
(Must Be Taken From Car)

MAKE Ford

YEAR 1956

BODY TYPE Fairlane - Fordor

MOTOR NO. 73C-100001

SERIAL NO. Same

LICENSE NO. 1-5076-GA.

MILEAGE 14,921

COLOR Blue and Cream

RADIO Yes ☑ No ☐

HEATER Yes ☑ No ☐

HEAT COVERS Yes ☐ No ☑

INSPECTION

DID YOU START ENGINE? Yes ☑ No ☐

HOW DID IT SOUND? Good ☑ Fair ☐ Bad ☐

REMARKS In very good condition
Front Seat upholstery is
somewhat soiled.

	CHECK PROPER SPACE		
	GOOD	FAIR	BAD
PAINT	/		
FENDERS	/		
TOP	/		
DOORS AND WINDOWS	/		
UPHOLSTERY		/	
TIRES			
R. F.	/		
L. F.	/		
R. R.	/		
L. R.		/	
Sp.		/	

All the information listed above has been verified personally by me

10-17-57 C. J. Chamberlain
Date C & S Representative

Date Representative of Storage Concern

13-971—Rev. 3-55

E- 1480

OPERATING BULLETIN

SECTION OVER THE COUNTER

SUBJECT AUTOMOBILE LOANS

TOPIC INSURANCE FOLLOWUP

NEW BULLETIN

Our customers have a continuing responsibility to us to furnish us with evidence of adequate insurance coverage on the collateral. Wording in our notes creates this insurance obligation, and empowers us to administer insurance monies and obtain insurance coverage when the customer has failed to do so. We frequently have to exercise those rights.

This bulletin covers the recommended followup routines for Over-The-Counter locations. The followup principles and methods involved here are very similar to those of our collection followup routine. Early stage followups are made by the insurance Followup Clerk. Later followups are to be made by the adjuster, who must exercise credit and collection judgment in connection with his followup. This is the "Personal Handling" stage. This procedure makes it clear that personal handling is the adjuster's responsibility - to conclusion.

USE OF FORM LETTERS

Please use no form letters other than shown or mentioned in this bulletin. Policy identification, routing, etc. will be expedited by following these standardized procedures. Use of two of these form letters, for instance, (38-1280 and 38-1285)* will (1) reduce initial insurance followup with the customer, and (2) eliminate the need for an insurance policy or copy of the policy. The properly executed form letter returned from the insurance agent can be placed in the customer's file in lieu of the policy or copy of policy.

*Stock numbers 19-1280 and 19-1285 can be used until present supplies are exhausted.

NEW TRANSACTIONS

FOLLOWUP

WHEN THE INSURANCE IS ORIGINALLY PLACED THROUGH THE C&S AGENCY, order coverage using the procedure outlined in the bulletin: INSURANCE - AUTOMOBILE PHYSICAL DAMAGE. No followup is required of the branch, unless the account requires personal handling. When this occurs, C&S Agency will refer the account to the branch with instructions.

WHEN C&S IS FINANCING BOTH THE VEHICLE AND THE INSURANCE COVERAGE, AND THE AGENT IS OTHER THAN THE C&S AGENCY, this is the procedure:

1. Pay the insurance coverage with a Cashier's check payable to agent or company, with following endorsement stamped on back:
   "By endorsing this check, the payee warrants and agrees that the coverages outlined to the payee in drawer's transmittal letter describing this check have been provided, and all conditions in that letter have been or will be met."

NEW BULLETIN

2. Prepare form letter 38-1285, Premium Transmittal and Insurance Confirmation Request in duplicate. See sample on page 3.
3. Send original to customer's insurance agent, including a return envelope. Copy goes to customer's file.
4. Prepare Insurance Followup Card #38-1060-0 (shown below) and suspense for 20 days.

Insurance Follow-up

Policy No. _____
Premium Paid $_____ Expiration Date _____

Name _____ Loan No. _____ Loan Date _____

No.	Follow-up Description	Follow-up No. and Date Made	Follow Next On:
1	38-1280 Insurance Confirmation Request		
1a	Premium Transmittal and Insur- 38-1285 ance Confirmation Request		
2	"Second Request" and copy to customer or telephone call (TC) to agent		
3	Insurance Notice #1		
4	Insurance Notice #2		
5	Given to for personal follow-up		
6			

38-1060-0 12-70

5. When the agent's letter or policy comes in:
   a. Check the information on the letter (or policy) for adequacy of coverage - type, amount, period, and premium paid. If a difference exists, refer immediately to the branch manager.
   b. If the policy is continuous (one that is renewed automatically upon payment of premium), write on the Insurance Followup Card in the "Expiration Date" section: "Continuous Renewal", and initial it.
   c. Staple the Insurance Followup Card to the policy or to the Premium Transmittal and Request Insurance Confirmation Request (38-1285). File in the customer's folder to make it readily apparent that the insurance is on a continuous basis.
   d. If the policy has an expiration date, keep the card in the Insurance Followup Card tray under the followup date, which should be 10 days prior to expiration date.

C&S

Date

Customer
Address
City
Make of Vehicle
Year
Body Style
I. D. Number

Here is our check number _____, dated _____, for $_____ which the above customer has asked that we send to you covering the premium for a physical damage insurance policy on the vehicle described above.

This vehicle is pledged to us as security and the right to receive payment of claims or of return premium under this policy, or any renewal thereof has been assigned to us. We request that the policy or any renewal thereof have attached Loss Payable Form NAUA 51 or its equivalent in favor of C&S as security holder and provide that we will be given ten days' advance notice in the event of cancellation of the policy.

Please do not send us a copy of the policy. We will appreciate your furnishing the information requested below by returning this letter to us promptly in the enclosed pre-addressed envelope. No postage will be necessary.

If the coverage cannot be placed please return the check to us promptly.

Thank you very much.

To: The Citizens and Southern _____

_____

_____

The customer named above has coverage on the vehicle as described on the policy issued as follows:

Name of Company _____

Policy Number _____ Policy Period _____

Coverages: (Comp.) (Fire) (Theft) $_____ Deductible Collision _____

This policy provides that any loss under these coverages is payable as interest may appear to the named insured and

The Citizens and Southern _____

and that C&S will be given ten days' advance notice in the event of cancellation of the policy. Also, Loss Payable Form NAUA 51 or its equivalent is now attached to the policy.

Date _____

Agency _____

By _____
Title

E-1483

NEW BULLETIN

6. If the letter is not answered in 20 days, refer the account to the person making loan for personal handling. Note the date referred and lender's initials on the Insurance Followup Card. It is the lender's responsibility to continue to follow up to secure evidence of insurance. If such evidence is not received within 10 days the follow up clerk will notify the person preparing The Potential Loss Report. IT SHOULD BE LISTED ON THE NEXT POTENTIAL LOSS REPORT. See "Personal Handling" later in this bulletin.

WHEN THE CUSTOMER IS FURNISHING INSURANCE COVERAGE AND THE PREMIUM IS NOT A PART OF THE LOAN TRANSACTION, the Insurance Followup Clerk should:

1. Prepare form letter 38-1280, Insurance Confirmation Request, in quadruplicate. See sample on page 5. Send the original to the customer's agent (using information on discount sheet), including a return envelope. File the other three copies in the customer's folder.
2. Prepare Insurance Followup Card #38-1060-0 and suspense for ten days.
3. When the agent's letter or policy comes in:
   a. Check the information on the letter (or policy) for adequacy of coverage - type, amount and period.
   b. If the policy is continuous (one that is renewed automatically upon payment of premium), write on the Insurance Followup Card in the "Expiration Date" section: "Continuous Renewal". Staple the Insurance Followup Card to the policy or to the Insurance Confirmation Letter (38-1280). File in the customer's folder to make it readily apparent that the insurance is on a continuous basis.
   c. If the policy has an expiration date, keep the card in the Insurance Followup Card tray under the following date, which should be 10 days prior to expiration date.
4. If we have not gotten response in ten days, take the three copies of the form letter 38-1280 from the customer file and type on the upper right hand corner in capitals "SECOND REQUEST". Send one copy to the agent and one copy to the customer along with the 3x5 card that asks the customer for help in following up his insurance agent. This is form #38-1065-0, Confirmation Assistance Request (shown below). You will then be left with one copy of the form

IMPORTANT . . . To you and to us!
This is the second time that we have asked your insurance agent for the necessary information on your automobile insurance. You can help by contacting him and asking him to answer right away.
Thanks.

38-1065-0 12-70 E-1484

C&S

Date

Customer
Address
City
Make of Vehicle
Year
Body Style
I. D. Number

We have financed an automobile for the above customer, who has indicated he will secure a physical damage insurance policy from you on the vehicle described above.

This vehicle is pledged to us as security and the right to receive payment of claims or of return premium under this policy, or any renewal thereof has been assigned to us. We request that the policy or any renewal thereof have attached Loss Payable Form NAUA 51 or its equivalent in favor of C&S as security holder and provide that we will be given ten days' advance notice in the event of cancellation of the policy.

Please do not send us a copy of the policy. We will appreciate your furnishing the information requested below by returning this letter to us promptly in the enclosed pre-addressed envelope. No postage will be necessary.

Thank you very much.

To: The Citizens and Southern _____

_____

_____

The customer named above has coverage on the vehicle as described on the policy issued as follows:

Name of Company _____

Policy Number _____ Policy Period _____ Premium Paid $_____

Coverages: (Comp.) (Fire) (Theft) $_____ Deductible Collision _____

This policy provides that any loss under these coverages is payable as interest may appear to the named insured and

The Citizens and Southern _____

and that C&S will be given ten days' advance notice in the event of cancellation of the policy. Also, Loss Payable Form NAUA 51 or its equivalent is now attached to the policy.

Date _____

Agency _____

By _____
Title

30-1200 Rev 12-70

E-1485

NEW BULLETIN

38-1280, which should remain in the customer's folder. Indicate your followup on the insurance followup card and the next followup date, and suspense for ten days. When there has been on response at the end of this second ten-day period, refer the account to an adjuster for personal handling. Note the date referred and adjuster's initials on the Insurance Followup Card. ADD TO THE POTENTIAL LOSS REPORT. See "Personal Handling" later in this bulletin.

CANCELLATION AND RENEWAL FOLLOWUP

After original insurance placement, there are three situations that will prompt us to follow the customer for coverage:

1. Cancellation. Insurors are legally bound to notify insured lienholders of cancellation at least 10 days before date coverage will terminate.
2. Expiration. Policy expires during life of loan. Most companies notify the lienholder of the expiration if they do not intend to renew. Since all companies do not do this, we must rely on our Insurance Followup Card, which should come up 10 days before expiration.
3. Non-payment of renewal premium on continuous policies.

All three of these situations can be handled with just two form letters. Here is the procedure:

As soon as notice of cancellation or non-payment of renewal premium is received, the Insurance Followup Clerk should immediately:

1. Send Insurance Notice #1 shown on page 7.
2. Prepare Insurance Followup Card, note the followup performed and next followup date, and file the card on the termination date.
3. On the termination date send Insurance Notice #2 shown on page 7. Suspense for 20 days.
4. At the end of this period, if no confirmation has been received, refer the account to the adjuster for personal handling. (See Personal Handling section).

PERSONAL HANDLING

The adjuster uses his own judgment in efforts to contact the customer and, in order of desirability:

1. Get the customer to furnish dual interest coverage immediately.
   a. Through C&S Agency, debiting the account for the premium, or,
   b. Through an outside source.
2. Place single interest coverage, charging his account.
3. Repossess the vehicle.

INSURANCE NOTICE #1

Dear _____

Your insurance company has notified us that your automobile insurance will terminate on _____ _____ because:

_____

_____

Please contact your insurance agent promptly and secure proper coverage. Also, please ask him to furnish us with a copy of the policy, showing as loss payee:

_____

_____

_____

He should send it to my personal attention. If we can help, just call. Thank you.

Sincerely,

_____

(TITLE)

Telephone _____

INSURANCE NOTICE #2

Dear _____

Your automobile insurance terminated _____. We have not yet received acceptable evidence of coverage from your agent. The financing terms of your agreement state that you will provide insurance on an insured basis.

Please call me at once so we can discuss a satisfactory solution.

Sincerely,

_____

(TITLE)

Telephone _____

NEW BULLETIN

The adjuster is expected to use whatever telephone calls and/or letters necessary to conclude this account. He should be familiar with all of the automobile physical damage insurance program bulletins. Once he has received the assignment from the Insurance Followup Clerk, it continues to be his responsibility until he has received written confirmation of the evidence of insurance. IF UNABLE TO SECURE COVERAGE WITHIN 10 DAYS, LIST THE ACCOUNT ON THE NEXT POTENTIAL LOSS REPORT. If it is secured, he should see that it is not listed on the Potential Loss Report, and then give the coverage information to the Insurance Followup Clerk, who should:

1. Note expiration date information in the "Expiration Date" section of the Insurance Followup Card.
2. File the card for 10 days prior to expiration date.
3. File the letter or policy in the customer's file.

ORDERING FORMS

Here is a listing of all forms and supplies mentioned in this bulletin, and how obtained.

FORM NO.	DESCRIPTION	ORDER FROM
38-1280-0	Insurance Confirmation Request	Atlanta Purchasing Department
38-1285-0	Premium Transmittal & Insurance Confirmation Request	" " "
38-1065-0	Confirmation Assistance Request	" " "
38-1060-0	Insurance Followup Card	" " "
NONE	Insurance Notice #1	Produce locally
NONE	Insurance Notice #2	" "
NONE	Insurance Premium Disbursement Endorsement Stamp	Atlanta Printing Department

RELATED BULLETINS

INSURANCE - THE CITIZENS AND SOUTHERN AGENCY, INC.
INSURANCE - AUTOMOBILE PHYSICAL DAMAGE
INSURANCE - AUTOMOBILE LOANS - SINGLE INTEREST COVERAGE
INSURANCE - PAYMENT SCHEDULE - CHANGES

SALES FINANCE - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

OPERATING BULLETIN

SECTION OVER THE COUNTER

SUBJECT BUSINESS DEVELOPMENT

TOPIC SELLING UP

Page 1 of 1 **Date** 5-7-68

New Bulletin

Good salesmen have long been noted for selling a customer "up". By pointing out the extra value and added benefits of ownership and use of the higher-priced goods, the salesman makes a larger, better sale, and increases his sales volume and commission. From the standpoint of the work analyst, he has made more productive use of his time.

On the other hand, the customer has not been hurt by the "sell-up". He has benefited because he is getting more value per dollar than he would have gotten had he not decided to "buy-up". If the job is done well, then, both the seller and the buyer benefit.

We can learn something here that applies to our own customer relationships. That is - sell the loan customer what he needs. In many cases we can make him a larger loan than he requested if we do a good job of analyzing his total debts and suggest a modification of the customer's original request. Just as a salesman helps his customer SELECT the automobile which must fit within the customer's wants, needs, and ability to pay, we must help our customer SELECT the best loan for his particular situation.

The guiding principle of selling up must be for the Bank to be of the most possible service to the customer. Selling up simply for the sake of making a larger loan is just not to be done. It is not in the best interests of the customer or the bank. Here are some other considerations:

1. Can we make a sounder loan, by getting at the problem instead of treating the symptom with a small loan?

2. We can better control his borrowing - after advice, we have the whole picture.

3. We will stand a better chance of getting all his loan and other bank business. He won't go to another bank to get another small loan later.

4. A larger loan should result in greater profit.

Customers frequently do not look far enough ahead to really be able to make an intelligent financial analysis of their needs. They are interested in borrowing enough to handle the presently pressing financial matters and perhaps those that will come up in the next two or three months. This is where our talents take over. We are experts in consumer financial analysis. It is our job to diagnose the financial ailment and prescribe the proper loan.

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT CASH VALUE LIFE INSURANCE LOANS

TOPIC

Page 1 of 3 **Date** 3-23-66

New Bulletin

Loans secured by assignment of Cash Value of Life Insurance carry slight risk of loss, provided they are set up properly in the beginning, and where necessary, followed for payment of future premiums. This bulletin outlines procedures to be followed in lending on this basis.

CLASSIFICATION Loans secured by Cash Value Life Insurance are classified "Collateral."

TERMS Terms - up to 60 months are in order. However, borrowers should be encouraged to shorten the term as much as possible within their ability to repay. Cash Value of Life Insurance is a form of saving, and our customer will be better off to replenish this fund as fast as possible.

ADVANCES Advances may be extended up to 100% of cash value and accumulated dividends.

RATES The rate structure for loans secured by cash value is set out by the Bulletin: "LENDING GENERAL - RETAIL RATES - OVER-THE-COUNTER." Credit life and disability insurance should be placed on cash value loans wherever possible. Our insurance coverage is inexpensive and allows the customer to retain his insurance program intact in the event of death or disability.

INVESTIGATION

1. Check CIF
2. Where a check of CIF, other bank sources, or from information developed in the interview indicates the possibility of later collection problems, a full investigation should be made. In the absence of derogatory information in the preliminary investigation, we can rely on our collateral.

RELIABILITY OF THE INSURANCE COMPANY Regulations governing life insurance companies are such that on the average transaction it is not necessary to check on the company's financial ability to honor our assignment. In lending of amounts of $5,000 and over, the reliability of an unknown, new or local insurance company should be checked with a senior credit officer.

ASSIGNABILITY A life insurance policy is a contract usually involving three parties: the insured, the insuror, and the beneficiary. Policies differ in terms and conditions, so it is important to check every insurance contract carefully. The following items should be checked by reading the appropriate section of the policy contract.

1. Most policies are assignable, provided the insurance company is notified in writing. A few policies are not assignable, or state that a special assignment form provided by the insurance company must be used. The following policies are not acceptable to the Bank as cash value collateral:

   (a) GI Insurance which is not assignable.
   (b) Group Insurance does not build cash value.
   (c) Weekly premium, or industrial policy holders should be referred to the issuing company.

New Bulletin

2. Determine who is the owner of the policy, and thus has a right to assign the policy. The name of the owner of the policy is found on the first page of the contract. Generally, the insured is also the owner of the policy, but in some cases, the beneficiary, or some other party may be the owner. Ownership of the policy may be transferred without notation on the policy, thus, if there is any reason to think that we cannot rely on our borrower's statement, we would check with the company to verify his right to assign before advancing funds.

3. Determine the amount of cash surrender value, which the policy has accumulated by reading the "table of cash surrender or loan value," which is found in the policy contract. If there is any reason to doubt the borrower's statement that he does not have an insurance company loan or prior assignment, wait for the return of questionnaire 15-523 before advancing funds.

FORMS After determining the assignability of the policy, the right of the individual to assign, and the amount of cash value and accumulated dividends, the proper forms and followup measures should be taken to set up the loan.

1. Assignment form 15-517 should be signed by the customer in duplicate. The assignment form should be signed by the owner of the policy in exactly the same way as the name on the policy is registered.

2. Collateral note 19-830 should be signed with the collateral described on the note, e.g., "assignment of cash value Aetna Life Insurance Company, policy no. 437689 on the life of John J. Smith."

3. Insurance questionnaire 15-523 signed by the customer should be prepared in duplicate for forwarding to the company with the assignment. The questionnaire will establish the amount of cash value, accumulated dividends in the policy, status and amount of premium payments. Upon return of the questionnaire, we should verify our cash value computation in file, and disburse funds, if not previously disbursed.

4. A followup card should be made for return of the insurance company's acknowledgement of the assignment.

5. Where a loan secured by a Cash Value Life Insurance is renewed, a new questionnaire should be submitted to verify that the cash value of the policy has not decreased. A week or more generally elapses before assignments or questionnaires are returned by the company. If the customer is financially responsible with satisfactory credit experience, it is in order to advance the funds relying on the customer's representations, otherwise hold disbursement until the papers are acknowledged and completed.

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT CASH VALUE LIFE INSURANCE LOANS

TOPIC

 Date 3-23-66

New Bulletin

PREMIUM FOLLOWUP A large majority of insurance policies have provisions whereby the cash value is used to convert the policy to a paid-up term policy, in the event of lapse, usually within a period of 90 days from the due date of the premium.

In addition, many policies contain an automatic premium loan provision. The provision gives the company the right to charge the accumulated cash value with a premium loan, if the premium has not been paid by the end of the grace period. The automatic premium loan provision can easily dilute the cash value of the loan unless future premiums are paid on time.

However, since our loan is on a reduction basis, the payments will generally exceed any decrease of cash value and it is not necessary to follow for premium payments unless:

1. Our loan goes past due.

2. We receive several loan inquiries on the borrower.

COLLECTIONS If the borrower is unable to meet his monthly payments with reasonable promptness, we should:

1. Encourage him to transfer the loan to the insurance company in order to retain his life insurance protection.

2. If the borrower will not transfer his loan, we must exercise our assignment by writing the insurance company for the necessary procedures, notifying the borrower of our action.

SAFEKEEPING Insurance policy contracts are not negotiable, and thus do not need to be placed under dual control. The policy and other papers may be filed in the customer's loan file.

PAID OUT PROCEDURE When a CVLI loan is paid off, a release of the assignment should be sent to the insurance company. The policy and note should be returned to the customer requesting a receipt for the policy contract.

OPERATING BULLETIN

SECTION OVER THE COUNTER

SUBJECT CONSUMER NEGOTIABLE NOTE

TOPIC

 Date 12/23/69

NEW BULLETIN

The Consumer Negotiable Note, form 15-1210, has been developed to accommodate certain customers who need to negotiate time notes with other individuals. A copy of the note is shown below.

Regulation Z

If the individual lender is regularly in the business of extending such credit, he is subject to Regulation Z. Sufficient copies are provided for proper use and retention. The copy marked "Bank Copy" is the one the lender should retain for two years.

If the individual lender is not regularly in the business of extending such credit, he is not subject to Regulation Z.

Obtaining Forms

The note is a three-part snap-out carbon form. Order from Purchasing in the usual manner - form 15-1210.

CONSUMER NEGOTIABLE NOTE

1. Amount of Loan	ANNUAL PERCENTAGE RATE*	Date
$	%	
2. Other Charges (Specify)	*On demand note these rates are based upon six months maturity pursuant to Federal regulation	Number
$		Due
3. Amount Financed (1 + 2)	4. FINANCE CHARGE*	5. Total of Payments (3 + 4)*
$	$	$

_____ after date, the undersigned promises to pay to the order of _____ (hereafter, together with any holder hereof, called "Holder"), at _____, Georgia or at such other place as the Holder may designate and notify undersigned, the amount shown hereon as Amount Financed with interest thereon from date until paid in full at the rate of _____% per annum together with all costs of collection including 15% as attorneys fees if collected by law or through an attorney at law. The FINANCE CHARGE will be earned daily on a pro rata basis.

Undersigned transfers, assigns and conveys to the Holder a sufficient amount of homestead and exemption which undersigned or undersigned's family may have under or by virtue of the Constitution or laws of Georgia or any other State of the United States as against Liabilities and to pay them. In case of bankruptcy under signed authorizes and directs the Trustee to deliver to the Holder a sufficient amount of property or money claimed as exempt to pay Liabilities and the Holder is appointed attorney in fact for undersigned to claim any and all homestead exemptions allowed by law.

If more than one party shall execute this Note, the term undersigned as used herein shall mean all parties signing this Note and each of them, who shall be jointly and severally obligated hereunder.

Signed, sealed, and delivered by the undersigned who hereby acknowledge receipt of a completed copy hereof

_____ (Seal)

Mailing Address _____ Telephone Number _____

_____ (Seal)

City _____ State _____ Zip Code _____

E-1493

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT CREDIT SERVICE CORPORATION

TOPIC

 Date 7/25/69

REVISION OF BULLETIN: OVER-THE-COUNTER CREDIT SERVICE CORPORATION DATED 9/30/68.

The extension of credit to small businesses through term lending offers great potential to create jobs and promote the economic growth of the community, while providing an opportunity to develop better bank customers. Many banks have been reluctant to make term credit available to small and growing businesses because of the relatively high degree of risk. Our experience indicates, however, that through the years the overall loss ratio of the combined C&S Banks has been good. It is only in isolated cases that unfavorable losses have appeared and this was primarily because of the higher average loan.

To help prevent any office having an unfavorable loss picture, while promoting and developing a larger portfolio of term credit loans, the Citizens and Southern Credit Service Corporation has been established. This facilitates a pooling of loan loss reserves, so that loans on which losses are incurred will be purchased by CSC rather than being charged off by the local office. Initially, this program will be available only to branches of The Citizens and Southern National Bank and its Affiliates. After gaining experience in the program, we plan to make it available to our Correspondent Associates and to other banks.

SCOPE OF THE PROGRAM

The basic purpose of the program is to stimulate the making of more good term business loans and at the same time -

1. Leave the authority and incentive with the loan officer to do what he thinks best.

2. While continuing the loan officer's free rein on all loans, provide him with the opportunity to seek advice on those specialized loans which he does not encounter frequently.

3. Minimize the credit risk for the lending bank.

The program will provide a means by which the participating banks can make term loans to businesses in which they have basic confidence in the management, but which they have been unable to handle in the past, because of limited collateral or for strategic reasons such as the size of the loan in relation to legal limits and loss reserves.

Through more and varied term lending experiences, it will provide the loan officer an opportunity to increase his abilities in the areas of:

A. Evaluation of management ability.

B. Analysis of business potential.

C. Term Loan Agreements, when they should be required, and how the covenants should be set up to feel the pulse of a business.

D. Proper collateral and security.

E. Financial analysis.

E-1494

REVISION OF BULLETIN: OVER-THE-COUNTER CREDIT SERVICE CORPORATION DATED 9/30/68.

EXTENT OF COVERAGE
The Credit Service Corporation will reimburse 100% of the outstanding principal balance in event of credit losses on covered loans.

COST OF COVERAGE
The cost of covering eligible loans is 1% per annum of the original principal balance, payable at the time the loan is made.

ELIGIBLE LOANS
All term credit business loans of more than twelve months with a principal amount of $5,001 to $100,000 are eligible for coverage, provided the total liability (including the new advance) of the borrower does not exceed $250,000 to all participating banks. New loans can be automatically guaranteed by merely indicating so on the discount sheet, except in the following situations where specific or non-automatic acceptance for coverage by CSC is required:

1. Total debt to C&S National Bank, its Affiliates, or other participating banks exceeds $25,000 (including the new advance).

2. The business is a new venture with less than two years in operation.

3. The company has sustained net operating losses for its last fiscal year.

4. The loan constitutes a rework of existing debt.

5. The business has a deficit net worth.

6. Loan is not to be repaid in nearly equal installments within five years or less, but more than twelve months.

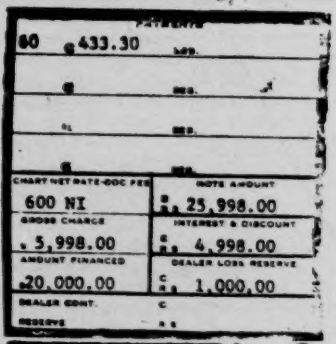
All eligible loans must be covered. In order to maintain a proper spread of risks, loans cannot be covered on a selective basis.

APPLICATION FOR COVERAGE
On each eligible loan prepare the "Application" form in duplicate (Form #CSC 1). If the loan is eligible for automatic coverage, send only the application, along with the copy of the credit for the fee, to Credit Service Corporation. If the loan is not eligible for automatic coverage, supporting documentation as listed on the back of the Application (Form #CSC 1) must be included. The most important item is a memo from the lending officer outlining the particulars of the loan and the abilities of management, and commenting on any present or potential problem areas the borrower may have. In general, the memo should comment on any unfavorable answer to the "Term Loan Check List" (Form #CSC 3).

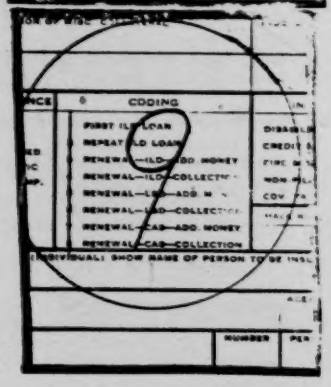
REVISION OF BULLETIN: OVER-THE-COUNTER CREDIT SERVICE CORPORATION DATED 9/30/68.

NEW LOAN PROCEDURES

On all loans covered under this program, a fee equal to 1% per annum of the amount financed is due the CSC. This fee must be paid out of the total charge to the customer. On the discount sheet show the total charge as usual in the space for "Gross Charge," enter the fee under "Dealer Loss Reserve" and the remainder under "Interest and Discount." On each insured loan, simply send a check made payable to C&S Credit Service Corporation to CSC with the application.



In the "coding" section of the discount sheet, enter "9" for all guaranteed loans. This code will appear with the loan class on the ledger cards for easy identification of guaranteed loans. When the ledger cards are received from Central Billing, punch slot #32 on the side of the ledger card.



THE CSC MONTHLY REPORT

Monthly Report (Form CSC 2) will be prepared as of the end of each month. The total amount of covered Loans Outstanding at End of Period will be determined by needle-sorting slot 32 on the right side of the ledger card and running a tape of the balances. The report should reach Credit Service Corporation by the first day of the following month.

OPERATING BULLETIN

SECTION

SUBJECT

TOPIC

Page 4 of 8 Date 7/25/69

REVISION OF BULLETIN: OVER-THE-COUNTER CREDIT SERVICE CORPORATION DATED 9/30/68.

APPLICATION

To: C&S CREDIT SERVICE CORPORATION Date:

Name of Business:

City: State:

Business is: ( ) Proprietorship ( ) Partnership ( ) Corporation

Principal Amount of Loan: CSC Fee: Loan is to be repaid in

equal monthly installments beginning 19

Describe payment schedule if not equal monthly:

Purpose of Loan: ( ) Provide Working Capital ( ) Purchase Equipment ( ) Purchase Rolling Stock ( ) Rework Existing Debt ( ) Other (Specify)

Collateral:

Liquidation Value of Collateral:

Endorsers or Guarantors:

How Often are Company Financial Statements Requested:

Fiscal Date: Date of Latest Statement of Endorser(s):

Borrower Has Been a Customer of Bank for: years months. Borrower Has Been Engaged in Present Operation for: years months.

Borrower's Total Liability to Bank Including This Loan is:

Commercial:		Installment:	
Open		Direct	
Endorsed		Retail	
Acc'ts. Rec.		Wholesale	
Secured		Indr. Coll.	
Real Est.			
Discount			

Other Bank Services Borrower is Now Using: ( ) Checking, ( ) Trust, ( ) Travel, ( ) Tax Deposits, ( ) Payroll, ( ) Acct's. Rec. Billing, ( ) Freight Payment, ( ) CAS Merchant, ( ) Medical Accounting Service

State Amounts of Business Insurance: Key Man Life Insurance:

Fire and Casualty: Liability: Other:

Does Loan Include Credit Life Insurance?	( ) yes	( ) no
Does the Borrower Have Adequate Bookkeeping and Controls?	( ) yes	( ) no
Does the Borrower Have an Outside Accountant?	( ) yes	( ) no

	Correct	Incorrect
Business has been in operation for two full years.	( )	( )
Business showed a profit for the last fiscal year.	( )	( )
Assets of the business exceed liabilities.	( )	( )
Loan is to be repaid in equal installments within 5 years.	( )	( )
Loan is not a rework or renewal of debt owed to Bank.	( )	( )
Total debt to all participating banks is under $25,000.	( )	( )

☐ COVERAGE IS AUTOMATIC ☐ COVERAGE IS NON-AUTOMATIC

Accepted: Submitting Bank:

C&S CREDIT SERVICE CORPORATION Office:

By: E-1497 By:

NOTE: A MEMO IS REQUIRED ON ALL NON-AUTOMATIC APPLICATIONS. PLEASE CHECK TO MAKE SURE THAT ALL INFORMATION NECESSARY TO MAKE A DECISION IS INCLUDED WITH THIS FORM.

REVISION OF BULLETIN: OVER-THE-COUNTER CREDIT SERVICE CORPORATION DATED 9/30/68.

PAID IN FULL ROUTINES

Normal procedure calls for removal and discarding of a wheeldex card when the account is paid in full. This procedure should continue on regular loans. On a guaranteed loan, however, the card should be removed, stamped "Paid," and sent to Credit Service Corporation as notification that the loan has been paid in full.

On prepaid loans on which a rebate is granted, it will also be necessary to rebate a portion of the fee paid to CSC. Use the same percentage as that on the interest rebate, then prepare a debit (showing the number of months the loan has left to run) to C&S Atlanta for charge to CSC. Send a copy of the debit with the wheeldex to CSC.

DELINQUENT ACCOUNTS TO BE PURCHASED BY THE CREDIT SERVICE CORPORATION

The Credit Service Corporation should be requested, by letter, to purchase a past-due covered loan when:

1. All reasonable collection efforts have been made, and the account has been determined to be a "loss" and,

2. Collateral, if any, has been sold and sale proceeds applied to reduce the account balance (Exceptions: Where the bank has been unable to dispose of the collateral over a reasonable period of time, this requirement may be waived), and

3. All normal procedures for charge-off, including preparation of a Charge-Off History Sheet, have been followed up to - but not including - listing in with charge-offs for presentation at a Board Meeting.

Include with the letter one copy of the Charge-Off History Sheet and Credit File to the Credit Service Corporation. Retain one copy of the Charge-Off History Sheet until payoff check is received, then file the History Sheet in the place of the credit file. Upon receipt of the payoff check from Credit Service Corporation, process it with an interest rebate ticket to close the loan. Figure rebates in the usual manner, but do not rebate the "fee." Send the note, endorsed without recourse, to Credit Service Corporation.

ORDERING FORMS

Supplies should be ordered, specifying the "CSC" number, from Credit Service Corporation, Atlanta, except in the case of Application Forms (CSC 1) which must be ordered from the stock room. The stock number is 8-320 Rev. 6/69.

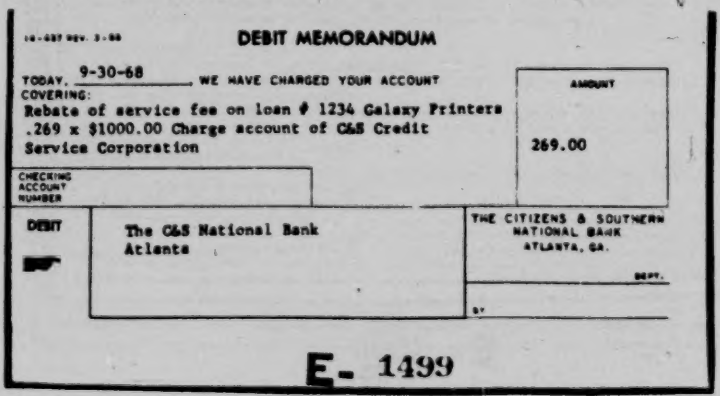
REVISION OF BULLETIN: OVER-THE-COUNTER CREDIT SERVICE CORPORATION DATED 9/30/68.

ADDITIONAL ITEMS

1. On loans scheduled to be paid other than equal monthly such as quarterly or skip payment loans, compute the CSC fee on the actual length of time the loan will be on the books. This does not apply to "balloon notes." On balloon notes, compute the fee as if the balloon portion was going to be liquidated at the same rate as the liquidating portion. For example: a note calling for 11 monthly payments of $100 and a balloon of $1,900, the fee would be computed as if the loan was going to be on the books for 30 months.

2. Extensions, Amendments - If a CSC covered note is to be extended or amended (For example: release of an endorsement or item of collateral), write a letter outlining exactly the changes to be made in the terms of the loan, the collateral or endorsers or other conditions of the loan (for example: extend payments two months, to resume normal monthly payments on July 22 or release endorsement of John Doe on November 1, as we originally agreed to do, or release of lien on 1969 John Deere Tractor). Send two copies of the letter to CSC, leaving space at the bottom for CSC to acknowledge and approve the change. CSC will acknowledge the change by signing and returning one copy of the letter. The above does not apply to due date changes that do not constitute extensions. CSC reserves the right to terminate coverage if a loan is extended or amended.

3. Reworks - If a CSC covered loan is reworked, a portion of the CSC fee must be rebated to the customer to arrive at the net payoff figure. Compute the rebate of the CSC fee using the same factor as is used on the interest and finance charges. There is no minimum charge to be deducted. Debit CSC for this amount and credit unearned interest. Send a copy of the debit to CSC along with the paid out wheeldex card. Then file an application for coverage on the new loan. Since reworked loans are not eligible for automatic coverage, supporting documentation should accompany the new application.



DEBIT MEMORANDUM

TODAY, 9-30-68, WE HAVE CHARGED YOUR ACCOUNT

COVERING:
Rebate of service fee on loan # 1234 Galaxy Printers
.269 x $1000.00 Charge account of C&S Credit Service Corporation

AMOUNT
269.00

CHECKING ACCOUNT NUMBER

DEBIT

The C&S National Bank
Atlanta

THE CITIZENS & SOUTHERN NATIONAL BANK
ATLANTA, GA.

DEPT.

BY

E- 1499

REVISION OF BULLETIN: OVER-THE-COUNTER CREDIT SERVICE CORPORATION DATED 9/30/68.

CREDIT SERVICE CORPORATION

COVERED TERM LOANS

Date _____, 19__

	Number	Amount
Covered Loans Outstandings	_____	$_____

Covered Loans Which are Past-Due Thirty Days or More:

NAME	AMOUNT PAY'T	DATE OF OLDEST PAST-DUE PAYMENT	DATE LAST PAY'T REC'D	BALANCE

Office: _____

By: _____

Title: _____

CSC-2

E- 1500

NEW BULLETIN

TERM LOAN CHECKLIST

I. Management
1. Do top management personnel have integrity, experience and knowledge, and personal characteristics necessary to manage the business successfully and repay the proposed loan?
2. Does age, health, or the personal financial condition of present management represent a danger to the effective continuation of this management?
3. Is "back-up" management adequate?
4. Has management done enough planning and really thought out what financing they need and what they plan to do with it? Are plans reasonable and sound?
5. Do you have sufficient knowledge of management to answer the above questions to your satisfaction?

II. The Business Itself
1. Are the nature and location of the business such that they give reasonable assurance of future successful operation? Will the demand for its product or service continue? Can it meet competition in price, quality and service?
2. Would an inspection of facilities and equipment be useful in determining whether they are adequate and are efficiently employed, or are you satisfied that this is the case?
3. Does the company have adequate internal accounting procedures and controls?
4. Does it have adequate outside auditing and legal assistance?
5. Is there a possibility of problems with labor or labor unions that would seriously impair the operation of the business?
6. Is the company adequately insured against the principal risks that are present in the conduct of its business?

III. Financial Condition
1. Do you have adequate information to assess the present financial condition of the company?
2. Would an analysis of financial statements for the past 3-5 years indicate unfavorable trends that point to problems in the future?
3. Do you need projections of the operating statement and balance sheet for the next year or more to properly assess the proposed loan?
4. Does an analysis of the balance sheet demonstrate that the company is adequately financed and capitalized?
5. Are you satisfied that tax returns have been properly prepared and that all income and other taxes have been paid?
6. Are there contingent liabilities of the company or outside debt of the owners that could represent a threat to the operation of the business?

IV. Loan Proposal
1. Will profits plus depreciation and other non-cash expenses provide enough cash to repay the loan and finance required future expansions of inventory or receivables or other needs?
2. Is the amount requested the amount needed to accomplish the desired ends?
3. Is the proposed loan the best method of financing or should another be considered?
4. Collateral, if required
   A. Will collateral have sufficient liquidation value to protect the bank for the duration of the loan?
   B. Do you have adequate control over the collateral?
   C. Is collateral insured and have taxes and other liens been paid?
   D. Do you have good title to the property and has it been properly recorded?
5. Is a term loan agreement needed to place proper restrictions on the company or to bring about a condition of default in the event that the company does not operate as anticipated?

CSC-3

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT DEBT CONSOLIDATION

TOPIC CAS PAYOFF

 Date 1-29-68

NEW BULLETIN:

To provide a consistent method of communication between locations, this bulletin introduces a form to be used by a branch when paying off a CAS account. Its use will insure that proper consideration is given to continuation of the customer's line, credit card pickup, and recourse or non-recourse payoff. Each bank location will be kept informed of changes of status of a customer's account.

PROCEDURE

This form should be filled out in duplicate on all CAS account payoffs. A copy will be retained for the branch customer's file. The original copy plus pay-off check goes to CAS. CAS will file the original in their customer's file.

DETERMINING RECOURSE ON CONSOLIDATION LOANS

Generally, if an account is worthy of making a debt consolidation loan, or reworking, the CAS account should be paid off without recourse, just as any other creditor would be. If additional money is advanced on a rework, the CAS payoff should be without recourse. Paying off an account with recourse should occur rarely.

Accounts that are already recourse accounts to merchants should be paid off without recourse, if at all. Any further recourse involvement would expose us to additional merchant relationships that could easily work to our disadvantage.

ORDERING FORMS

Forms will be padded, 50 to a pad. The simplicity of inserting a piece of carbon paper and completing in longhand should make this an economical form to use. Forms should be ordered from Purchasing. Specify form #19-849.

CHARGE ACCOUNT PAYOFF

TO: CAS _____ DATE _____

FROM: _____

RE: _____

CAS Acct. No. _____

The check for $ _____ accompanying this form pays your balance with the above customer, as quoted by CAS on _____.

☐ It is paid without recourse

☐ It is paid with recourse, per discussion with _____

Based on information obtained during the course of investigation, the following action is suggested.

☐ Credit line be maintained as is at $ _____.

☐ Credit line be reduced to $ _____.

☐ Credit line be closed.

☐ Credit cards have been picked up and are attached, mutilated.

☐ Credit cards have not been picked up because _____

_____

☐ The customer has been advised of a change in status.

19-849

_____

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT DEBT CONSOLIDATION LOANS

TOPIC

 Date 12-22-67

Replaces Bulletin: OVER-THE-COUNTER - FAMILY FINANCIAL COUNSELING - BUDGET CONSOLIDATION Dated 3-25-64

Daily we receive requests from customers who wish to have their obligations consolidated into a single transaction on a monthly retirement plan. As a general rule, these consolidation loans fall in two broad categories. The first is to those good credit risks who anticipate the need to consolidate their obligations with payments in relation to income. In the second category are those loans to families already in financial difficulties because of over use of credit or perhaps because of unforeseen emergencies.

In addition, we interview many individuals in need of counseling on financial management who have not recognized a financial problem. We, as a bank, can render a real service here, which accrues benefits not only to the customer, but to the bank and other creditors in the area. Adequate family financial counseling accompanied by debt consolidation loans serves as a deterrent to personal bankruptcies and, moreover, provides a way to increase the profitability of our loan portfolio by improving the quality and size of loans made to such individuals.

The purpose of this bulletin is to discuss various approaches to this type lending, stressing use of the "Family Budget Consolidation Work Sheet." Through intelligent use and analysis, this work sheet will be a very useful tool in the processing of consolidation loan requests.

The use of the Family Budget Consolidation Work Sheet is a matter of individual judgment in each case. Many of our customers and the general public do understand their financial capabilities; hence, they exercise and control their credit buying in keeping with their ability to repay. Using this form on customers who fall into this category might be offensive, therefore, good judgment must be the deciding factor.

It is the responsibility of each lender to recognize those applicants who do need advice and guidance and to use the "budget work sheet" in those cases. There are any number of factors or combination of factors which would indicate a need to use this form, and it would be impractical to list all. The following circumstances do, however, strongly suggest use of the "budget work sheet":

1. Request for a consolidation loan to reduce monthly payments.
2. Constant renewals, particularly where there is evidence of customer pyramiding his debts.
3. Whenever we have numerous inquiries from other creditors even though the customer's record with us has been satisfactory.
4. Any indication of over-extension of debt beyond the customer's capacity to pay.

Replaces Bulletin: OVER-THE-COUNTER - FAMILY FINANCIAL COUNSELING - BUDGET CONSOLIDATION Dated 3-25-64

This form may also be utilized in the adjusting of delinquent accounts. One of the first steps in adjusting a delinquent account is to find the cause. Frequently, customers become overly obligated after our loan's inception and try to stay even by borrowing from one source to pay another. This, of course, further jeopardizes their financial position and can lead to a loss for the bank with the customer losing his credit standing. When an adjuster recognizes such a situation, he should make every attempt to get the customer into the bank for "financial counseling" which would include the use of the "budget work sheet." If this is done soon enough, there is a strong possibility of making what may have been a loss account into a profitable one.

If this includes a rework of existing bank debt, remember that we may be getting an opportunity to do the thorough job of interviewing and investigating that we may have failed to do the first time. Don't fail to look for debt load in existence now that was also in existence at the time of our first loan, but not known to us at that time. The customer could be wilfully concealing information. He might be genuinely innocent of intentionally misleading us. In either of these two cases, we're still unduly exposed, however, and we must be sure what type of credit risk the customer really is before we make a decision.

The budget work sheet can be an invaluable tool and can aid in the extension of sound credit. However, it must be remembered that no form can substitute for the application of good judgment in extending credit. We must evaluate the applicant's paying habits, personal habits, capacity and integrity before reaching a credit decision. The intelligent use of this form serves a useful purpose in counseling with the customer. After all, each customer or prospect is entitled to the best advice, instruction and information we are capable of giving.

INTERVIEW

While the objectives are basically the same in any interview, when handling the potential consolidation applicant, he must be put at ease so that we gain his confidence and the interview must be complete so we can determine the customer's financial condition and satisfy ourselves as to his capacity and willingness to meet the proposed plan of repayment.

The ideal interviewing atmosphere is best created when the interviewer projects himself into the customer's own personal circumstances so that he may talk to him on the same level of understanding. The Family Budget Consolidation Work Sheet provides this line of communication in discussing an individual's financial needs. It is also advisable to avoid the term "problems" when discussing the applicant's financial needs, for the common reaction to this word is that the solution may be complicated and difficult. Actually with adequate counseling and an analysis of the completed work sheet, the solution is more easily reached. (See OVER-THE-COUNTER - APPLICATION AND INTERVIEW.)

Replaces Bulletin: OVER-THE-COUNTER - FAMILY FINANCAIL COUNSELING - BUDGET CONSOLIDATION Dated 3-25-64

EXTENT OF INVESTIGATION

With complete information developed during the interview, our investigation should be complete, verifying all facts given. Each must be checked, otherwise the analysis of the customer's financial picture cannot be complete and a workable solution reached.

TERMS

Generally speaking, 24 months should be the maximum term of a debt consolidation loan. In exceptional cases where income in relation to total debt precludes repayment in 24 months, terms up to five years may be in order after consideration of the following factors:

1. Is the loan substantially secured by assets of a relatively stable value or does it have an unquestionably good endorser?
2. Was the overloaded debt position brought on by probably non-recurring expenses, i.e., major medical, education loans, moving expenses, major purchases, etc.?
3. Is job stability above average?

CREDIT CONSIDERATIONS

Each request will involve a different set of circumstances; hence, our analysis of the "budget work sheet" will involve a different approach on every customer. There are some basic points, however, which must be kept in mind in reviewing the work sheet.

1. Will the combining of all obligations relieve the customer's over-extended position?
2. Will the customer's income be relatively predictable?
3. After considering monthly expenses, will the customer be able to meet his note with us and have some freedom in his income to offset normal emergencies?
4. Does the amount of the loan and/or circumstances indicate a need for collateral? The completed "budget work sheet" will point out available collateral.
5. If it appears the debt consolidation loan terms would not relieve the difficulty and a longer period of repayment is necessary, does the customer have sufficient equity in his real estate to rework the transaction?
6. Perhaps the analysis will disclose the only workable solution to the customer's difficulty is the sale of some personal assets. This will be only in those cases where a customer is extremely over-obligated.
7. From conversation with the customer, the conclusion may have been reached that the financial difficulties could have been avoided if some reserve such as a savings account had been available. This is a clue for us to include in our analysis and if possible for the customer to meet his monthly expense, the payment on the note and still have available funds, sell the customer on some systematic savings program. Perhaps he is a checking account customer and the

automatic deduction would be the best approach in developing him as a saver. If the customer does not have a checking account, sell him one.

8. The analysis may also disclose the possibility of including a Savings Bond or an amount to open a savings account in the total loan. Whenever this is possibile, the benefits are three fold - we make a larger and more profitable loan, we acquire a new savings customer, and the customer becomes a saver.
9. Marital problems often accompany money problems, so efforts should be made to secure signatures of husband and wife. In the event of a separation or divorce, we will have better collection possibilities.

CONSUMER CREDIT COUNSELING SERVICE

When a customer with debt to us appears in such poor condition that bankruptcy looks almost inevitable, he should first be referred to Consumer Credit Counseling Service. There is one now in operation in Atlanta and one in Savannah, with other cities being considered. These non-profit organizations provide a definite service to the family with financial difficulties and reduce the number of potential bankrupts.

THE FAMILY BUDGET CONSOLIDATION WORK SHEET

The simplicity of this form's design makes comments unnecessary except for those made on the illustrations on pages 5 and 6. The section on "monthly expenses", however, does require further consideration. We are not attempting to set up standards for the amounts allowable for rent, food, etc., since there is considerable variance between the needs and desires of individual families and since the experienced credit man should be able to appraise these factors in the light of each individual case. Generally speaking, we must accept the applicant's estimates in this area and our job is to point out any inconsistencies between this and other monthly obligations.

All of the answers to this type lending may not be found in the "budget work sheet", however, the possibility of doing a better lending job is enhanced through its use.

ORDERING FORMS

Forms may be requisitioned in the usual manner from the Purchasing Department. Specify form #19-885, Rev. 3-64.

CLASSIFICATION

The nature of the collateral will determine loan classification. If no collateral, then it should be classified as a signature loan. If auto and household goods are the collateral, and the auto has more value than the household goods, then it should be classified as an auto loan.

FORMS, AGREEMENTS, AND PERFECTING SECURITY INTERESTS

The nature of the collateral (if any) will also determine the type forms to use, and method of perfecting our security interest.

RELATED BULLETINS

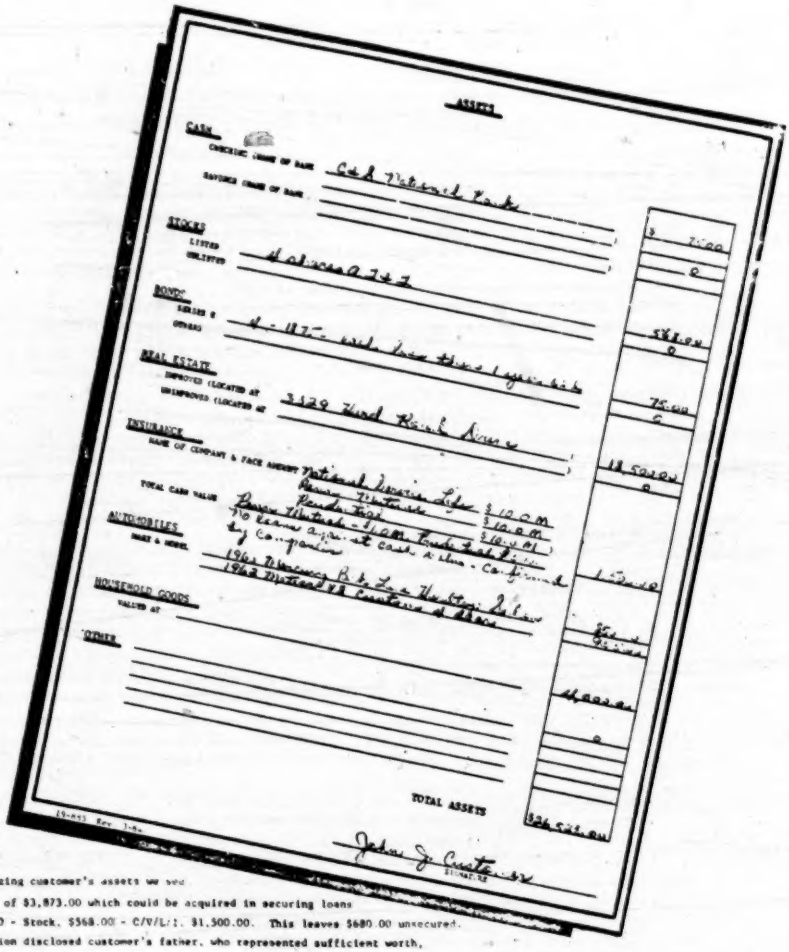
LENDING GENERAL - PERFECTING SECURITY INTERESTS - PROCEDURE AND DOCUMENTARY FEES
COLLECTIONS - REVISION AGREEMENT
COLLECTIONS - REWORKING FOR COLLECTION PURPOSES
OVER-THE-COUNTER - APPLICATION AND INTERVIEW

OPERATING BULLETIN

SECTION OVER-THE-COUNTER **Page** 5 of 6

SUBJECT DEBT CONSOLIDATION LOANS

TOPIC **Date** 12-22-67



ASSETS

CASH
CHECKING (NAME OF BANK) C&R National Bank
SAVINGS (NAME OF BANK)

STOCKS
LISTED
UNLISTED Motorola 7+2

BONDS
SERIES E
OTHER 4 - 187 - and two third bonds

REAL ESTATE
IMPROVED (LOCATED AT)
UNIMPROVED (LOCATED AT) 3329 Hood Park Drive

INSURANCE
NAME OF COMPANY & FACE AMOUNT National Service Life
Penny Mutual -
Penn Mutual -
TOTAL CASH VALUE Penn Mutual - 1 am Term Ins. Pol.
10 year ann. at Cash Value - Co. Pension
by Company

AUTOMOBILES
MAKE & MODEL 1963 Mercury Bobcat Hardtop Pol.
1963 Pontiac FB Convertible 4 Door

HOUSEHOLD GOODS
VALUED AT

OTHER

TOTAL ASSETS

John J. Customer

$	2.00
	0
	588.00
	0
	75.00
	0
	18,500.00
	0
	1,500.00
	850.00
	11,000.00
	0
$	32,515.00

Upon analyzing customer's assets we see collateral values of $3,873.00 which could be acquired in securing loans - Autos, $1,800.00 - Stock, $588.00 - C/V/L/I. $1,500.00. This leaves $680.00 unsecured. Further conversation disclosed customer's father, who represented sufficient worth, would endorse for his son.

Loan granted based on collateral and endorsement, repayable in 36 installments. Customer's budget work sheet now indicates

Monthly Obligations	$ 165.20 (instead of $290.60)	Net Income	$ 800.00
Monthly Expenses	584.00		749.20
	$ 749.20		$ 50.80

Difference between total monthly obligations and expenses and net income is now a plus $50.80 instead of a minus $74.60 prior to granting loan.

ORDERING FORMS Forms may be requisitioned in the usual manner from the Purchasing Department. Specify form #19-885, Rev. 3-64.

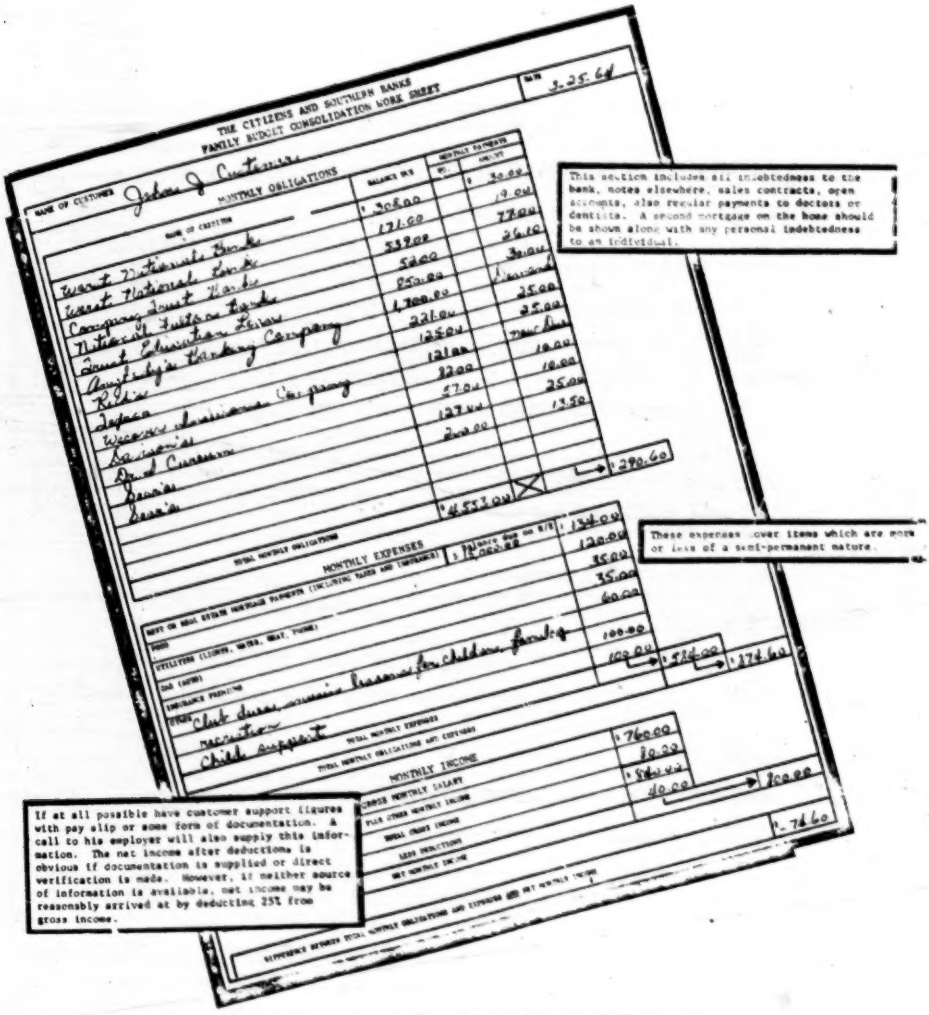
E- 1508

OPERATING BULLETIN

SECTION OVER-THE-COUNTER **Page** 6 of 6

SUBJECT DEBT CONSOLIDATION LOANS

TOPIC **Date** 12-22-67



It's obvious this customer's deficit budget will soon make him a prospect for bankruptcy if some relief is not found. Domestic problems with former wife brought on the financial difficulty.

E-1509

OPERATING BULLETIN

SECTION OVER THE COUNTER

SUBJECT DEMAND LOANS TO INDIVIDUALS

TOPIC

 Date 10-11-71

NEW BULLETIN

Demand loans to individuals are serviced by the Loan and Discount Department or L&D Teller. Accounting is accomplished via the Commercial Loan System. Loans of $25,000 or less for non-business purposes are subject to Federal Reserve Regulation Z, which implements the Consumer Credit Protection Act.

COMPLETION OF THE NOTE (Example Shown On Page 2)

Use note forms (with C&S logo) #15-1105 (Secured) and #15-1100 (Unsecured), (without logo) #15-1250 (Secured) and #15-1200 (Unsecured). Demand loans shall be considered to have a maturity of one half year (183 days) for the computation of the Finance Charge and APR. The following spaces must be completed.

1. Amount of Loan - the amount of the advance to the customer or other party.

4. Amount Financed - the total amount of the loan which may include other charges.

   Annual Percentage Rate - Regulation Z requires that we disclose the equivalent of a simple interest rate, determined by the Actuarial method. The APR will be the same as the actual interest rate unless a base charge is applied which occurs infrequently.

5. Interest - the Interest Charge, figured by applying a simple interest rate per annum to the amount financed. This may be calculated via audio, video, or manually using 183 days (365-day basis).

7. Finance Charge - the same as interest unless a base charge is made.

8. Total of Payments - the total amount financed and the finance charge.

   Date - day the loan is made.

   Number - serial number assigned to this loan.

   Due - on demand.

The Insurance Statement must indicate "loan not eligible for Credit Life Insurance". It is not necessary to obtain the customer's signature since demand loans are ineligible for Credit Life Insurance.

Until such time as our note forms are revised, legal counsel advises that we type "Interest Payment is monthly, payable upon receipt of statement", in the area under the asterisk on the note beginning "on demand notes these

OPERATING BULLETIN

SECTION OVER THE COUNTER

SUBJECT DEMAND LOANS TO INDIVIDUALS

TOPIC

 Date 10-11-71

NEW BULLETIN

CONSUMER COLLATERAL NOTE

1. Amount of Loan	ANNUAL PERCENTAGE RATE*	Date
$5000.00	8.00 %	Oct 4, 1971
2. Credit Life Insurance	3. Interest	Number
$ N/A	$200.54	01234
3. Other Charges (Specify)	4. State Charge	Due
$ N/A	$ N/A	ON Demand
4. Amount Financed (1 + 2 + 3)	7. FINANCE CHARGE (3 + 4)*	8. Total of Payments (4 + 7)*
$5000.00	$200.54	$5200.54

*On demand notes these items are issued on a monthly maturity pursuant to Federal Regulation.

C-30

On Demand after date,

the undersigned promises to pay to the order of

THE CITIZENS AND SOUTHERN NATIONAL BANK, Atlanta, Georgia

(hereafter, together with any holder hereof, called "Holder"), at its office or at such place as the Holder may designate and notify undersigned, the amount as are here as Amount

Financed with interest thereon from date until paid in full at the rate of 8.00 % per annum, together with the Time Charges shown hereon and/or with all costs of collection, including 10% as attorneys fees if collected by law or through an attorney at law. The FINANCE CHARGE after first deducting the State Charge, will be earned daily on a pro rata basis. The term "Collateral" as used herein, shall mean the following property which has been or is hereby delivered, pledged, assigned, conveyed and transferred to the Holder:

Negotiable collateral as listed from time to time on Collateral Receipt Card number 1234

Interest Payment period is monthly, payable upon receipt of statement.

Insurance Statement: Credit Life Insurance is not a condition of this loan.

☒ Loan not eligible for Credit Life Insurance.

I ☐ request ☐ decline Credit Life Insurance Date of birth Date Signature

Signed, sealed and delivered by the undersigned in the presence of

387 Pleasant Dr. 456-1234 Dick E. Debtor (Seal)

Address Telephone Number

Atlanta Ga 30310 (Seal)

City State Zip Code

E-1511

items, etc." This applies to corporate as well as personal loans. If you plan to collect interest other than monthly, type in ". . . each three months" or whatever is agreed upon by you and the customer.

COMPLETION OF THE COMMERCIAL LOAN DISCOUNT SHEET

Follow directions given in G.O.G. 9.811 - Loans - Commercial Loan System - Forms - New Loans And/Or New Customers.

CALCULATION OF FINANCE CHARGE, AND ANNUAL PERCENTAGE RATE

A 365-Day year must be used in all calculations on personal and consumer loans. Although infrequent, a base charge of $10.00 may be charged on loans of $5,000 or less, in addition to interest for the actual number of days the loan is on our books. If a base charge of other than $10.00 is charged the annual percentage rate must be calculated manually. On corporate loans, a 365-Day year or a 360-Day year may be used at the loan officer's option.

To avoid errors, all personal or consumer demand note calculations, including those obtained by computer response, must be calculated or checked by two people - both of whom must initial the note.

Refer to the bulletin - OVER-THE-COUNTER - SINGLE PAYMENT TIME LOANS TO INDIVIDUALS - Dated 8/16/71 for computer inquiry via audio or video.

MANUAL CALCULATION

I. To find the Interest Charge:

A. Multiply the total amount financed by the appropriate simple interest rate.
B. Multiply the result by 183 days (one-half year maturity - 365 Day basis).
C. Divide by 365.
D. Drop any fractions of a cent. Do Not Round Up.
E. Add base charge, if any.

EXAMPLE: $5,000 advance @ 8% simple, 183-Day term.

$5000.00		Amount Financed
x .08		Interest Rate
$400.0000		
x 183		Term, in days
73200.0000		
÷ 365		
$ 200.5479	=	$200.54 Interest Charge

NEW BULLETIN

Although a base charge of $10.00 is rarely added to demand notes, if applicable the interest charge plus the $10.00 base charge would be the amount of the finance charge or in the example shown on page 3 - $210.54.

II. To find the Annual Percentage Rate (A.P.R.):

A. Divide the total finance charge, including the base charge, if any, by the total amount financed.
B. The conversion chart - single payment loans, 365-Day basis indicates the daily factor for demand loans to be 199.
C. Multiply the result of step A by the factor, 199. Round to the nearest 100th of a percent.

EXAMPLE OF APR: $5,000 advance @ 8% simple, with a $10.00 base charge, or 183-Day term.

$ 210.54		Total Finance Charge (including base)
÷5000.00		Total Amount Financed
.421080		
x 199		Demand Conversion Factor For 183 Day Term
8.379492	=	8.38%, Annual Percentage Rate

NOTE: Normally there would be no base charge on demand loans, therefore, the annual percentage rate determined by this method should be the same as the simple interest rate used in calculating the interest. A slight variance is possible, due to rounding of decimals during calculation.

RELATED BULLETINS

GOG 9.19 - Loans - Base Charge, Regulation Z
GOG 9.5 - Loans - Note Forms, Revised - Regulation Z
GOG 9.6 - Loans - Regulation Z, Summary
GOG 9.61 - Loans - Demand Loans-Subject To Regulation Z
GOG 9.8 - Loans - Commercial Loan System, Index of Bulletin and Manual
GOG 9.812 - Loans - Single Payment Time Loans To Individuals
CCOG - Lending General - Regulation Z - Summary
CCOG - Over The Counter - Single Payment Time Loans To Individuals

Replaces Bulletin: OVER THE COUNTER - DENTAL PAYMENT PLAN - GEORGIA DENTAL ASSOCIATION - Dated 9/29/61

The dental payment plan, sponsored jointly with the Georgia Dental Association, has been in effect since April, 1955. Its purpose is to enable people to receive major dental treatment and at the same time relieve the participating dentists of the task of collecting. Many patients use the dental payment plan
R to cover the cost of extensive treatment which takes several months to complete. By discounting the note after the first appointment, the dentist may receive cash immediately. The patient may begin paying quickly, and spread the cost over a long period.

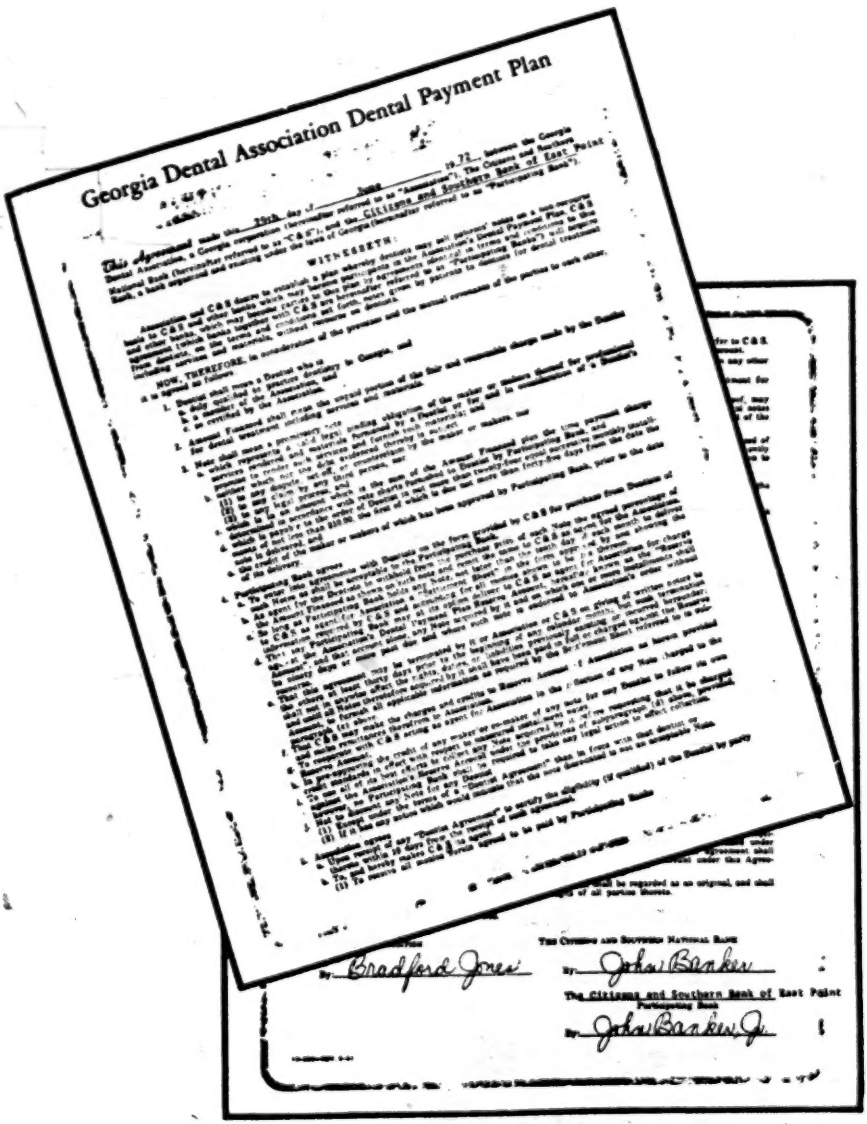
AGREEMENT BETWEEN ASSOCIATION AND BANKS

Since the plan is sponsored jointly by the Georgia Dental Association and The Citizens and Southern National Bank, the Agreement Between the Association and Participating Bank must be signed by all banks wishing to participate. This agreement (19-860 Rev. 9-61) is reproduced on page 2. The Master Agreement has
R already been signed for the national bank, and for the participating affiliates, associates, and correspondents. The necessary forms will be sent to any additional banks wishing to participate.

AGREEMENT BETWEEN DENTISTS AND PARTICIPATING BANKS

R New dentists should sign four copies of the Agreement Between Dentist and Participating Bank (19-861 Rev. 1-64). The bank should complete all spaces on the agreement and have it signed by a bank officer. All four copies of the completed agreement should be forwarded to Retail Banking, Atlanta, for approval of the Georgia Dental Association. In order for the dentist to participate in this program, he must be a member in good standing of the Georgia Dental Association. You will receive two copies of the approved agreement and a certificate for the dentist. Maintain one copy of the agreement in your file and return the other copy and the certificate to the dentist. This agreement is reproduced on page 3, and the certificate on page 4. It is not necessary to obtain new agreements from dentists presently participating.

It is very important that the dentists fully understand how the plan works and their responsibilities. Dental notes are purchased without recourse to the dentist. However, a 2% contingent reserve is deducted from the dentist's bill.
R Before a delinquent account can be charged to the reserve account, the dentist must return to the bank the amount representing unfinished treatment. The application must show the date of scheduled completion. You may also purchase dental notes from your dentists for work completed not more than thirty days prior to discounting the note. The bank will not purchase accounts which have been collection problems for the dentist.



Georgia Dental Association Dental Payment Plan

This Agreement made this 22th day of June, 19 72, between the Georgia Dental Association, a Georgia corporation (hereinafter referred to as "Association"), The Citizens and Southern National Bank, a Georgia corporation (hereinafter referred to as "C&S"), and the Citizens and Southern Bank of East Point (hereinafter referred to as "Participating Bank").

WITNESSETH:

Association and C&S desire to establish a plan whereby dentists may set patients' notes on a non-recourse basis, which may be purchased by C&S or by other banks which may participate in the Association's Dental Payment Plan (C&S and such other banks, which may hereafter participate in the Association's Dental Payment Plan, are hereinafter referred to as "Participating Banks"), and which notes may be used by patients to finance dental treatment, including services and materials, without recourse on dentists; and

WHEREAS, C&S is willing to purchase such notes from dentists who are members of the Association and who agree to abide by the terms and conditions of this Agreement; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties to each other, it is agreed as follows:

1. Dentist shall mean a Doctor who is duly authorized to practice dentistry in Georgia, and is a member in good standing of the Association, and is certified by the Association.

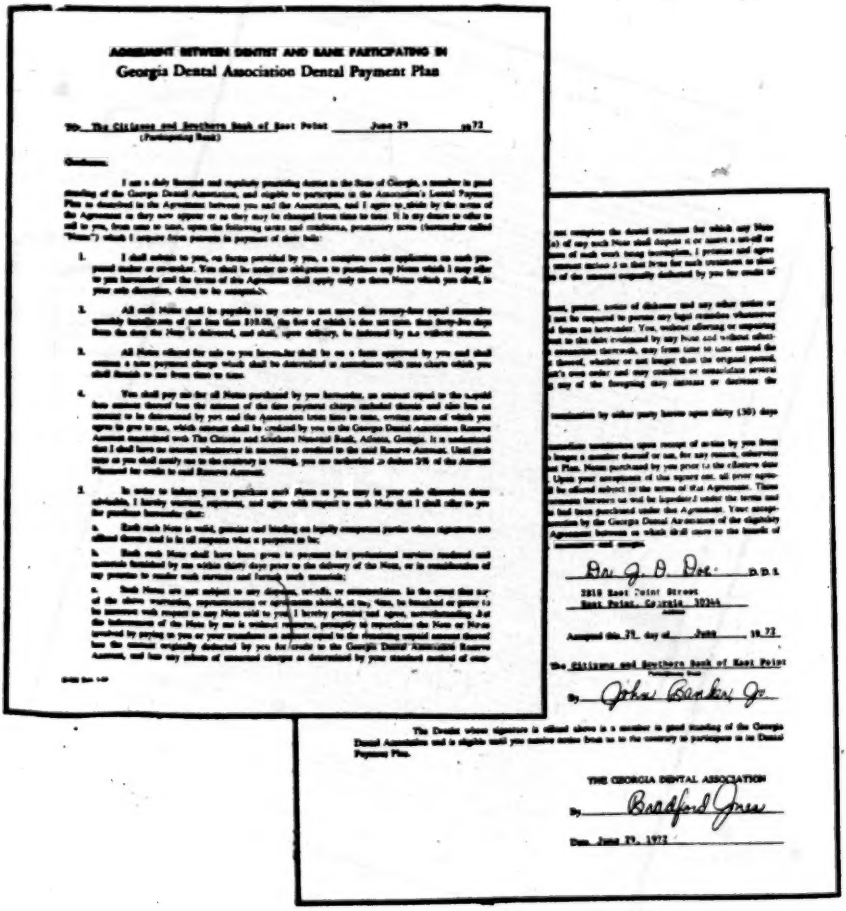
2. Account Financed shall mean the unpaid portion of the fair and reasonable charge made by the Dentist for dental treatment, including services and materials.

3. Note shall mean a promissory note which is executed by a patient of a Dentist, and which represents the Account Financed by a Dentist, or the unpaid portion thereof, and which is in substantially the form attached hereto as Exhibit A, or in such other form as may be approved by the Dentist or makers, as the case may be.

4. Dentist Agreement shall mean the agreement between a Dentist and a Participating Bank, in the form attached hereto as Exhibit B, or in such other form as may be approved by Participating Bank, prior to the date of the delivery.

5. Participating Bank agrees with Dentists on the form attached to C&S as Exhibit B, or in such other form as may be approved by Participating Bank.

6. To purchase from Dentists, in accordance with the terms and conditions of this Agreement, Notes which are acquired by Dentists in connection with Accounts Financed which have been approved by Participating Banks, and which Notes are in the form attached hereto as Exhibit A, or in such other form as may be approved by C&S or Participating Bank, and which Notes are delivered to C&S or Participating Bank by Dentists within ten (10) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within thirty (30) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within sixty (60) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ninety (90) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one hundred twenty (120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one hundred eighty (180) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two hundred forty (240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three hundred (300) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three hundred sixty (360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four hundred twenty (420) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four hundred eighty (480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five hundred forty (540) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six hundred (600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six hundred sixty (660) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven hundred twenty (720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven hundred eighty (780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight hundred forty (840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine hundred (900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine hundred sixty (960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand (1000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand forty (1040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand eighty (1080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand one hundred twenty (1120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand one hundred sixty (1160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand two hundred (1200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand two hundred forty (1240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand two hundred eighty (1280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand three hundred twenty (1320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand three hundred sixty (1360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand four hundred (1400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand four hundred forty (1440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand four hundred eighty (1480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand five hundred twenty (1520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand five hundred sixty (1560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand six hundred (1600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand six hundred forty (1640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand six hundred eighty (1680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand seven hundred twenty (1720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand seven hundred eighty (1780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand eight hundred forty (1840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand nine hundred (1900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within one thousand nine hundred sixty (1960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand (2000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand forty (2040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand eighty (2080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand one hundred twenty (2120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand one hundred sixty (2160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand two hundred (2200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand two hundred forty (2240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand two hundred eighty (2280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand three hundred twenty (2320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand three hundred sixty (2360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand four hundred (2400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand four hundred forty (2440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand four hundred eighty (2480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand five hundred twenty (2520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand five hundred sixty (2560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand six hundred (2600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand six hundred forty (2640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand six hundred eighty (2680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand seven hundred twenty (2720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand seven hundred eighty (2780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand eight hundred forty (2840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand nine hundred (2900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within two thousand nine hundred sixty (2960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand (3000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand forty (3040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand eighty (3080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand one hundred twenty (3120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand one hundred sixty (3160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand two hundred (3200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand two hundred forty (3240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand two hundred eighty (3280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand three hundred twenty (3320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand three hundred sixty (3360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand four hundred (3400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand four hundred forty (3440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand four hundred eighty (3480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand five hundred twenty (3520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand five hundred sixty (3560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand six hundred (3600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand six hundred forty (3640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand six hundred eighty (3680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand seven hundred twenty (3720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand seven hundred eighty (3780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand eight hundred forty (3840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand nine hundred (3900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within three thousand nine hundred sixty (3960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand (4000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand forty (4040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand eighty (4080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand one hundred twenty (4120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand one hundred sixty (4160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand two hundred (4200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand two hundred forty (4240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand two hundred eighty (4280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand three hundred twenty (4320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand three hundred sixty (4360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand four hundred (4400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand four hundred forty (4440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand four hundred eighty (4480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand five hundred twenty (4520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand five hundred sixty (4560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand six hundred (4600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand six hundred forty (4640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand six hundred eighty (4680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand seven hundred twenty (4720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand seven hundred eighty (4780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand eight hundred forty (4840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand nine hundred (4900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within four thousand nine hundred sixty (4960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand (5000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand forty (5040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand eighty (5080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand one hundred twenty (5120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand one hundred sixty (5160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand two hundred (5200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand two hundred forty (5240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand two hundred eighty (5280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand three hundred twenty (5320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand three hundred sixty (5360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand four hundred (5400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand four hundred forty (5440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand four hundred eighty (5480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand five hundred twenty (5520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand five hundred sixty (5560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand six hundred (5600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand six hundred forty (5640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand six hundred eighty (5680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand seven hundred twenty (5720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand seven hundred eighty (5780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand eight hundred forty (5840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand nine hundred (5900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within five thousand nine hundred sixty (5960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand (6000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand forty (6040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand eighty (6080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand one hundred twenty (6120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand one hundred sixty (6160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand two hundred (6200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand two hundred forty (6240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand two hundred eighty (6280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand three hundred twenty (6320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand three hundred sixty (6360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand four hundred (6400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand four hundred forty (6440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand four hundred eighty (6480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand five hundred twenty (6520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand five hundred sixty (6560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand six hundred (6600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand six hundred forty (6640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand six hundred eighty (6680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand seven hundred twenty (6720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand seven hundred eighty (6780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand eight hundred forty (6840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand nine hundred (6900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within six thousand nine hundred sixty (6960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand (7000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand forty (7040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand eighty (7080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand one hundred twenty (7120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand one hundred sixty (7160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand two hundred (7200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand two hundred forty (7240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand two hundred eighty (7280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand three hundred twenty (7320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand three hundred sixty (7360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand four hundred (7400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand four hundred forty (7440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand four hundred eighty (7480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand five hundred twenty (7520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand five hundred sixty (7560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand six hundred (7600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand six hundred forty (7640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand six hundred eighty (7680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand seven hundred twenty (7720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand seven hundred eighty (7780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand eight hundred forty (7840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand nine hundred (7900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within seven thousand nine hundred sixty (7960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand (8000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand forty (8040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand eighty (8080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand one hundred twenty (8120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand one hundred sixty (8160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand two hundred (8200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand two hundred forty (8240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand two hundred eighty (8280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand three hundred twenty (8320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand three hundred sixty (8360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand four hundred (8400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand four hundred forty (8440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand four hundred eighty (8480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand five hundred twenty (8520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand five hundred sixty (8560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand six hundred (8600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand six hundred forty (8640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand six hundred eighty (8680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand seven hundred twenty (8720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand seven hundred eighty (8780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand eight hundred forty (8840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand nine hundred (8900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eight thousand nine hundred sixty (8960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand (9000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand forty (9040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand eighty (9080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand one hundred twenty (9120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand one hundred sixty (9160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand two hundred (9200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand two hundred forty (9240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand two hundred eighty (9280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand three hundred twenty (9320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand three hundred sixty (9360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand four hundred (9400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand four hundred forty (9440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand four hundred eighty (9480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand five hundred twenty (9520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand five hundred sixty (9560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand six hundred (9600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand six hundred forty (9640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand six hundred eighty (9680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand seven hundred twenty (9720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand seven hundred eighty (9780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand eight hundred forty (9840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand nine hundred (9900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within nine thousand nine hundred sixty (9960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand (10000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand forty (10040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand eighty (10080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand one hundred twenty (10120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand one hundred sixty (10160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand two hundred (10200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand two hundred forty (10240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand two hundred eighty (10280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand three hundred twenty (10320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand three hundred sixty (10360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand four hundred (10400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand four hundred forty (10440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand four hundred eighty (10480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand five hundred twenty (10520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand five hundred sixty (10560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand six hundred (10600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand six hundred forty (10640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand six hundred eighty (10680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand seven hundred twenty (10720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand seven hundred eighty (10780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand eight hundred forty (10840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand nine hundred (10900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within ten thousand nine hundred sixty (10960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand (11000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand forty (11040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand eighty (11080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand one hundred twenty (11120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand one hundred sixty (11160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand two hundred (11200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand two hundred forty (11240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand two hundred eighty (11280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand three hundred twenty (11320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand three hundred sixty (11360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand four hundred (11400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand four hundred forty (11440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand four hundred eighty (11480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand five hundred twenty (11520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand five hundred sixty (11560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand six hundred (11600) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand six hundred forty (11640) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand six hundred eighty (11680) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand seven hundred twenty (11720) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand seven hundred eighty (11780) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand eight hundred forty (11840) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand nine hundred (11900) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within eleven thousand nine hundred sixty (11960) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand (12000) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand forty (12040) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand eighty (12080) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand one hundred twenty (12120) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand one hundred sixty (12160) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand two hundred (12200) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand two hundred forty (12240) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand two hundred eighty (12280) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand three hundred twenty (12320) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand three hundred sixty (12360) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand four hundred (12400) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand four hundred forty (12440) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand four hundred eighty (12480) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand five hundred twenty (12520) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dentists within twelve thousand five hundred sixty (12560) days from the date of the Account Financed, and which Notes are delivered to C&S or Participating Bank by Dent



AGREEMENT BETWEEN DENTIST AND BANK PARTICIPATING IN
Georgia Dental Association Dental Payment Plan

To: The Citizens and Southern Bank of East Point (Participating Bank) June 29 19 72

Gentlemen:

I am a duly licensed and regularly practicing dentist in the State of Georgia, a member in good standing of the Georgia Dental Association, and eligible to participate in the Association's Limited Payment Plan as described in the Agreement between you and the Association, and I agree to abide by the terms of the Agreement as they now appear or as they may be changed from time to time. It is my desire to offer to sell to you, from time to time, upon the following terms and conditions, promissory notes (hereinafter called "Notes") which I require from patients in payment of their bills:

1. I shall submit to you, on forms provided by you, a complete credit application on each proposed maker or endorser. You shall be under no obligation to purchase any Notes which I may offer to you hereunder and the terms of this Agreement shall apply only to those Notes which you shall, in your sole discretion, desire to be assigned.

2. All such Notes shall be payable to my order in not more than twenty-four equal consecutive monthly installments of not less than $10.00, the first of which is due not more than forty-five days from the date the Note is delivered, and shall, upon delivery, be indorsed by me without recourse.

3. All Notes offered for sale to you hereunder shall be on a form approved by you and shall contain a time payment charge which shall be determined in accordance with the charts which you shall furnish to me from time to time.

4. You shall pay me for all Notes purchased by you hereunder, an amount equal to the unpaid face amount thereof less the amount of the time payment charge included therein and also less an amount to be determined by you and the Association from time to time, written notice of which you agree to give to me, which amount shall be credited by you to the Georgia Dental Association Reserve Account maintained with The Citizens and Southern National Bank, Atlanta, Georgia. It is understood that I shall have no interest whatsoever in amounts so credited to the said Reserve Account. Until such time as you shall notify me to the contrary in writing, you are authorized to deduct 2% of the Amount Financed for credit to said Reserve Account.

5. In order to induce you to purchase such Notes as you may in your sole discretion deem advisable, I hereby warrant, represent, and agree with respect to each Note that I shall offer to you for purchase hereunder that:

a. Each such Note is valid, genuine and binding on legally competent parties whose signatures are affixed thereto and is in all respects what it purports to be;

b. Each such Note shall have been given in payment for professional services rendered and materials furnished by me within thirty days prior to the delivery of the Note, or in consideration of my promise to render such services and furnish such materials;

c. Each Note are not subject to any discounts, set-offs, or counterclaims. In the event that any of the above warranties, representations or agreements should, at any time, be breached or prove to be incorrect with respect to any Note sold to you, I hereby promise and agree, notwithstanding the indorsement of the Note by me to without recourse, promptly to repurchase the Note or Notes involved by paying to you or your transferee an amount equal to the remaining unpaid amount thereof less the interest originally disclosed by you for credit to the Georgia Dental Association Reserve Account, and less any amount of unearned charges as determined by your standard method of com-

...ion complete the dental treatment for which any Note ...(a) of any such Note shall default in or assert a set-off or ...tions of such work being incomplete, I promise and agree ... amount called for in that form for such treatment as shall ...e of the amount originally disclosed by you for credit to ...

...ment, protest, notice of dishonor and any other notice or ... not be required to pursue any legal remedies whatsoever ...d from me hereunder. You, without affecting or impairing ...ect to the date evidenced by any Note and without affect... ...ommission therewith, may from time to time extend the ...e thereof, whether or not longer than the original period, ...t's own order and may combine or consolidate several ... any of the foregoing duly increase or decrease the ...

...consideration by either party hereto upon thirty (30) days ...

...ondition precedent upon receipt of notice by you from ... longer a member thereof or not, for any reason, otherwise ...ent Plan, Notes purchased by you prior to the effective date ... Upon your acceptance of this signed one, all prior agree... ...all be effected subject to the terms of this Agreement. These ...reements between us and be superseded under the terms and ...s had been purchased under this Agreement. Your accept... ...ination by the Georgia Dental Association of the eligibility ...Agreement between us which shall cease on the demise of ...ignment and accept.

Dr. J. D. Doe D.D.S.
2810 East Point Street
East Point, Georgia 30344

Accepted this 29 day of June 19 72

The Citizens and Southern Bank of East Point
(Participating Bank)

By John Banker, Jr.

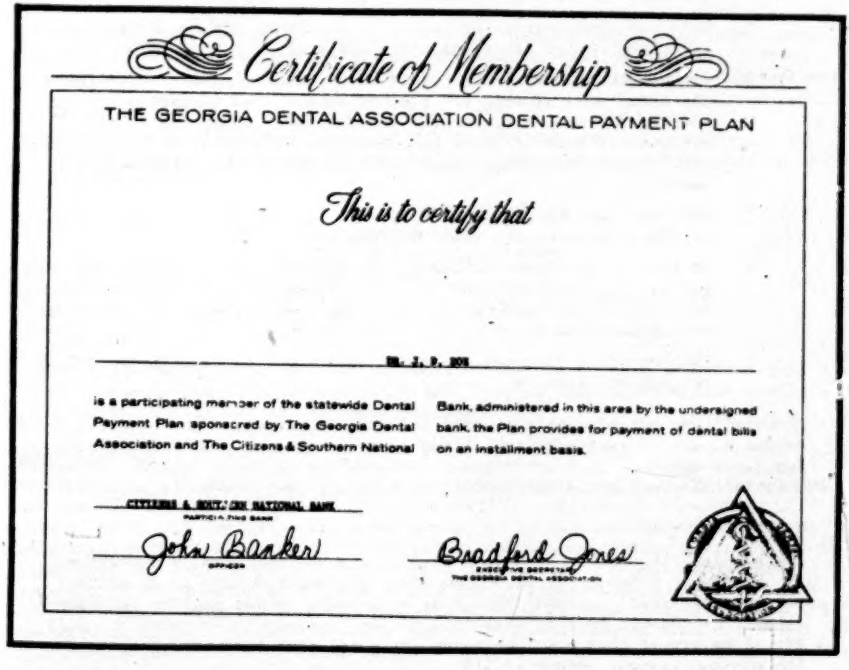
The Dentist whose signature is affixed above is a member in good standing of the Georgia Dental Association and is eligible until you receive notice from us to the contrary to participate in the Dental Payment Plan.

THE GEORGIA DENTAL ASSOCIATION

By Bradford Jones

Date June 29, 1972

E-1516



Certificate of Membership

THE GEORGIA DENTAL ASSOCIATION DENTAL PAYMENT PLAN

This is to certify that

Mr. J. D. Doe

is a participating member of the statewide Dental Payment Plan sponsored by The Georgia Dental Association and The Citizens & Southern National Bank, administered in this area by the undersigned bank, the Plan provides for payment of dental bills on an installment basis.

CITIZENS & SOUTHERN NATIONAL BANK
PARTICIPATING BANK

John Banker
OFFICER

Bradford Jones
EXECUTIVE SECRETARY
THE GEORGIA DENTAL ASSOCIATION

VISITS WITH DENTISTS

The dentist's copy of the agreement and the certificate should be delivered personally, and the dentist should be encouraged to "sell" the Dental Payment Plan. The Dental Payment Plan is intended to handle all acceptable patients, not just those which the dentist does not wish to carry on his own books.

Be sure to leave the dentist an adequate supply of Confidential Statements, notes, and rate charts. Explain to him, and to his assistant who will be handling the applications, how to use the plan to its best advantage. You might suggest this simple step-by-step procedure:

Replaces Bulletin: OVER THE COUNTER - DENTAL PAYMENT PLAN - GEORGIA DENTAL ASSOCIATION - Dated 9/29/61

1. Determine how the patient wishes to pay - cash, 30 days, Charge Account Service, or Dental Payment Plan.
2. If the patient desires the Dental Payment Plan, have him fill out the Confidential Statement. The dentist should be sure to indicate the date of scheduled treatment completion.
3. Mail the Confidential Statement to the bank, or, for faster service, telephone in the information for approval.
4. R If the bank approves the credit, use the rate chart to determine the total note amount, the payment amount, the insurance premiums, and the finance charge. Complete the note, complying in all respects with the disclosure provisions of Regulation Z, including the "Annual Percentage Rate". All notes must be payable to the dentist.
5. R Have the patient sign the note. One copy of the note must be given to the patient at the time he signs it.
6. R As soon as treatment is begun, the dentist should endorse the note <u>without recourse</u> and send it to the bank. The dentist must retain one copy of the note for two full years as evidence of compliance with Regulation Z.
7. N The bank will discount the note and advance to the dentist 98% of the amount financed.

Above all, do not sign up a dentist and then forget him. The dentists should become a part of your regular calling program, just as your dealers and insurance agents. Only by constant followup can we expect maximum participation in the program and the collateral benefits that are to be obtained.

R <u>TERMS</u>

For amounts financed of less than $2,000, the maximum term is 24 months. If the amount financed is $2,000 or more, the maximum term is 36 months. As a general rule, patients should be encouraged to use shorter terms, preferably 12 months, so that they will not be inclined to postpone any additional treatment that might be necessary until they have repaid the loan. The minimum payment amount is $10.

R <u>RATE</u>

The rate is 6% add-on. Credit Life Insurance and Disability Insurance are optional with the patient, though the dentist should be encouraged to sell these coverages whenever possible. The rate charts necessary to cover every possible dental payment plan loan are:

Replaces Bulletin: OVER THE COUNTER - DENTAL PAYMENT PLAN - GEORGIA DENTAL ASSOCIATION - Dated 9/29/61

6A 324-M	6A36
C6A 324-M	C6.00 AM36
CD6A 324-M	CD6.00 AM36

In preparing rate charts for dentists, use our regular paper rate chart cover (form 19-1021), and include the Credit Life and Disability inserts. Participating correspondent banks may use whatever rate they normally use for personal loans.

R NOTE Use Installment Note (form 19-1412), which provides a blank space for the payee. Notes should be payable to the dentist and assigned on the reverse:

WITHOUT RECOURSE PAY
TO THE ORDER OF
(PARTICIPATING BANK)
SIGNED _____
(DENTIST)

APPLICATION

Dentists should be supplied with Confidential Statement (form 19-987). This is available in modified form, without the Citizens and Southern Bank identification on it, for use by correspondent banks.

DEALER RECORDS

Maintain for each dentist a "Dealer Rejection-Repossession Record" (form 19-928) and one "Dealer Purchase Guide" (form 19-994), to reflect the cumulative experience of all dentist. Any account charged to the Loss Reserve should be indicated on the individual dentist's record so that corrective measures may be taken with any dentist that is producing a poor class of paper. These two
R records, in conjunction with the New Loan Report prepared by Installment Loan Control, should give you a fairly complete picture of your overall program and the experience of each dentist. See the following Consumer Credit Operating Guide bulletins for use of these forms:

SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE
SALES FINANCE - DEALER CREDIT - DEALER REJECTION-REPOSSESSION RECORD

APPROVAL AND PURCHASE OF NOTES

Complete credit information must be submitted on each applicant. In approving credit for these notes, the bank must follow the credit standards for Unsecured Personal Loans - do not look to the Reserve Account as a crutch to carry poor credits. If this credit is approved, notify the dentist and hold the application until the note is received. If the credit is rejected, enter it on your Rejection Log and handle as any other rejection.

Replaces Bulletin: OVER THE COUNTER - DENTAL PAYMENT PLAN - GEORGIA DENTAL ASSOCIATION - Dated 9/29/61

R Upon receipt of the note, advance to the dentist 98% of the amount financed. The remaining 2% is the Georgia Dental Association's reserve. In those national bank and affiliate bank cities where the Sales Finance Department services the Dental Payment Plan, the reserve should be listed on the Discount Sheet as "Dealer Contingent Reserve." Credit it to your General Ledger "Dealer Reserve" account.

N Participating national bank branches, affiliate bank branches and those correspondent associates using the C&S Automated Installment Loan System should issue a check for the 2% reserve. Indicate in the disbursement section of the Discount Sheet that a check was issued to C&S National Bank for the amount of the reserve. Do not list the reserve in the spaces labeled Dealer Loss Reserve, Dealer Contingent Reserve, or Prepaid Dealer Reserve. The reserve check should indicate that it is for GDA Reserve, and give the customer's name. Mail to Retail Banking, Atlanta.

N In preparing the Discount Sheet, the loan should be classified as Type 2, Sales Finance, Class 30, Service - Miscellaneous. The dentist's name should be listed as indorser, so it will appear on the New Loan Report. Do not list the GDA as indorser. In the "Dealer Name" space show "GDA." Use the same dealer number for all dentists, so your total experience will be shown on one New Loan Report.

N DEALER RESERVE REPORTS

The Sales Finance Department in each national bank city and each affiliate bank will receive a Dealer Reserve Statement on their GDA Reserve shortly after the beginning of each month. Installment Loan Control should be asked to show as the dealer's address "Georgia Dental Association, c/o Retail Banking, Atlanta." As soon as you receive the statement, prepare a "Debit Dealer Reserve" ticket (form 19-1250) for the total of the reserve on new loans for the month. Use transaction code 99P. Issue a check for the same amount payable to the C&S National Bank, and mail it and the dealer's copy of the Reserve Statement to Retail Banking, Atlanta. All reserve transactions on the GDA's Reserve Statement should appear in the Dealer Contingent Reserve columns. If any transactions appear in the Dealer Loss Reserve columns, they should be reversed to Dealer Contingent Reserve.

National bank branches, affiliate branches, and correspondent associates should have no transactions on their GDA Reserve Statements. Please contact Retail Banking, Atlanta, if you receive GDA Reserve Statements with transactions or ending balances.

Replaces Bulletin: OVER THE COUNTER - DENTAL PAYMENT PLAN - GEORGIA DENTAL ASSOCIATION - Dated 9/29/61

SETTLEMENT SHEETS

R Correspondent banks, and those correspondent associates not using the C&S Automated Installment Loan System, should send a settlement sheet and a check for the reserve on new loans to Retail Banking, Atlanta, by the 10th of the month. Even if you have no activity during the month, it is necessary to prepare the Settlement Sheet to reflect the outstanding and Past Dues. The settlement sheet is illustrated below.

National bank offices, affiliates, and those correspondent associates using the C&S Automated Installment Loan System need not prepare a settlement sheet.

SETTLEMENT SHEET

DENTAL PLAN

MONTH OF

June 19 72

NEW NOTES

Dentist	Maker	No. of Payments	Note	Bill	Reserve
Dr. George G. Gumm	Robert O. Dobert	6	134.20	144.00	2.88
Dr. Paul P. Pullet	Mrs. Bessie Odessie	12	345.60	322.00	6.44
Dr. Frank F. Fillet	Mrs. Betty P. Flattie	18	532.80	480.00	9.60
Dr. Carl C. Cupid	Ora P. Dora	24	1,072.80	935.00	18.70
		TOTAL	$ 2,105.40	$ 1,881.00	$ 37.62

OUTSTANDING NOTES AT END OF MONTH

Total Number	Total Amount	Past Due 30-59 Days	Past Due 60 Days and Over
159	$ 29,731.00	No. 2	No. -0- Balance $ -0-

REPORTING BANK Last National Bank of Podunk BY John Banker DATE 6-1-72

Replaces Bulletin: OVER THE COUNTER - DENTAL PAYMENT PLAN - GEORGIA DENTAL ASSOCIATION - Dated 9/29/61

UNCOLLECTIBLE ACCOUNTS

Any account that has one or more installments 90 days past due, after normal collection effort, may be charged to the Association's Reserve Account. While the Reserve Account is intended to protect the bank against all credit losses, it is not intended to substitute for collection effort. The bank must do everything possible to prevent the loss before calling upon the Association for reimbursement. After all collection efforts have been expended, send your complete file containing the original written credit application and copies of all collection correspondence, along with your note, to Retail Banking. The note should be endorsed to the Georgia Dental Association without recourse. Indicate in your file the net balance after computing the interest rebate.

In the event that an account becomes seriously delinquent, and the treatment has not yet been finished, the bank should collect from the dentist an amount representing the unfinished portion of the treatment and apply it to the loan before charging the balance to the reserve account.

INSURANCE CLAIMS

These loans may be covered by credit life and disability insurance. In the event of the death of an insured customer on whom the dental treatment has been completed, credit life claims should be filed for the unpaid balance of the loan. However, if a patient dies and the dental treatment has not yet been completed, the dentist should be called upon to return to the bank the amount of money represented by the unfinished treatment. This should be applied to the loan and a claim filed for the unpaid balance.

REFINANCING

The new agreements permit the bank to reschedule or refinance a dental loan, combining it with additional debts if necessary, and to extend the terms if the bank feels that such rescheduling will prevent a loss. Such refinancing does not relieve the Association of its liability and, in the event that the customer still cannot pay, the unpaid portion of his dental loan may still be charged to the reserve account.

ADDITIONAL TREATMENT

In the event that a patient requires additional treatment before he pays out a dental loan, the cost of the additional treatment may be added to the
R unpaid balance and reworked for an additional 24 or 36 months, depending on the amount financed. Of course, in such a situation the 2% reserve would apply only to the cost of the additional treatment.

Replaces Bulletin: OVER THE COUNTER - DENTAL PAYMENT PLAN - GEORGIA DENTAL ASSOCIATION - Dated 9/29/61

FORMS

R Agreements and rate charts may be ordered from Retail Banking, Atlanta. All other forms may be requisitioned, by form number, in the normal manner from the Purchasing Department, Atlanta.

CORRESPONDENT BANKS

Correspondent Banks may participate in this program by signing three copies of the Agreement Between the Association and Participating Bank. There may be towns in your area where the local bank will not be interested in participating. In such cases, we have agreed to work with the dentists in those towns where it is practicable for us to investigate the paper and render a normal collection service. Before signing up dentists in other cities, however, check with the local bank to be sure that it has no objection to your handling the financing for his dentist.

CHARGE ACCOUNT SERVICE

The Dental Payment Plan is intended to finance treatment that requires extended repayment terms. With Charge Account Service, we have the perfect teammate to finance smaller amounts requiring shorter terms. Nowhere else can the dentists find such a complete financing arrangement to offer their patients. When calling on your dentists, be sure to present both programs and encourage them to utilize them to their best advantage. The dentists can eliminate many of their "money" problems by taking the positive approach in offering their patients these options ---

CASH
CHARGE ACCOUNT SERVICE
DENTAL PAYMENT PLAN

Revision of Page 2 only of OVER-THE-COUNTER - INDORSED LOANS - Dated 4/25/69

For the purposes of this bulletin, Indorsed Loans are all over-the-counter consumer credit installment loans which (1) are unsecured and supported by two or more signers, and (2) are not for home improvements or repairs.

These may be:

(1) Husband and Wife Loans. A loan made jointly to the Husband and Wife or to the Wife with the Husband's accommodation indorsement.
(2) Joint or Co-Maker Loans. Loans made to two or more parties for their joint use.
(3) Accommodation Indorser Loans. A loan in which the indorser "lends" his name and responsibility to the transaction to strengthen the credit for the benefit of the borrower.

DESIRABILITY

Through an indorsed loan, a good potential customer with limited credit history or job tenure and without sufficient acceptable collateral may establish his credit; and, an individual who has permitted his credit to become temporarily damaged may re-establish himself. Also, an indorser may add the necessary strength to permit handling a request of a customer or potential customer where the amount requested is more than can be supported by the applicant's credit alone.

Although many indorsed loans will be unprofitable in themselves, we should handle willingly, and actively solicit and suggest this as a possibility when the applicant has the potential of becoming a good customer to whom we may later - after developing experience - lend on his signature only. This type applicant seldom has close ties with another local bank and through service and solicitation can generally be sold our "Full Service Banking".

SOURCE OF BUSINESS

Opportunities to make this type loan will result from overall advertising and solicitation for personal loan applications. It is necessary to recognize, from interviews and applications, conditions which indicate that a qualified indorser will permit handling a request which would otherwise be rejected. When this condition exists, suggest this possibility to the applicant and let him know generally the type endorser that would be required. (See following paragraphs on "Credit Requirements").

(1) DO NOT suggest a specific individual to an applicant as a possible indorser except in those instances where the advance is to directly benefit both parties.
(2) DO NOT suggest an indorser to a bad credit risk as an indirect method of rejecting an application.

In considering the need for an indorser, always keep in mind that most people take pride in their ability to get credit "on their own". Asking for indorsers when not needed will result in the loss of good business - maybe not the first time, but some place along the line a more understanding lender will take your customer.

Revision of Page 2 only of OVER-THE-COUNTER - INDORSED LOANS - Dated 4/25/69

CREDIT REQUIREMENTS

Investigation: The extent of the investigation on each party must be the same as normal for regular unsecured borrowers. (See Bulletin: "Lending General - Credit Investigation").

The Borrower: Weaknesses in the borrower's credit evidenced by: (1) short employment, (2) low income, (3) limited credit background, (4) frequent small loan company borrowings and (5) slowness or irregularity in past payment records, may be offset by a satisfactory indorser. However, the borrower must have the capacity to meet the required installments under existing conditions and there must be no evidence of poor or bad character.

The "Family Budget Consolidation Work Sheet" should be used when there is a question as to the borrower's capacity to meet his required monthly obligations.

The Indorser: The indorser must have the capacity and character to indicate that he will and can meet the required repayment schedule if called upon to do so. It is much more difficult to collect an obligation from one person made by and for the benefit of another than it would be to collect a direct obligation made by himself and for his own use. Therefore, the credit of the indorser must be stronger than would normally be required if the indorser were borrowing the money in his own name and for his own use.

Personal contact should be made with the indorser to assure that in fact he does indorse the note and that he fully understands his liability and responsibility to meet the obligation if the borrower fully fails to do so.

Occasionally a request will be received from a good bank customer that a loan be made to another on the strength of his indorsement. Previously discussed credit requirements for indorsers apply and an investigation of the borrower's credit should be made. Exceptional or unusual weaknesses should be discussed in generalities (do not give out confidential information) with the indorser to give him the benefit of our experience and opinion. An obviously bad credit risk should not be handled even with a stronger indorser.

TERMS

Up to 24 months - $10.00 minimum monthly payment.

R In determining terms consider - (1) the credit worthiness of the borrower and the indorser, (2) the borrower's stability and his capacity to repay the required monthly payment, and (3) the purpose of the loan.

INSURANCE

Credit life insurance or credit life and disability insurance should be solicited on each eligible transaction. When feasible, place this insurance on:

(1) the borrower in accommodation indorser transactions;
(2) the one to whom we look for repayment in joint borrowers or co-maker transactions;
(3) the "bread winner" in husband-wife transactions.

Replaces Bulletin: OVER-THE-COUNTER - INDORSED LOANS - Dated 8-17-64

NOTE: This insurance can be placed on only one of the parties obligated on the transaction. That party must also sign and show his date of birth in the insurance statement section of the note (required by Regulation Z effective 7-1-69).

FORMS TO USE

1. Forms required on each transaction:

   (1) Discount Sheet (Form #19-898). Use in interview and investigation of borrower and indorser if interviewed. Also for discounting purposes.
   (2) Unsecured Installment Note (Form #19-912). Joint or Co-Maker Loans - have both parties sign on the face of the note in the spaces provided. Accommodation Indorser Loans - have the borrower sign on the face of the note in the space provided and the accommodation indorser sign in the space provided on the reverse of the note under the printed guarantee.

2. Forms which may or may not be required:

   (1) Confidential Statement (Form #19-987). Use to obtain personal information on an indorser, borrower or co-maker when interview is not feasible.
   (2) Budget Consolidation Work Sheet (Form #19-885). Use in the interview when judgment indicates the advisability of using this as an aid to ourselves in appraising capacity and/or as an aid to the one being interviewed in appraising his own situation.
   (3) Borrower's Authorization To Pay (Form #19-889). Use only when part or all of disbursement is to be made other than to the borrower. If disbursement is made by check payable jointly to the borrower and another, this form is not needed.
   (4) Guaranty (Form #15-531). Use when an indorser does not want the borrower to know that he is guaranteeing the transaction.

DISBURSEMENT OF FUNDS

Joint or Co-Maker Loans - make disbursement jointly to both parties.
Accommodation Indorsed Loans - make disbursement to borrower.

Generally, disbursement will be made by the bank check directly to borrower(s) or by deposit to a checking account. However, at times one of the conditions on which the approval of credit is based is that outstanding balances with other creditors be paid off. In cases, a bank check should be made jointly to the borrower(s) and the creditor, or to the creditor alone on authorization given in the "Borrower's Authorization To Pay".

COLLECTIONS

Collections are basically the same for all loans; however, it is necessary that the indorser be kept informed at all times on the status of the transaction. Copies of all notices (See Operating Guide Bulletin - "COLLECTIONS - NOTICES - ENDORSED LOANS")

Replaces Bulletin: OVER-THE-COUNTER - INDORSED LOANS - Dated 8-17-64

and letters should be sent to the indorser. Also, by telephone or letter, keep the indorser informed of the results of telephone or personal contacts with the borrower and of the fact that we are looking to him to pay if the borrower does not, after reasonable follow-up. Indorsers can be of substantial help in adjusting these accounts and should be called upon for this help.

SPECIAL NOTICE

1. The Georgia Legislature enacted House Bill No. 89 in March, 1969, thereby changing the extent to which a married women can act as surety or assume the debts of her husband. The law now states:

N E W

> "The wife may not bind that portion of her separate estate which is composed of tangible personal property by any contract of suretyship or by any assumption of the debts of her husband. The sale of any portion of her separate estate which is composed of tangible personal property to a creditor of her husband in extinguishment of his debt shall be absolutely void."

The bank's attorneys further clarify:

N E W

> "This carves out "tangible personal property" which would be anything in the nature of jewelry, furniture, equipment, machinery, automobiles, appliances, etc. - anything having a tangible quality and not a part of real estate. Consequently a married woman could pledge or create a security interest in real property (land and improvements) or intangible property (stocks, bonds, contract rights, etc.) to support a guaranty or surety obligation or to assume the debts of her husband but could not do so for those purposes with regard to the tangible personal property."

2. A corporation may or may not be authorized by its corporate charter to indorse another's note. Generally, such provisions are not part of the corporate charter, and in the absence of specific knowledge of such provisions, corporations should not be accepted as indorsers.

3. A "verbal indorsement" may or may not have value, depending on the integrity of the indorser. Such an indorsement can not be enforced by legal means, and it is much too easy for an indorser to forget his promise or to have an honest misunderstanding of his responsibility. Therefore, we should not base a credit decision on the strength of any verbal indorsement.

Revision of OVER-THE-COUNTER - LOT FINANCING - Dated 1-23-69
(Page 1 and 2 only)

Since our lot financing program was developed in 1965, following changes in real estate regulations for national banks, a moderate number of loans have been made with excellent experience. The larger than average loan, above average credits, and collateral relationships combine to make lot financing a very desirable class of business that should be solicited aggressively.

CLASSIFICATION

These loans should be classified Collateral since they are consumer in nature and contain the add-on rate with life and disability insurance. We should describe the collateral on the discount sheet as S/D R. E. LOT, so that the ledger cards can be readily identified at any time. It will not be necessary to add these to the real estate total for call reports since they will represent only a small per cent of the total real estate outstanding.

AUTHORITY TO LEND

State-Chartered Banks - Section 2 (a)

"Any state bank may make loans secured by a first lien on improved or unimproved real estate, including farm lands or forest tracts of land and improved business and residential properties. The advance should not exceed 80% of the fair market value when amortized".

National Banks - Law -- 12 U.S.C. 371

"Any national banking association may make real estate loans upon improved real estate, including improved farm land and improved business and residential properties".

Land may be considered improved under special conditions.
Paragraph (e), Section 2020 ---

(e) Off-site improvements
Whether off-site improvements have enhanced the value is a question of fact to be determined in each case. Examples of real estate improved by off-site improvements:

(1) Property which is valuable because the improvements of a developed urban area are immediately available to it.
(2) Lots in a housing subdivision for which substantial improvements such as streets, water, sewer and other utilities have been provided.
(3) Prime industrial property enhanced in value because it is located on a paved street with utilities and transportation facilities available.

Revision of Pages 1 and 2 only of OVER-THE-COUNTER - LOT FINANCING - Dated 1-23-69

APPRAISAL

R An appraisal made by an outside appraiser or two competent lending officers is necessary to make a conforming real estate loan. Where the appraisal is made by a bank officer, the following points should be carefully considered in arriving at a reasonable evaluation.

1. Comparable land values - it is desirable that the lending officer compare other lot sales in the immediate vicinity to establish a fair market price.

2. Personal contact with realtors and other builders in the area to establish a fair market price.

3. The sales contract - this in itself is a good indication of the "market price"; however, it must be established that a reasonable price has been set. If a source of equity funds is not evident from the interview and the credit application, this may suggest to the lender that the price may have been adjusted upward to compensate for a limited down payment. By employing the above methods of appraising, we will substantiate the final conclusion reached.

Qualified outside appraisers should be engaged when large tracts of land are to be developed into land lots. This type request will usually originate within the commercial or mortgage loan departments. The developer will generally sell a majority of the lots to builders; however, there may be some which will be available to individuals. The consumer lender should work closely with the commercial or real estate officer to determine if the land lots are priced reasonably with established land values as well as to give the developer a fair rate of return.

EXTENT OF INVESTIGATION

The normal requirements regarding thorough interview and complete investigation should be met. (See OVER-THE-COUNTER - APPLICATION AND INTERVIEW and LENDING GENERAL - CREDIT INVESTIGATION).

CREDIT REQUIREMENTS

Lot financing should be based primarily on favorable credit factors - adequacy and stability of income, reasonable debt position and satisfactory paying habits, rather than over-reliance on collateral. Even though the land value might more than cover the loan, we are not interested in repayment through foreclosure except where inability to repay develops from unforeseen circumstances.

Replaces Pages 3 and 4 of Bulletin: OVER-THE-COUNTER - LOT FINANCING Dated 1-23-6

RATES

See LENDING GENERAL - RETAIL RATES - OVER-THE-COUNTER. Closing costs and any attorney fees will be paid by the customer - either directly or included in the advance, which is not to exceed 80% including such fees.

TERMS AND ADVANCE

Since lot financing must conform, as a real estate loan, the advance cannot exceed 80% of the appraisal or purchase price, whichever is lower. With an 80% advance, the loan must be repayable in regular monthly installments.

Maturities should not exceed a five-year period. It is desirable that loans under $3,000 not exceed a three-year maturity, so as to provide the necessary amortization to keep the loan on a sound basis. Actually, maturities should be geared to expected time of permanent financing on the home loan; however, in most cases, the borrower will tend to prefer the longest maturity available.

There may be occasional situations which will warrant exceeding the 80% of appraisal. The following is quoted from The National Banking Review, December 1963, Pages 262 - 263.

"A recent ruling permits the use of pledged collateral as an offset to any excessive portion of a real estate loan. For example, a real estate loan will not be considered in violation of the statute where the amount of the loan exceeds the limitations of that statute, provided the excessive portion of the loan is fully secured by pledged collateral, in the form of a savings account, certificate of deposit, or other security to which the bank has ready access and first claim".

If additional collateral is taken under this ruling, we should restrict our collateral to savings; stock that is properly margined; cash value life insurance; or, the like.

PREPARATION AND CLOSING OF LOAN

After the credit requirements have been met, the loan must be properly processed to adequately assure the bank of a first mortgage lien. There are two ways we can assure ourselves of a first mortgage lien:

1. An opinion from a reliable attorney, OR
2. Property check performed by Legal Messenger Service. (See LENDING GENERAL - REAL ESTATE - PROPERTY VERIFICATION). This method will be found to be both faster and cheaper, in general, than waiting for an attorney.

Replaces Pages 3 and 4 of Bulletin: OVER-THE-COUNTER - LOT FINANCING Dated 1-23-69

Although a title policy is not required, the additional cost is reasonable if the customer desires one. It will be satisfactory for the customer to use his attorney to provide the bank with an opinion. Attorney's fees will be paid by the customer either direct or as a part of the loan advance, so long as it is within the 80% advance.

The attorney should be provided with a description of the deed, and the name and address of the seller. With this information, the real estate records will be checked to assure the bank of a first mortgage. Regardless of whether the attorney closes the loan, or it is closed by the lending officer, the following forms will be necessary:

1. Consumer Collateral Installment Note (Rev. 6/69)
2. Deed to Secure Debt (15-568)
3. Lot Appraisal Form (19-941) illustrated on pages 5, 6, and 7.
4. Owner's affidavit - this is generally done to assure lender that there are no outstanding labor bills and unpaid bills for assessments.
5. Borrower's affidavit - assures lender that borrower or deponent swears no improvements or repair bills outstanding 90 days preceding the date of the loan. Further that there are no suits pending against deponent, and that there are no assessments against the property. (Prepared by attorney)
6. Survey - This is a survey of the land lot itself to insure that the measurements are accurate, and to disclose any easements or encroachments existing on the property. It is not mandatory that the bank require this, but the customer may so desire.

In many instances, the bank will have to provide these forms to the attorney for final preparation. It is recommended that whenever possible, the attorney be present at the final closing with the borrower and the lending officer. It is also important that after the closing, the attorney record the documents for the bank. As a general practice this will be made a part of the final opinion which the attorney will submit to the bank.

INSURANCE

Lot loans are eligible for life and disability insurance under our Prudential policy. Our Metropolitan credit life real estate policy is not applicable since it requires that the property be improved and that the insured customer live therein. (See Operating Guide bulletins - INSURANCE - CREDIT LIFE, INSURANCE-DISABILITY).

Replaces Page 5 and 6 of Bulletin: OVER-THE-COUNTER-LOT FINANCING-Dated 7-1-69

SOURCE OF BUSINESS

Real estate companies can provide us with prospects for which they have land lots to sell. Present commercial customers or prospects would welcome this service as a benefit both to their customers as well as themselves.

When mortgage loans are being handled on a regular basis, builders and developers will approach us for financing from the outset on the land. Individual lot financing will provide these builders with the necessary tools to turn over their investment and realize a profit. Thus, the mortgage loan department can utilize consumer lot financing as the beginning step toward eventual construction and permanent financing.

REGULATION Z

Show Total of Payments and Finance Charge in appropriate spaces on the note. This is because the customer's dwelling is not yet in the picture. R
The customer does have the right to rescind.

RELATED BULLETINS:

LENDING GENERAL - CREDIT INVESTIGATION
LENDING GENERAL - REAL ESTATE - PROPERTY VERIFICATION

OVER-THE-COUNTER - APPLICATION AND INTERVIEW

INSURANCE - CREDIT LIFE
INSURANCE - DISABILITY

THE CITIZENS & SOUTHERN NATIONAL BANK

Lot Appraisal Form

JOHN DOE CUSTOMER Date 1-2-69

LOCATION

Town DECATUR County DEKALB

Section 125 Block D Lot 76

Size of Lot: Frontage 150 ft. Depth, Right Side 250 ft.

Left Side 250 ft., Rear 140 ft.

NATURE OF LAND

Flat _____ Gently Rolling ✓ Hilly _____

Describe advantages (vegetation, view, nature of soil, etc.) WOODED WITH YOUNG HARDWOOD AND 10-15 YEAR PINES. NATURAL DRAINAGE TOWARDS REAR OF LOT.

Describe disadvantages (rock, swamp, bad access, steep grades, etc.) NONE APPARENT - SLIGHT GRADE AT REAR

UTILITIES AVAILABLE

Gas ✓ Sewage or Septic Tank SATISFACTORY SOIL FOR SEPTIC TANK

Paved Streets ✓ Curbing ✓

NEIGHBORHOOD

General Character GOOD - GENERAL AREA CONTAINS NEW SUBDIVISIONS OF $25,000 - $40,000 CLASS

Indicate Distance to Nearest:

Church NUMEROUS IN NEIGHBORHOOD Industrial Area 5 MILES

School 8 BLOCKS Shopping Center 6 BLOCKS

19-741

E 1533 (Continue on Reverse)

Revision of COLLATERAL - RESIDENTIAL LOT FINANCING Dated 1-4-65

Restrictive Covenants: Yes ✓ No _____

Describe R-1, Lot [illegible]

Lot Presently Zoned R-1

Anticipated or Proposed Zoning Changes None - No [illegible]

Proposed Improvements on Property

Sales Data on Nearby Lots:

Location	Price	Date Sold	Dimensions	$ Per Front Foot	$ Per Square Foot
Lot 74	$5,200	12/64	150 x 250	$34.67	$ .14
Lot 77	$5,600	10/64	200 x 300	$28.00	$ .09

Tax Assessment $175.00

PRICE

Terms or Conditions $500.00 EARNEST MONEY - 120 DAYS TO [illegible]

Purchase Price $ 5,000. Appraised Value $ 5,000

APPRAISERS:

S. J. Banker

Title A.C.

T. T. Lender

Title A.V.P.

E-1534

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT NEGOTIABLE SECURITIES

TOPIC

 Date 4-24-69

Replaces Bulletin: OVER-THE-COUNTER - NEGOTIABLE SECURITIES - Dated 6-10-68

Stocks and Bonds are desirable as collateral due to their liquidity and chance of appreciation (stocks), if the proper safeguards are taken. Stocks will most often be utilized and offered as collateral.

CLASSIFICATIONS

The two basic classifications of stocks are listed and unlisted stocks. Listed stocks refer to those that are listed and actively traded on the two national security exchanges. Just because the stock offered as security on a loan is listed does not necessarily mean that there is a ready market for it. This factor should be considered in accepting a stock for collateral.

Unlisted securities are those stocks which are traded on local "over-the-counter" markets. This market is made up usually of relatively small local corporations that do not qualify or desire to be listed on a national exchange. Just because a company's stock is traded on an "over-the-counter" basis does not mean that it is not as valuable as a nationally listed stock. All of the banks and most insurance companies are listed on these exchanges.

BASIC CONSIDERATIONS

Here are the basic considerations in loans on securities:

1. Moral risk of borrower.
2. Financial responsibility of borrower.
3. A definite understanding with the borrower that the loan must be repaid on a regular schedule whether in installments or in one payment, and that the loan must be properly margined at all times. This means that when the market value declines, additional collateral should be pledged, or the loan reduced to bring it in line with the original agreement.
4. The value of collateral.
5. The marketability of the collateral and whether the market can absorb a large number of shares if you have a concentration.
6. Related laws.
7. Documentation.
8. Changes in laws or economic conditions.

SPECIAL CONSIDERATIONS

Determine that there is a ready market for the security offered and that it is actively traded. A call to a broker friend can resolve this question quickly.

A stock selling for under $10.00 is to be avoided unless something of a favorable nature is known of the company. As a rule, loans should not be made on extremely low priced stock, although there could be exceptions to this under certain conditions.

Closely held securities, regardless of the price, should be avoided unless a purchase agreement, at a stated price, can be obtained from the company.

Speculative stocks that are subject to drastic price fluctuations should be avoided if possible and if they are used at all, the margin requirements should be tightened to insure that you are properly protected.

APPROVED STOCK PURCHASE PLANS

We will continue to make loans to persons under approved stock purchase plans where company stock is being sold to key personnel, and payments are made on a monthly or quarterly basis. Also, this includes loans to officers and directors of correspondent banks on stocks of their bank.

REGULATION "U"

The Federal Government has a tight set of regulations that govern the use of stocks. One of these is the "margin requirement" that prohibits a bank from lending 100% of the market value of a stock that is pledged as collateral. At the present time our margin requirement for stocks is 30%, or phrased another way - "lend only 70% of the market value". This is required when the loan is for any other purposes than purchase of stock.

If, however, a customer wishes to borrow money to purchase the stock and uses the stock to secure the loan, then only 20% of the value can be loaned with an 80% margin.

On every loan secured by any stock, a Regulation "U" form must be signed by the customer and acknowledged by the person making the loan. The customer must state the reason for which the money is being borrowed.

BONDS

Corporate Bonds, Government Bonds and Treasury Bonds are the most common types.

1. Government Savings Bonds - Series E, F, and G are not assignable. Series H Bonds are assignable but are rarely offered as collateral.
2. Corporate and Treasury Bonds are normally "bearer" type bonds; that is, no owner is named on the bond and they can be redeemed by the holder. These bonds are quoted and traded on the major exchanges. As these instruments are extremely negotiable they must be kept under dual control in the collateral file.

Since they are "bearer" bonds, no assignment or power of attorney is needed. If it becomes necessary to sell the bonds in order to liquidate the loan, it would be advisable to obtain a "sale order" from the customer.

FORMS NEEDED

1. Collateral Note (19-880) - complete description of securities and number of shares pledged, i.e. 500 shares common stock American Telephone and Telegraph Company, Cert. No. 71805 and No. 71806.
2. Assignment of Investment Security (15-563) - one for each stock certificate in blank, signed but undated. Exactly as stock is made out and acknowledged by interviewer. Attach one to each certificate.
3. Regulation "U" (15-557) - one per loan, completely filled out. It should be signed in the same manner as the stock certificate is made out. This form stays with the stock certificate and stock assignments, and logged into the collateral file for safekeeping.
4. Collateral Receipt Card (15-575) - this is a three part form consisting of one white original (customer's receipt for collateral), yellow collateral card (for bank's record of collateral held in safekeeping) and a margin card (for periodically checking margin on loan). When loan is paid out and collateral released to the customer, collateral card should be signed by the customer as acknowledgement of release of securities to the owner.
5. Hypothecation Agreement (15-501) if needed. Used only when another party, other than the borrower, is allowing his securities to be pledged on a loan. It should be kept with stock certificates in safekeeping.

The Georgia Legislature enacted House Bill No. 89 in March, 1969, thereby, changing the extent to which a married woman can act as surety or assume the debts of her husband. The law now states:

"The wife may not bind that portion of her separate estate which is composed of tangible personal property by any contract of suretyship or by any assumption of the debts of her husband. The sale of any portion of her separate estate which is composed of tangible personal property to a creditor of her husband in extinguishment of his debt shall be absolutely void". N E W

The bank's attorneys further clarify:

"This carves out "tangible personal property" which would be anything in the nature of jewelry, furniture, equipment, machinery, automobiles, appliances, etc. - anything having a tangible quality and not a part of real estate. Consequently, a married woman could pledge or create a security interest in real property (land and improvements) or intangible property (stocks, bonds, contract rights, etc.) to support a guaranty or surety obligation or to assume the debts of her husband but could not do so for those purposes with regard to the tangible personal property)."

Replaces Bulletin: OVER-THE-COUNTER - NEGOTIABLE SECURITIES - Dated 6-10-68

SAFEKEEPING

All securities, of course, should be held in your collateral file under dual control. The note and all related papers must be signed by the customer exactly as shown on the security.

FRAUDS

As our economy grows, it becomes more complex, and along with complexity, the dangers expand. Unfortunately, there is a market in this country in stolen and counterfeit securities. Needless to say, if such stocks are pledged against a loan, you will never see your customer after the note is signed. The only practical safeguard is to "know your customer". If you don't know him, then good lending practices require that you investigate to your satisfaction.

Replaces Bulletin: OVER-THE-COUNTER - PROPERTY IMPROVEMENT - Dated 10-8-68

Property improvement loans are made to individuals for the purpose of improving residential real estate. The improvements may be additions, remodeling, repairs, landscaping, wiring, air conditioning, and many others. Basically, any improvements to the property or the house qualifies for financing.

CLASSIFICATION

Classify as Property Improvement.

Property improvement loans feature several benefits to the customer and to the bank.

A. BENEFITS TO THE CUSTOMER ARE:
   1. Prompt service is given with no red tape involved.
   2. Low bank rates.
   3. Reworks of existing mortgages are eliminated, thus avoiding closing costs and fees.
   4. Life and disability protection is available for the borrower.
   5. The improvements protect as well as improve the real estate investment of the borrower.
   6. Any type of improvement is financed.

B. BENEFITS TO THE BANK:
   1. The homeowner is generally an above-average borrower, and is a prime prospect for more banking services.
   2. The average unpaid balance of this type of loan is high.
   3. The yield is profitable.
   4. Collection expense is low.
   5. Loss ratios are very favorable.
   6. The customer frequently has given this a great deal of advance thought and planning.

ELIGIBLE PROPERTY

1. Owner-occupied housing.
2. Single family residential rental property (loans to owners).

(Ownership of more than one single-family residence for rental purposes, or multiple unit apartments, duplexes, triplexes, etc., places the individual in a more commercial category. Property improvement loans of this nature should be handled as Term loans).

Replaces Bulletin: OVER-THE-COUNTER - PROPERTY IMPROVEMENT - Dated 10-8-68

CREDIT REQUIREMENTS

THE BORROWER

The degree of protection the bank will enjoy will be evidenced by the credit standing of the borrower and by his amount of equity in his home. However, it is important to remember that equity cannot replace weaknesses in the borrower's credit or personal background, such as:

a. Low income
b. Unstable employment
c. Heavy indebtedness
d. Litigation or slow payment record
e. Questionable personal habits

Although a recordable instrument is used, a property improvement note is basically unsecured, so there should be no doubt in your mind concerning the ability of the borrower to repay the loan. In addition, we should always be satisfied from both the interview and results of credit investigation that the customer is of good character.

THE PROPERTY

The nature and extent of improvements have a direct relationship to the location of the property. Some specific considerations:

1. Present property value
2. Type neighborhood
3. Is neighborhood progressing or deteriorating?
4. Will proposed improvements overprice the property if sale becomes necessary?

RATE-TERMS-ADVANCES

Rates are set forth in LENDING GENERAL - RETAIL RATES - OVER-THE-COUNTER. Terms are five years maximum, with three years being the most common. The chief determining factor here must be the customer's ability to pay. Advances may be made up to 100% as working progresses, if this is considered a desirable approach to a given situation.

Replaces Bulletin: OVER-THE-COUNTER - PROPERTY IMPROVEMENT - Dated 10-8-68

FORMS TO USE

19-898	Discount Sheet	
19-916	Consumer Property Improvement Note	The body of the note is divided into two sections: Repairs and Goods. Repairs include structural additions such as rooms, carports, etc., as well as general remodeling and modernization such as painting and plastering. The Goods portion refers to such things as built-in appliances, wall-to-wall carpeting, and central heating systems.
19-889	Borrower's Authorization (where applicable)	

INTERVIEW

Probably the only thing that distinguishes this interview from other loan interviews (see OVER-THE-COUNTER, APPLICATION AND INTERVIEW) is the procedure necessary to clearly determine the purpose of the loan. Most of our customers are honest in stating the purpose of the loan. However, this risk can be greater than in almost any other type of normal loan. Possibilities for white lies, subterfuge, and on down to outright fraud are perhaps greater here than in any other type of over-the-counter unsecured lending. Certain loss situations have shown that some common real uses of the money are to:

1. Purchase other goods.
2. Pay off or reduce debts.
3. Pay taxes.
4. Use for capital requirements in new business.
5. Bolster a short-of-capital business.

At the time of the interview, your customer usually will be able to furnish you with a contractor's estimate of the work to be done. If the customer is overseeing or doing the work himself, he will probably give you a definite idea of the scope of the job. Here are some safeguards that we may want to use to help assure proper loan use:

1. Ask the customer for a contractor's estimate of material and labor to be used.
2. Pay the contractor and/or building supply firm on a direct basis, securing a borrower's authorization for this purpose.
3. Where large amounts are involved, arrange to make an inspection of the property similar to one we would make for a real estate construction loan.

Replaces Bulletin: OVER-THE-COUNTER - PROPERTY IMPROVEMENT - Dated 10-8-68

INVESTIGATION

Normal, thorough credit investigation practices will apply (see LENDING GENERAL - CREDIT INVESTIGATION). Special attention must be given to verification of property ownership when we intend to record (loan over $1500). Arrangements have been made with a firm, Legal Messenger Service, Atlanta, telephone 873-5753 collect, that can give us property checking service in approximately 90 Georgia counties. (See LENDING GENERAL - REAL ESTATE - PROPERTY VERIFICATION).

DISBURSEMENT OF FUNDS

We should normally:

1. Disburse funds payable jointly to the supplier and customer, or,
2. Disburse funds directly to the supplier (having secured a borrower's authorization), or
3. Deposit funds to the customer's checking account, or
4. Pay funds directly (cashier's check) to the customer, only if none of the above 3 can be done.

RECORDING AND RELEASE

All loans of $1,500 and over should be recorded on the real estate records of the county in which the property is located. If a collection problem develops on any property improvement loan which has not been recorded, it should be recorded at once. Recording of the note does not give us the security of a mortgage or impair the title to the property or prevent the property from being sold without paying off our note. Recording does place any prospective buyer on notice that there is an unpaid indebtedness for improvements to the property, which might induce the buyer to require that the loan be paid-off before accepting the transaction. In any event, the bank might be notified that a sale of the property is about to take place and take the necessary steps to recover the loan amount. The legal description of the property (as furnished by Legal Messenger Service) should be given. Also, type or print the customer's name below his signature.

Where we record, we should release. This means that we should collect sufficient documentary fees at loan inception to pay for release. A form-type letter should be used as transmittal letter to the county clerk, with a carbon copy going to the customer so he'll know we've done our part. Triplicate to customer file. Close attention to this is very important. Failure to release means, in many cases, that the customer has to get us to sign a quitclaim deed which frequently costs him $25 to $50, depending on his attorney.

RELATED BULLETINS: LENDING GENERAL - REAL ESTATE - RIGHT TO RESCIND
LENDING GENERAL - REAL ESTATE - PROPERTY VERIFICATION

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT PROPERTY IMPROVEMENT

TOPIC GEORGIA PLAN

 Date 11-6-68

Replaces Bulletin: OVER-THE-COUNTER - SAVANNAH PLAN - HOME IMPROVEMENT

At this point, the Savannah Plan is now in process of becoming the Georgia Plan. Modifications in the broad approach will take place to fit the needs in each city, however, the portion of the plan relating to Property Improvement loans can and should be standardized. Additionally, uniform reporting procedures are needed so that we may determine the extent of our systemwide activity and the ultimate collectibility of this type of loan.

Preliminary experience in Savannah tells us that loans can be made to low income families to improve sub-standard housing for more than 75% of the applicants and on a basis that should produce reasonably good collection results. It has been clearly demonstrated that a positive approach is mandatory and that every avenue must be explored to FIND A WAY TO MAKE IT - not an excuse for rejection.

Our original premise still stands - we are going to solicit this business, and lower credit standards somewhat. Through thorough and careful interviews and counseling, flexibility in terms, mutual faith, and appropriate collection techniques, we will make the Georgia Plan work and show that private enterprise can do a job without abandoning the profit motive and substituting "giveaway programs".

WHO ARE GEORGIA PLAN APPLICANTS

For purposes of record keeping and determining which customers qualify for extraordinary handling, only general guidelines can be provided. Within these guidelines, each loan interviewer must determine whether a given application should be handled as a Georgia Plan transaction or as a normal property improvement plan. Our intent is to provide funds to improve substandard areas or houses and a willingness to work with owner occupants who would not immediately qualify for a property improvement loan under our usual standards.

We hope that loans to landlords for purposes of upgrading their properties and other loans to credit worthy individuals will be made as a result of Georgia Plan promotions but such loans should not be considered as part of the portfolio and procedures covered by this bulletin.

BASIC PLAN

We will handle Georgia Plan home improvement loans using the same forms, procedures and general operating techniques as are presently used in making property improvement loans, with modifications to fit the circumstances. Only the modifications are covered in the following paragraphs. Modifications include revision of terms and credit standards to some degree, but most importantly, spending the time that is necessary to qualify as many applicants as possible. The latter, short range excess expense, should be considered as our corporate investment in raising living standards and increasing incomes for the future.

Replaces Bulletin: OVER-THE-COUNTER - SAVANNAH PLAN - HOME IMPROVEMENT

CREDIT REQUIREMENTS

Handling of weaker credit risks than usual will be the normal course of events in this plan.

Character, desire and pride of ownership are key factors to be considered. Slow paying habits in the past may be discounted if the interviewer is satisfied that the applicant has a sincere desire to do better in the future and has reasonable job security.

Our whole underlying philosophy in handling residential home improvement loans should be that we want to help those that want to help themselves. We do not envision a "giveaway" program in any sense of the word to the extent of completely departing from good business practice. Impressions from the interview and from a visit to the home will form much of the basis for decision.

RATE AND TERMS

Rate Charts:	AM600LD* (When eligible)
Due Dates:	Normal Procedure
Minimum Payment:	$10.00
Maturities:	Up to 7 years with P. I. note or 2nd mortgage Up to 10 years with 1st mortgage

*The basic eligibility requirements for life and disability insurance are:

1. He is 61 years of age or less;
2. His contract or note is repayable in periodic installments over a period of seven years or less;
3. The balance to be financed is $10,000 or less; and,
4. The debtor must be gainfully employed during normal workweeks of at least 30 hours (either for others or for self) at the time the loan is made.

Customers ~~PERSONS~~ WHOSE ENTIRE INCOME IS FROM INVESTMENTS, RENTALS, PENSIONS, ETC., ARE NOT ELIGIBLE.

INTERVIEW AND APPLICATION

It should be obvious that our abilities to deal with people in difficult circumstances, to lend and collect, are going to be tested as never before. It should be equally obvious that a thorough job of securing a complete application and conducting a good interview takes on even more importance.

Debt Counseling and an "in depth" interview should be part of our program with no limitation on the amount of investigation or handling as long as we can come up with a transaction that has a reasonable chance of success.

Replaces Bulletin: OVER-THE-COUNTER - SAVANNAH PLAN - HOME IMPROVEMENT

HANDLING APPLICATIONS:

1. The first thing to do upon receiving a phone or written application is - GET THE CUSTOMER INTO THE BANK.
2. Everybody in the bank who normally handles loans will be involved in this and will conduct these interviews.
3. There will be no "buck passing". In other words, whoever gets the phone call should talk to the applicant and set up an appointment and not transfer the call to another branch or another individual. The same is true with applicants actually coming into the bank. They should be handled at the branch and by the person to whom they first talked.
4. Special care must be taken to determine what materials are to be purchased and used, and who is to perform the work. The contractor should be of good reputation, and we should investigate sufficiently to assure ourselves of this. The Better Business Bureau should be called where the firm's reputation is unknown to you.

INVESTIGATION AND DECISION-MAKING

It is not practical that one-stop loan service be accomplished on Georgia Plan loans. Of more importance than speed are the fundamentals of getting a full credit statement and conducting credit investigation as needed, including the making of a personal visit to the applicant's premises to help form the decision. This personal visit should be made after credit investigation and before ownership verification. (See Verification of Ownership). It is not necessary to make such visits where the investigation obviously precludes handling the transaction.

There are three reasons for lender to make the personal visit:

1. To see that the nature and extent of the proposed improvements are warranted,
2. To gain a further insight into the character aspect of the credit by relating it to the individual (clean, orderly. Do you get the feeling he's trying to improve his standards of living or does this appear to be kin to a handout?), and
3. To compare "before" and "after", because if the loan is approved, he will make another visit to assure satisfactory completion of the work before funds are disbursed. We suggest a polaroid camera for the purpose of taking pictures to aid in evaluation.

REJECTIONS

To be certain that all possibilities of making a loan have been explored, rejections should be confirmed by the senior Consumer Credit Officer in each city before notifying the applicant of our decision.

Replaces Bulletin: OVER-THE-COUNTER - SAVANNAH PLAN - HOME IMPROVEMENT

COLLECTION FOLLOWUP

At the ten-day point, past-due accounts should be reviewed. Accounts that have established a paying pattern of six or more satisfactory payments should be sent a notice. Others should be referred for personal handling.

The emphasis must be on helping the borrower to find a way to pay. Wherever possible, the person who loaned the money should perform the collection followup. His familiarity with the customer's situation should enable him to do an effective collection job including family budget counseling as we go along.

EXTENSIONS, LATE CHARGES, TRANSFERS

Normal procedures will prevail.

VERIFICATION OF OWNERSHIP

→ See LENDING GENERAL - REAL ESTATE - PROPERTY VERIFICATION.

County records must be checked to verify ownership before approval. ~~See Bulletin 10-8-68 - OVER-THE-COUNTER - PROPERTY IMPROVEMENT for property ownership verification procedures.~~

DOCUMENTATION

Property Improvement Application	19-914 (Itemize material and work)
Family Budget Consolidation Worksheet(if needed)	19-885
Property Improvement Note	19-916
Discount Sheet	~~19-898~~ 19-1295
Borrower's Authorization	19-889
Deed to Secure Debt (if secured)	

PERFECTING OUR SECURITY INTEREST

All Property Improvement Notes as well as Deeds to Secure Debt should be recorded.

COMBINATION DEBT CONSOLIDATION AND PROPERTY IMPROVEMENT LOANS

Cases will exist where it may appear advisable to make a combination debt consolidation and property improvement loan. The debt consolidation portion of the loan should not exceed 25% of the total loan. We will consider this only when it will better enable the customer to pay our payment.

SECURED TRANSACTIONS

Preliminary experience indicates that a significant number of applications can be handled by picking up the first mortgage on the property to be improved. This approach is particularly advantageous where the existing mortgage is relatively

Replaces Bulletin. OVER-THE-COUNTER - SAVANNAH PLAN - HOME IMPROVEMENT

small and the applicant's income will not permit an increase in monthly payments. With terms up to 10 years permissible, through the resulting "Baby Real Estate Loan" (under $10,000) the desired improvements can generally be made with little or no increase in monthly payments.

These secured Property Improvement transactions must conform to State and National Bank requirements for Real Estate lending but because of the relatively small size and specialized collection procedures needed, should be carried in our Georgia Plan portfolio.

Classify as "Property Improvement" and describe the collateral on the discount sheet as S/D R.E. so that the ledger cards can be readily identified at any time. It will not be necessary to add these to the real estate total for call reports since they will represent an insignificant percentage of our total real estate outstandings. Add documentary fees to the principal amount being financed.

DISBURSEMENT OF FUNDS

Loan proceeds will be disbursed only after the lender, by personal inspection and discussion with the borrower, has satisfied himself that the improvements have been made. Certificates of completion should be obtained from each contractor.

Funds should be disbursed by:

1. Making check payable to the firms or individuals providing the goods and services. A Borrower's Authorization must be obtained if this is done. A modification of this may be applicable - make out such checks and retain for a short length of time before mailing to allow time for work to be done satisfactorily and confirmation received from customer of completion.
2. Making checks payable jointly to the customer and the firm or person who provided the goods and services.

In some cases, the borrower himself will state that he will purchase the materials and do the work. Certainly, here is our maximum potential risk. In many cases, it will at least be possible for us to make out checks to the supplier for goods purchased. The interviewer should ask the man about his ability to perform the work involved.

In the final analysis, we will simply have to have enough faith in the man to lend him the money directly. If you don't "feel" it, don't lend it.

ADVERTISING AND PROMOTION

Advertising and Promotional material is available to publicize our willingness to lend money under the Georgia Plan for Property Improvement but this is effective only up to a point. The most effective approach to the people we are trying to reach is word of mouth - customer to neighbors and friends - group presentations under the auspices of community associations, churches, civic clubs, schools, etc.

Replaces Bulletin: OVER-THE-COUNTER - SAVANNAH PLAN - HOME IMPROVEMENT

RECORDS AND REPORTS

Accurate reporting of activity and collection experience is needed to appraise the development of Georgia Plan lending on a statewide basis. Additionally we hope to develop knowledge and techniques that will let us expand our market to lower income brackets for all classes of loans - better service to more people at a profit.

Reporting of Georgia Plan activity can be handled very simply:

1. Maintain a log in each office to record every Georgia Plan application and the disposition.
2. To segregate outstandings easily, show "Georgia Plan" in the space for Endorser on each applicable discount sheet. When the ledger card is returned from Central Billing, punch slot #7 nearest the top of the ledger card.
3. Complete the report shown below at the end of each month and forward to System Consumer Credit in Atlanta. Order reports as needed from System Consumer Credit rather than the Purchasing Department.

GEORGIA PLAN _____ _____ ,19 ___
Location

	CURRENT MONTH	CURRENT YEAR TO DATE	PREVIOUS YEAR TO DATE	CUMULATIVE TOTALS
NEW LOANS				
NUMBER				
AMOUNT				
REJECTIONS				
PENDING APPLICATIONS				
OUTSTANDINGS				
NUMBER				
AMOUNT				
PAST DUE ACCOUNTS				
30-59 DAYS (NO. & %)				
60 DAYS & OVER (NO. & %)				
60 DAYS & OVER (BAL. & %)				
LOSSES				
NUMBER				
AMOUNT				
RECOVERIES				
% OF CUMULATIVE VOLUME				

E- 1548

Replaces Page 1 and 2 ONLY of Bulletin: OVER THE COUNTER - REGULATION "U" Dated 9/18/69

Several more amendments to Regulation "U" became effective July 8, 1969.
N These amendments further tighten the use of credit in stock market transactions.

The reason for these margin requirements is to prevent excessive use of the credit for the purchase or carrying of securities. Under the present law, margin requirements can be applied to loans for the purpose of purchasing or carrying securities registered on a national securities exN change, and to certain securities traded in the over-the-counter market.

GENERAL RULE

Regulation "U" does not permit the extension of credit which is secured directly or indirectly by any stock for the purpose of purchasing or carrying any margin stocks in an amount exceeding the maximum loan value of the colR lateral, which is now 20 per cent of its current market value. Example:

> Customer wishes to borrow money to enable him to purchase 100 shares of stock selling at $100 per share. (Total cost $10,000). The stock is to be used as the collateral for the loan. The
> R maximum we can lend is $2,000.

The bank is allowed to extend credit for the purpose of purchasing or carrying a stock listed on a national securities exchange secured by collateral other than stock, without being subject to Regulation "U" requirements. The loan value of such collateral should be determined by the bank in good faith. Example:

> Customer wishes to borrow $10,000 to purchase the same 100 shares at $100 per share as mentioned above. As collateral, he has offered to give us C&S bonds valued at $10,822. We can lend up to $10,822 in this case.

LISTS OF MARGIN STOCKS

In order to determine whether a security is a"stock registered on a national securities exchange", or a security issued by an investment company, or in the "certain over-the-counter securities" group, two Federal Reserve listings are available:

1. List of Stocks Registered on National Securities Exchange".
N 2. List of Over-The-Counter Margin Stocks. (A copy of the July 8, 1969 list accompanied GOG 9.46 dated July 7, 1969).

New Bulletin: OVER THE COUNTER - REGULATION "U" - Dated 5-7-67

Copies of each of these can be obtained from the Comptroller's Department. These records may also be used to determine whether a stock into which a security warrant or right is convertible or exchangeable is governed by Regulation "U".

PURPOSE OF A CREDIT OR LOAN

1. "Credit which is extended for the purpose - regardless if immediate, incidental, or ultimate - of purchasing or carrying a stock is "purpose credit", despite the fact that there may have been a temporary application of funds otherwise."
2. "Credit extended to enable the customer to reduce or retire indebtedness which was originally incurred to purchase a stock is for the purpose of "carrying" such a security and will fall under the regulation requirement in so far as the margin requirement is concerned. (See 1st paragraph under General Rule)."
3. "An extension of credit provided for in a plan, program, or investment contract offered or sold or otherwise initiated after August 31, 1969, which provides for the acquisition of any securities described in the following paragraph and of goods, services, property, interests, or other securities, or investments, is purpose credit."

MARGIN STOCK

"Margin Stock means any stock which is:

1. A stock registered on a national securities exchange,
2. An over-the-counter margin stock,
   a. The term "OTC Margin Stock" means stock, not traded on a national securities exchange, which the Board of Governors of the Federal Reserve System has determined to have a degree of national investor interest, the depth and breadth of market.
3. A debt security that is convertible with or without consideration, presently or in the future into a margin stock or carrying any warrant or right to subscribe to or purchase a margin stock,

4. Any warrant or right,

5. Any security issued by an investment company other than a small business investment company licensed under the SBIC Act of 1968, unless at least 95 per cent of the assets of such company are continuously invested in exempted securities."

UNSECURED LOANS

Unsecured loans, even though made to purchase stocks, are not governed by Regulation "U".

MULTIPLE LOANS

The entire amount of the credit extended to a customer by any bank at any time for the purpose of purchasing or carrying stocks registered on a national securities exchange will be considered a single credit and all the collateral securing the indebtedness will be considered in determining whether or not all loan indebtedness complies with Regulation "U". (This type credit is considered separate from a loan on convertible securities). Convertible securities are covered on page 4 of this bulletin.

R The maximum loan secured by nationally registered stocks will be 20% or 70% of present market value, depending upon the purpose of the loan. If the loan is to purchase registered stock which will be the collateral R for the loan, the maximum loan amount is 20%. For other purposes, the maximum loan amount is 70%.

MISCELLANEOUS PROVISIONS

Regulation "U" Statement - Federal Reserve Form U-1 (C&S Form 15-557).

R The recent revision of the form is shown on pages 7 and 8.

Loans secured directly or indirectly by any stock require that we obtain R and retain in our records for at least three years after the loan is paid, a statement in conformity with the requirements of Federal Reserve Form U-1. This form is to be executed by the customer and accepted in good faith by an officer of the bank prior to the time the loan is made. In order to accept the customer's statement in good faith, the officer must (1) be aware of the circumstances that surround the loan, and (2) if there is any information which would cause a prudent man not to accept that statement without inquiry, investigate customer's statement in order to ascertain the truthfulness of the statement. Attached is a sample of the Regulation "U" form (although the form refers to a 6-year retention period, we can continue using them until present supplies are exhausted. Reprints will be correct).

It should also be pointed out that if the form merely states what is not the purpose of the loan, it must then be supported by a notation or memorandum of the loan officer which will describe the purpose of the loan. In other words, the lender must know what the loan is for. Regulation Z makes this necessary, also. As is indicated on the form, a false statement by the customer or the loan officer of the bank on the form may be punishable by fine or imprisonment. At the time the loan is made, Regulation "U" Form should be placed in the collateral folder. When the loan is paid out, attach Regulation "U" Form to the back of the Collateral Record Card. When loan is paid, the Collateral Record Card is a receipt for collateral pledged, and must be retained 10 years or longer in the department where the loan originated.

WITHDRAWAL

Withdrawal or substitution of collateral may not be permitted unless the loan balance will not exceed the maximum net loan value (after rebate is calculated) of the collateral remaining on the loan. Interest has been excluded in this table for simplicity's sake. Also, even dollar figures are used in lieu of exact terms.

	Purpose of Loan	Amount	Collateral	Terms	Loan Bal. 6 Months Later	Collateral To Be Withdrawn	Loan Bal. Reduction Required
R 1.	Buy $20,000 AT&T	$4,000	The Purchased $20,000 AT&T	12 @ $333	$2,000	$6,000	0
R 2.	Buy $20,000 AT&T	4,000	The Purchased $20,000 AT&T	12 @ $333	$2,000	$10,000	0
R 3.	Buy $20,000 AT&T	4,000	The Purchased $20,000 AT&T	12 @ $333	$2,000	$12,000	400
4.	Down Payment on Home	7,000	$10,000 IBM Stock	24 @ $292	$5,248	$2,000	0
5.	Down Payment on Home	7,000	$10,000 IBM Stock	24 @ $292	$5,248	$4,000	$1,048
6.	Down Payment on Home	7,000	$5,000 IBM Stock, $3,500 C&S Bonds	24 @ $292	$5,248	$3,000 (Stock)	348
7.	World Cruise	5,000	$5,000 C&S Bonds	12 @ $417	$2,500	$2,500	0
8.	World Cruise	5,000	$5,000 C&S Bonds	12 @ $417	$2,500	$3,000	500

Replaces Bulletin: OVER THE COUNTER - REGULATION "U" - Dated 5-7-67

RENEWALS

If the amount of the loan is not increased at the time of renewal or extension of maturity, it need not be treated as the extension of a credit except by the addition of interest or service charge in respect to the loan. The loan must, however, comply with the margin requirements. It is not necessary to obtain another Regulation "U" form for this.

REPORTS

The bank and every person engaged in the business of extending credit who, in the ordinary course of business, extends credit for the purpose of purchasing or carrying securities registered on a national securities exchange, will be required to make reports as the Board of Governors of the Federal Reserve System may require.

R LOANS ON CONVERTIBLE SECURITIES

"If the bank extended after June 15, 1959, and prior to October 21, 1967, credit for the purposes of purchasing or carrying a security convertible into a stock registered on a national securities exchange and the loan was secured by such a security and if after October 20, 1967, there is substituted any stock direct or indirect collateral the loan must then meet the present margin requirements.

a. Loans made after October 20, 1967, for the purpose of purchasing or carrying a security convertible into a stock registered on a national securities exchange and any credit extended after July 8, 1969, for the purpose of purchasing or carrying a security convertible into a margin stock; if the loan is secured, directly or indirectly, by any stock, the loan is considered to be subject to the present margin requirements."

SUBSCRIPTIONS ISSUED TO STOCKHOLDERS

"An extension of credit need not comply with the other requirements of Regulation "U", if it is to enable a customer to acquire a stock by exercising a right to acquire such stock evidenced by a warrant or certificate issued to stockholders and expiring within 90 days of issuance. The extension of credit or loan must not exceed 75 per cent of the current market value of the stock and each acquisition must be treated separately. Any such loans granted after October 20, 1967, must be reviewed and the

bank must compute the amount by which the loan exceeds the maximum loan value of the collateral (20 per cent of the stock's present market value) and the customer must reduce the loan by an amount at least equal to 1/4 of such sum by the end of the 4 succeeding 3 calendar month periods."

"If the bank fails to receive the required reductions or a portion thereof within 5 full business days after the reduction is due, the bank is required to sell a sufficient amount of the collateral and apply the proceeds of the sale to reduce the loan in an amount at least equal to twice the required payment for the first 2 such reductions, at least equal to the required payment for the third reduction and at least sufficient so that the remaining loan does not exceed the current maximum loan value of the remaining collateral after the fourth reduction."

OTHER LOANS SECURED BY STOCK

It is the policy of our bank, normally, to loan up to 70% of the market value of acceptable stocks, either listed or unlisted, provided the purpose of the loan is for reasons other than to carry or purchase securities.

FUTURE CHANGES

Any future changes in margin requirements alone will be communicated as in the past - NOT through a revision of this bulletin. Any other changes in Regulation "U", will, of course, necessitate a revision of this bulletin.

ORDERING FORMS

Regulation U forms (15-557) may be obtained by requisition from Purchasing Department, Atlanta.

RELATED BULLETINS

GOG	9.46	July 7, 1969
GOG	9.461	March 19, 1968
GOG	9.31	April 21, 1959

Replaces Bulletin: OVER THE COUNTER - REGULATION "U" - Dated 5-7-67

F. R. Form U-1
Rev. 6-69

15-557

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

STATEMENT OF PURPOSE OF A STOCK-SECURED
EXTENSION OF CREDIT BY A BANK
(FEDERAL RESERVE FORM U-1)

A FALSE OR DISHONEST STATEMENT BY THE CUSTOMER OR THE OFFICER OF THE BANK ON THIS FORM MAY BE PUNISHABLE BY FINE OR IMPRISONMENT (U.S. CODE, TITLE 15, SECTION 78ff AND TITLE 18, SECTION 1001)

Instructions:

(1) Please print or type. (If space is inadequate, attach separate sheet)
(2) The term "stock" is defined in § 221.2(i) of Regulation U.
(3) Part I (3) and (4) need be filled in only if the purpose of the credit described in Part I (1) is other than to purchase or carry margin stock.
(4) In Part II "source of valuation" need be filled in only if such source is other than regularly published information in journal of general circulation.
(5) Part II need not be completed in the case of a credit of $5,000 or less which is not for the purpose of purchasing or carrying margin stock. However, in such cases, Part I must be completed as if Part II were completed.

PART I (to be completed by customer(s))

(1) The purpose of this credit in the amount of $ 14,500 , secured in whole or in part by the stock listed in Part II (A) and (B) is (describe in detail) Purchase commercial real estate, 80' x 120', corner of Peachtree and North Druid Hills Road.

(2) This bank, Citizens & Southern National Bank (Peachtree-Lenox Branch) (Name of bank), has outstanding, or has agreed to extend, to the undersigned, the following credits in addition to the credit described on this form (itemize and describe briefly, including amounts and collateral if any). If none, so state

(3) Is any of the collateral listed in Part II (A) or (B) to be delivered, or has any such collateral been delivered, from a bank, broker, dealer, or person other than the undersigned? Yes ☐ No ☒
If yes, from whom? Against payment? Yes ☐ No ☐

(4) Has any of the collateral listed in Part II (A) or (B) been owned less than six months? Yes ☐ No ☒ If yes, identify all such collateral so owned.

The undersigned has (have) read this form and hereby certifies and affirms that to the best of my (our) knowledge and belief the information contained on this form is true, accurate, and complete.

SIGNED (Borrower's signature) (Date)

(Print or type name)

SIGNED John J. Investor (Borrower's signature) (Date)

John J. Investor
(Print or type name)

E- 1555

Replaces Bulletin: OVER THE COUNTER - REGULATION "U" - Dated 5-7-67

PART II (to be completed by bank)

(A) Collateral consisting of stock, other than debt securities convertible into margin stock. The loan value of such stock under the current Supplement to Regulation U is 70 per cent.

No. of shares	Name of issue	Market price per share	Source of valuation	Total market price per issue
100	General Electric	83 1/2	F.I.DuPont	$ 8,350.
200	First National City Bank	65 3/4	F.I.DuPont	13,150.
			TOTAL	$21,500

(B) Collateral consisting of debt securities convertible into margin stock. The loan value of such securities under the current Supplement to Regulation U is per cent.

Par value	Name of issue	Market price	Source of valuation	Total market price per issue

(C) Other collateral.

Describe briefly (Example where 10 per cent or more)	Current market value	Source of valuation	Good faith loan value

The undersigned, a duly authorized officer of the bank, is aware that this stock-secured credit may be subject to Regulation U, has read this form, has accepted the customer's statement on Part I in good faith as defined below*, and hereby certifies and affirms that to the best of his knowledge and belief all the information contained on this form is true, accurate, and complete.

Date September 5, 1969 SIGNED William Malone
(Manual signature)

William Malone, Assistant Cashier
(Print or type name and title)

* Regulation U requires that the customer's statement on this form be accepted by an officer of the bank acting in good faith. Good faith requires that such officer (1) must be alert to the circumstances surrounding the credit, and (2) if he has any information which would cause a prudent man not to accept the statement without inquiry, has investigated and is satisfied that the statement is truthful. Among the facts which would require such investigation are persons of the statement through the mail or from a third party.

THIS FORM MUST BE RETAINED BY THE BANK FOR AT LEAST THREE YEARS AFTER THE TERMINATION OF THIS CREDIT

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

CITIZENS AND SOUTHERN NATIONAL BANK, et al.

On Appeal from the United States District Court for the Northern District of Georgia

---

JOINT APPENDIX

INDEX

VOLUME I

	Page
Relevant Docket Entries	1
Complaint by the United States Filed November 2, 1971	9

Answer to Complaint Filed by the Defendants May 5, 1972 24

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia Commencing September 25, 1972:

Appearances [2] 45

Testimony of W. D. Padgett—
Direct examination [7] 49
Cross-examination [74] 89

Testimony of William Farr, III—
Direct examination [85] 96
Cross-examination [123] 118

Testimony of Herbert Leonard Megar—
Direct examination [151] 135
Cross-examination [161] 142
Redirect examination [171] 148

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 26, 1972:

Testimony of James A. Parker—
Direct examination [180] 151
Cross-examination [227] 178
Redirect examination [245] 188

Testimony of Charles B. Ginden—
Direct examination [256] 195
Cross-examination [296] 219
Redirect examination [309] 226

Testimony of Warren Jackson—
Direct examination [312] 228
Cross-examination [352] 251

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 27, 1972:

Testimony of Warren Woolsey—
Direct examination [361] 257
Cross-examination [408] 284
Redirect examination [424] 292

Testimony of Samuel L. Skogstad—
Direct examination [425] 293
Cross-examination [426] 294
Redirect examination [476] 322
Recross-examination [494] 333

VOLUME II

Testimony of Mills B. Lane—
Direct examination [508] 343
Cross-examination [539] 361
Redirect examination [562] 374

Transcript of Proceedings Held Before the Hon. Charles A Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 28, 1972:

Testimony of Howard S. Starks—
Direct examination [582] 386
Cross-examination [604] 400
Redirect examination [633] 417

Testimony of Joseph Hall—
Direct examination [637] 420
Cross-examination [683] 445
Redirect examination [744] 481

Testimony of Robert Daniel Handley, Jr.—
Direct examination [747] 483
Cross-examination [765] 494
Redirect examination [774] 499
Recross-examination [774] 500

Transcript of Proceedings Held Before the Hon. Charles A. Moye, Jr., United States District Judge for the Northern District of Georgia commencing September 29, 1972:

Testimony of Warren L. Berry—
Direct examination [777] 501
Cross-examination [784] 505
Redirect examination [802] 516

Testimony of Roy B. Holland—
Direct examination [802] 517
Cross-examination [805] 519

Testimony of Hubert Harris—
Direct examination [808] 521
Cross-examination [812] 523

Testimony of Lewis C. Beasley—
Direct examination [815] 524
Cross-examination [821] 528

Testimony of Joseph M. Ream—
Direct examination [824] 530

Testimony of Henry T. Collingsworth, Jr.—
Direct examination [830] 534
Cross-examination [837] 538

Testimony of Gordon B. Trulock, Jr.—
Direct examination [842] 542
Cross-examination [853] 548

Testimony of Ben C. Cook—
Direct examination [854] 548
Cross-examination [859] 552

Testimony of Merrill Autry, Jr.—
Direct examination [862] 554
Cross-examination [865] 555

Testimony of L. R. Gellerstedt, Jr.—
Direct examination [873] 559
Cross-examination [881] 564

Testimony of King Cleveland—
Direct examination [888] 569
Cross-examination [892] 571

Testimony of W. M. Jackson—
Direct examination [895] 573
Cross-examination [905] 579

Testimony of Evans Bruner—
Direct examination [932] 594
Cross-examination [940] 599

VOLUME III

Testimony of J. Mack Robinson—
Direct examination [942] 601
Cross-examination [946] 603

Testimony of Walter Eaves—
Direct examination [953] 607
Cross-examination [956] 609

Testimony of E. D. Dunn—
Direct examination [960] 611

Testimony of Nevins Dennis Baxter—
Direct examination [974] 619
Cross-examination [1004] 636

Depositions:

Warren Lanham Berry—
(GX-198) 671

Dr. William M. Cason—
(GX-199) 4.1-6.13 739

Gus Lockett Connelly—
(GX-200) 4-29.3; 53.13-54.22 741

Thomas E. Cook—
(GX-201) 4-26.4 760

Edward E. Elson—
(GX-202) 10.23-12.7 774

Louis J. Fortuna—
(GX-204) 19.6-22.3 775

Hubert L. Harris—
(GX-206) 4-28.7 778

T. Robert Hazelrig—
(GX-207) 4-28.13 793

Dr. W. Andrew Irvin—
(GX-208) 12.4-12.21; 18.10-18.24 811

Hugh F. Lane—
(GX-209) 812

Alva G. Maxwell—
(GX-211) 4-6.13 848

Dalton F. Scott—
(GX-215) 34.24-36.3 851

Economic Report (Excerpts):

Volume 1—[5-14]
[83-84]
[114 "E"-130 "B"]
[139-147] 852

Volume 2—Exhibits 20, 28, 29, 53, 54, 55, 69 877

Government Exhibits:

GX-33 B E-1
GX-33 C E-5
GX-33 D E-7
GX-33 E E-10
GX-35 ..... E-13
GX-36 ..... E-24
GX-37 ..... E-28
GX-38 ..... E-38
GX-104 ..... E-57
GX-105 ..... E-89
GX-106 A E-113
GX-107 ..... E-121
GX-108 ..... E-122
GX-109 ..... E-123
GX-110 ..... E-124
GX-111 ..... E-125
GX-112 ..... E-126
GX-113 ..... E-127
GX-114 ..... E-128
GX-115 ..... E-132
GX-116 ..... E-133
GX-117 ..... E-134
GX-118 ..... E-135
GX-119 ..... E-137
GX-120 ..... E-139

GX-121 ..... E-140
GX-122 ..... E-141
GX-123 ..... E-142
GX-124 ..... E-143
GX-125 ..... E-145
GX-126 ..... E-146
GX-127 ..... E-147
GX-128 ..... E-148
GX-134 ..... E-153
GX-136 ..... E-155
GX-138 ..... E-156
GX-139 ..... E-158
GX-140 ..... E-160
GX-142 ..... E-161
GX-148 ..... E-162
GX-151 ..... E-164
GX-153 ..... E-165
GX-162 ..... E-166
GX-163 ..... E-172
GX-164 ..... E-198
GX-166 ..... E-204
GX-169 ..... E-206
GX-170 ..... E-215
GX-177 [1-15.6] E-217
GX-177 B E-232
GX-177 D E-235

GX-188 ..... E-240
GX-189 ..... E-241
GX-190 ..... E-242
GX-191 ..... E-243
GX-192 ..... E-249
GX-193 [1-6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 28] ... E-251
GX-194 ..... E-268
GX-216 ..... E-269

Defendants' Exhibits:

DX-94 ..... E-305
DX-113 ..... E-329
DX-125 ..... E-330
DX-152 ..... E-331
DX-266 ..... E-337
DX-267 ..... E-460
DX-268 ..... E-502-2
DX-269 (Sections A, D, F, K and V) E-572
DX-270—Vol. I, GOG 9.27 and GOG 9.6 ..... E-692
Vol. II, GOG 26.01 and 26.011 ..... E-699
DX-277 ..... E-703
DX-278 ..... E-705
DX-300 ..... E-706
DX-301 ..... E-835
DX-302 ..... E-840
DX-310 ..... E-860

DX-311 ..... E-1024
DX-313 ..... E-1717
DX-316 ..... E-1804
DX-317 ..... E-1816
DX-318 ..... E-1822
DX-320 ..... E-1826

Notice of Appeal filed March 25, 1973 ..... E-1841
Order Noting Probable Jurisdiction dated October 29, 1974 ..... E-1842

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT REJECTIONS

TOPIC

 Date 1-16-69

NEW BULLETIN

Despite our desire to find a way to handle every loan application, there will be requests that cannot be handled within the limits of policy and good credit judgement. For purposes of discussion and setting up uniform procedures, a rejection is defined an any loan request that cannot be handled because of credit weakness and/or inadequate collateral or terms. Good customer relationships, adequate record keeping and close management appraisal are particularly important in this phase of personal lending.

EXTENT OF INVESTIGATION

If a request clearly cannot be handled on the basis of information furnished by the customer, explain the reason then and there. Trying to create a false impression of giving the customer "every consideration" by delaying a decision and/or making further investigation is not fair to the customer and is expensive to the bank. NOTE: A discount sheet must be filled out on every loan request, at least to the extent of identifying the customer, recording the nature of the request and giving the reason for rejection.

On the other hand, extreme care is needed to be sure that rejections are not made based on insufficient information from the customer or a cursory investigation. Many apparently marginal requests can be made "good" by intelligent and imaginative credit appraisal.

CONDITIONAL APPROVAL

Every potential rejection should be examined carefully to try to find a way to make an acceptable transaction. Debt consolidation, additional collateral, changes in terms, the value of an acceptable endorser should be considered and offered as alternates to an outright rejection. The alternative may not be acceptable to your customer, but at least you have created an impression of trying to find a way to handle your customer's request if the conditions of approval have been realistic.

Unrealistic conditions should never be used to avoid saying "No". If a fundamental credit weakness exists, your customer is entitled to an honest explanation of why we cannot handle his request at this time.

For purposes of record keeping and procedural handling, a realistic conditional approval should not be considered as a rejection.

DUAL REVIEW

Every rejected transaction that might have been made acceptable by more imaginative credit analysis is lost business - present and probably future. For training and business development reasons, all rejections should be reviewed and

initialed by the officer-in-charge of personal lending at each lending location. Preferably this should be done before the customer is notified, but if this is not practical, the review should be made as soon as possible afterward.

RECORD KEEPING PROCEDURES

1. Retain discount sheet and other credit data in credit file. Prepare new credit file if necessary.

2. In locations with a Central Information File, forward the prescribed notification form promptly each day.

3. If re-investigation of a present customer shows a definite deterioration in creditworthiness, send a memo of the facts to any other C&S locations that have outstanding credit. It is particularly important to notify CAS since their continuing line of credit is generally only reviewed in relation to "danger signals".

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT REJECTIONS

TOPIC CUSTOMER RELATIONS

 Date 1-10-69

NEW SUBJECT

There is no magic formula to be used when it is necessary to reject a proposed loan transaction and at the same time hope to retain as much goodwill as is possible under the circumstances. We do know that a poorly handled rejection can terminate other relationships in the bank that we might want to retain, can permanently close the door to future business under better circumstances and can spread a negative reaction to friends, relatives, neighbors and business associates of the rejected applicant.

On the other hand, tact, sincerity, interest and a genuine appreciation of having had the opportunity to consider the proposed transaction should leave the door open for doing business another time. In general, the same principles should be used in "selling" rejections as would be successful in any other sales approach, keeping in mind some elementary but often overlooked DO and DON'T reminders.

Do make your decision known to your customer in person whenever practical.	Don't relay the decision through one of your associates or leave a message with anyone other than your customer.
Do assume full responsibility for the decision. Indicate that you are speaking for the bank and yourself and that your thinking and judgement coincide.	Don't leave the impression that you would make the loan except for "the boss", "credit committee", "policy", etc.
Do be as brief as possible within the bounds of giving an honest and courteous reason for your decision.	Don't get drawn into a discussion of individual details that would not alter the overall decision.
Do respect your sources of confidential information. Your general reasons can be given without specific reference to the source of information.	Don't attribute your rejection to a bad Credit Bureau Report or divulge the name of any firm reporting slow payment.
Do leave the door open by using phrases such as "at this time", "under the present circumstances", "hope you will give us another chance to do business if curcumstances change", etc.	Don't forget that even the worst credit risk has a boss, friends and relatives that can be alienated by word of mouth advertising of a negative approach.
Do suggest an alternate source of credit if the transaction could be handled elsewhere, but is not a loan that we would handle under the circumstances.	Don't overlook the fact that family financial counseling is part of our job, but don't preach or force advice on your customer.

DO THANK YOUR CUSTOMER FOR GIVING US A CHANCE TO CONSIDER HIS REQUEST.

OPERATING BULLETIN

SECTION OVER-THE-COUNTER

SUBJECT SAVINGS ACCOUNT LOANS

TOPIC

 Date 3-7-66

Replaces Bulletin: "OVER-THE-COUNTER - COLLATERAL - SAVINGS ACCOUNT LOANS" - Dated 9-24-54

Customers will often pledge their own cash on deposit in the form of savings as security for a loan. Savings account loans are a means of forced saving preserving the customer's account for emergency use. Provided certain precautions are taken, loans secured by savings are granted with almost no loss exposure. This bulletin outlines procedures for granting loans secured by various types of savings accounts.

CLASSIFICATION Loans secured by savings accounts are classified "COLLATERAL".

TYPES OF ACCOUNTS The types of savings accounts which may be taken as security are as follows:

1. Our own bank savings accounts and savings bonds.

2. Savings accounts and bonds with other banks, Savings and Loan Associations, and Credit Unions. Remember to establish the assignability of all savings accounts, bonds, and Credit Union share accounts.

NOTE: U.S. Government Series E bonds may not be taken as security.

INVESTIGATION A minimum amount of investigation is necessary in handling a loan secured by a savings account. It is advisable to do the following:

1. Require definite identification from the borrower to establish his authority to pledge the account.

2. Check CIF or in cities where CIF is not available, check other lending departments of the Bank.

3. Verify the balance as shown in the passbook with the issuing bank or Savings and Loan Associations.

4. Credit Bureau investigation should be made where a check of CIF or other sources develops information which indicates a further check is necessary.

TERMS As is customary with any installment loan, the terms of a savings account loan should be established according to the borrower's ability to pay. Since this is a fully-secured note, terms may be granted up to 36 months. Generally, loans made for yearly recurring obligations should be limited to 12 months.

RATES Since we are lending money to customers who pledge their own cash as security for a loan, we can give a lower rate than our usual installment charges. See Bulletin: "LENDING GENERAL - OVER-THE-COUNTER - RETAIL RATES". The rate schedule takes into consideration our costs in setting up and collecting installment accounts. Note that an additional rate preference is given to loans secured by C&S savings, over accounts of other institutions.

Replaces Bulletin: "OVER-THE-COUNTER - COLLATERAL - SAVINGS ACCOUNT LOANS" - Dated 9-24-54

FORMS The following are forms used in savings account lending. Selection of proper forms for various kinds of savings collateral is outlined in each section dealing with the particular type of loan.

1. For all loans, use Installment Collateral Note form 19-830. Give a complete description of the account on the note, e.g., Citizens and Southern National Bank Savings Account form #5683.

2. CHANGE OF STATUS order 21-1125.

3. Assignment of Bank Account 15-549.

4. Blank draft

5. Collateral followup card

PROCEDURES FOR HANDLING

I. NO PASSBOOK SAVINGS - In some C&S cities (Macon and Atlanta) no savings passbook is issued. The following procedures should be used to perfect assignments on no-passbook savings account.

a. Obtain the complete account number from the savings customer, or from bank records, if the customer does not have his savings account number.

b. If the customer's account is not with your branch, telephone the branch where the account is carried to determine the balance on deposit.

Upon contacting the branch, state:
1. Your name and office

2. The complete account number and name of the customer

3. The amount to be pledged on the loan

Ask the teller to pencil in on the Data Processing print-out the amount pledged, and the office to whom it is pledged. This precaution will prevent a dishonest person from withdrawing funds from his account on the same day those funds are pledged.

c. At this point, you should prepare a Savings Account Change-of-Status order (21-112 in duplicate and send to Data Processing. One of the cards after processing, wil be returned to you as evidence that the account has been flagged and pledged. This card should then be placed in the customer's loan file.

II. PASSBOOK ACCOUNTS - Where you accept a passbook representing an account in another bank, or an out-of-town C&S office, take a blank draft drawn on that office and have the customer sign it. This will facilitate charging the balance due on the loan, should it become necessary to liquidate in this manner.

Replaces Bulletin: "OVER-THE-COUNTER - COLLATERAL - SAVINGS ACCOUNT LOANS" - Dated 9-24-54

Prepare in triplicate the Assignment of Bank Account form (15-549) for your customer's signature. This form is used to notify the depository bank, or other savings organization of your loan. The assignment form gives the name of the bank or association carrying the deposit, the current balance of account, and request for acknowledgement of assignment. Send the original and one copy to the bank or other depository organization requesting acknowledgement, and the return copy for your file. The third copy is retained as a tickler for the acknowledgement. Be certain to followup for the acknowledgement.

Obtain the passbook from the customer, and place it for safekeeping in the collateral file of the Loan and Discount Department. Upon delivery of the passbook to this department, obtain a signed receipt (15-575) from L&D and place it in the customer's file.

III. SAVINGS AND LOAN ASSOCIATIONS Savings and Loan Associations passbooks occasionally require the use of an assignment form printed in the back of the passbook. Copy this form in triplicate for the customer's signature. The procedure will then be the same as with the acceptance of a passbook and assignment from another bank, or one of our passbook savings branches. If a special assignment form is not required by the Savings and Loan Association, use our Assignment of Bank Account form 15-549.

IV. C&S SAVINGS BONDS The assignment of C&S savings bonds as security should be perfected by following the instructions issued in the Comptroller's Operating Manual for savings bonds. Use the Assignment of Bank Account form 15-549 in triplicate. Remember that you should followup for an acknowledged assignment of the savings bonds from the office issuing the bonds.

Where you take a C&S Series D bond as collateral, check the present value of the bond before lending, since it was purchased at discount and not at the matured value on the face of the bond.

COLLECTIONS Normal collection procedures should be followed even though accounts are fully secured. Where borrowers cannot maintain monthly payments, discussion with the customer will generally result in the installment loan being liquidated gracefully by charge to the savings account.

PARTIAL RELEASE If you wish to release only a portion of the pledged account, submit a release restoring the account on normal status. Then along with the release card, a new pledge card must be sent to Data Processing to secure a hold on the revised balance pledged. Be certain to prepare a followup card for the acknowledgement of the pledge.

PAYOUT In no-passbook cities, to release a pledged account when the loan is paid out, it will be necessary to notify Data Processing. Use the pledge card which

Replaces Bulletin: "OVER-THE-COUNTER - COLLATERAL - SAVINGS ACCOUNT LOANS" - Dated 9-24-54

was received as acknowledgement from Data Processing when the loan was pledged, and mark it to indicate that the loan is paid-in-full and return to Data Processing. Data Processing will release the pledge and will return the card to the branch where the savings account is located.

Where you have taken a passbook or savings bond as security, obtain the collateral from L&D and notify the Savings Department or the Building and Loan Association that your obligation has been satisfied, and the book released to the customer. Return the passbook or bond with the cancelled note to the customer in person or by mail, following the procedures outlined in the Comptroller's Manual. Always request a receipt for the collateral from your customer.

OPERATING BULLETIN

SECTION OVER THE COUNTER

SUBJECT SINGLE PAYMENT TIME LOANS TO INDIVIDUALS

TOPIC

Page 1 of 12 **Date** 6-21-72

Replaces Bulletin: OVER THE COUNTER - SINGLE PAYMENT TIME LOANS TO INDIVIDUALS - Dated 8/16/71

Single Payment Loans to individuals are serviced by the Loan and Discount Department or L&D Teller. Accounting is accomplished via the Commercial Loan System. Loans of $25,000 or less for non-business purposes are subject to Federal Reserve Regulation Z, which implements the Consumer Credit Protection Act.

COMPLETION OF THE NOTE (Example shown on page 3).

Use note forms #15-1100 (Unsecured) and #15-1105 (Secured). The term should be stated in days. All spaces must be completed.

1. Amount of Loan - the amount of the advance to the customer or other party.
2. Credit Life Insurance - the amount of the premium for Credit Life Insurance must be shown as a separate item on all insured loans.
3. Other Charges - any charges that are not part of the Finance Charge, such as filing fees. The nature of the charge should be specified.
4. Amount Financed - the total of the amount of loan, Credit Life Insurance Premium, and other charges.

   Annual Percentage Rate - Regulation Z requires that we disclose the equivalent of a simple interest rate, determined by the Actuarial Method.
5. Interest - the interest charge, figured by applying a simple interest rate per annum to the amount financed.
6. Base Charge - a fee in addition to the interest charge.
7. Finance Charge - the total of the interest and the base charge.
8. Total of Payments - the total of the amount financed and the finance charge.

   Date - day the loan is made.

   Number - serial number assigned to this loan.

   Due - date loan is repayable.

The Insurance Statement must be completed and signed by the customer, to indicate whether he requests or declines Credit Life Insurance coverage.

COMPLETION OF THE COMMERCIAL LOAN DISCOUNT SHEET

Follow the directions given in G.O.G. 9.811 - Loans - Commercial Loan System - Forms - New Loans and/or New Customers.

CALCULATION OF INSURANCE PREMIUM, FINANCE CHARGE, AND ANNUAL PERCENTAGE RATE

The Insurance Premium, Finance Charge, and Annual Percentage Rate on single payment loans may be obtained via either the Audio Response System or Video Display, for those offices having direct access to the computer. In some cities, this information

may be available from a central inquiry point, which is equipped with video display equipment. In offices that do not have either form of on-line inquiry capability, these figures must be manually computed.

R A 365-Day year must be used in all calculations on personal and consumer loans. This is built in to the program for on-line inquiry. On corporate loans, a 365-Day year or a 360-Day year may be used, at the loan officer's option.

N The policy of assessing a $10 base charge plus interest on all time notes under $5,000 has been modified and in certain instances we will operate under the Georgia Industrial Loan Act which necessitates a flat charge instead of a base plus interest. Loans renewed for six months or less cannot be charged a second base charge, and new loans made to a customer less than fifteen days after a loan pays out will be exempt from the charge. Thus the use of realistic final maturity dates at the inception of the loan is most important. A complete schedule of new charges and rate charts is reproduced on pages 9, 10, and 11.

To avoid error, all time note calculations (corporate and personal), including those obtained by computer response, must be calculated or checked by two people - both of whom must initial the note.

AUDIO INQUIRY

Key in:

Caller Code - (3 Digits)

Inquiry Code - 291 - Uninsured loan without base charge
292 - Uninsured loan with base charge
293 - Insured loan without base charge
294 - Insured loan with base charge

Day Base Code - (1 Digit) - Use Code 2 on all personal and consumer loans. Code 1 may be used on corporate loans, for calculations based on a 360-Day year.

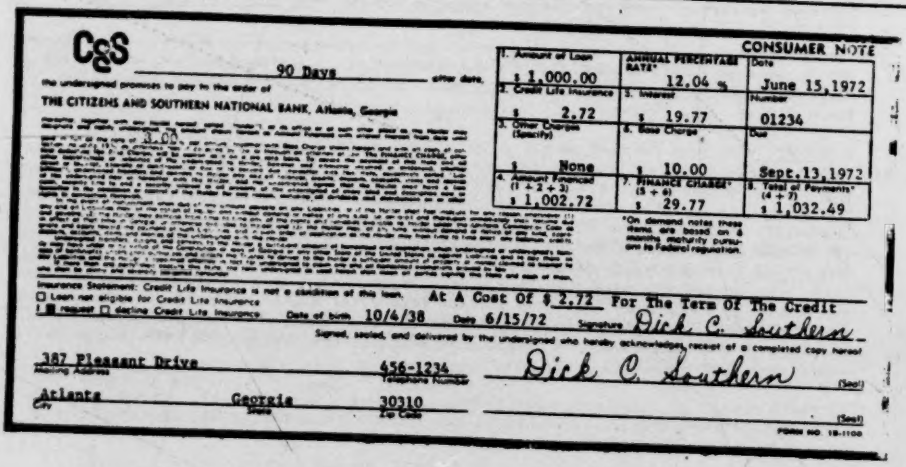
Rate - (Two whole numbers and two decimals)

Number of Days - (3 Digits)

Principal (exact amount, dollars and cents, from 3 to 9 digits)

EXAMPLE: 141 294 2 0800 090 100000
($1,000.00 advance, 8.00%, 90 Days, with Credit Life Insurance and Base Charge).

Replaces Bulletin: OVER THE COUNTER - SINGLE PAYMENT TIME LOANS TO INDIVIDUALS - Dated 8/16/71



CONSUMER NOTE

90 Days after date, the undersigned promises to pay to the order of THE CITIZENS AND SOUTHERN NATIONAL BANK, Atlanta, Georgia

1. Amount of Loan	ANNUAL PERCENTAGE RATE*	Date
$ 1,000.00	12.04 %	June 15,1972
2. Credit Life Insurance	5. Interest	Number
$ 2.72	$ 19.77	01234
3. Other Charges (Specify)	6. Base Charge	Due
$ None	$ 10.00	Sept.13,1972
4. Amount Financed (1 + 2 + 3)	7. FINANCE CHARGE* (5 + 6)	8. Total of Payments* (4 + 7)
$ 1,002.72	$ 29.77	$ 1,032.49

*On demand notes these items are based on 6 months maturity pursuant to Federal regulation.

Insurance Statement: Credit Life Insurance is not a condition of this loan. At A Cost Of $ 2.72 For The Term Of The Credit

☐ Loan not eligible for Credit Life Insurance

I ☒ request ☐ decline Credit Life Insurance Date of birth 10/4/38 Date 6/15/72 Signature Dick C. Southern

Signed, sealed, and delivered by the undersigned who hereby acknowledges receipt of a completed copy hereof

387 Pleasant Drive (Mailing Address) 456-1234 (Telephone Number) Dick C. Southern (Seal)

Atlanta (City) Georgia (State) 30310 (Zip Code) (Seal)

Response is:

Rate xx.xx Time xx Principal xx Dollars xx Cents (This portion of the response is given for all four codes).

R Charge is xx dollars and xx cents (base charge, given for codes 292 and 294 only).

Insurance is xx dollars xx cents (given for codes 293 and 294 only).

Interest is xx dollars xx cents (given for all four codes).

Annual Rate is xx.xx (given for all four codes).

Replaces Bulletin: OVER THE COUNTER - SINGLE PAYMENT TIME LOANS TO INDIVIDUALS - Dated 8/16/71

VIDEO INQUIRY

Key in:

Inquiry Code - (4 Digits)

L&D 5 - Uninsured loan without base charge
L&D 6 - Uninsured loan with base charge
L&D 7 - Insured loan without base charge
L&D 8 - Insured loan with base charge

Caller Code - (3 Digits)

Day Base Code - (1 Digit) Use Code 2 on all personal and consumer loans. Code 1 may be used on corporate loans, for calculations based on a 360-Day year.

Rate - (4 Digits - Two whole numbers and two decimals)

Days - (3 Digits)

Principal (exact amount, dollars and cents, from 4 to 11 digits)

EXAMPLE: L&D 8 141 2 0800 090 10000
($1,000.00 advance, 8.00%, 90 days, with Credit Life Insurance and base charge)

Display Format:

Principal		(1) 1,000.00		Rate	(2) 08.00
Days	(3) 090	(4) Insured	(5) 10.00	Base Charge	
Interest	(6) 19.77				
Insurance		(7) 2.72		APR	(8) 12.04

The various parts of the display are:

1. Principal - As entered in inquiry.
2. Rate - As entered in inquiry.
3. Days - As entered in inquiry.
4. "Insured" for inquiry codes L&D 7 and L&D 8.
   "Uninsured" for inquiry codes L&D 5 and L&D 6.

Replaces Bulletin: OVER THE COUNTER - SINGLE PAYMENT TIME LOANS TO INDIVIDUALS Dated 8/16/72

R 5. "xx.xx Base Charge" for inquiry codes L&D 6 and L&D 8.
" .00 Base Charge" for inquiry codes L&D 5 and L&D 7.
6. Calculated Interest.
7. Calculated Insurance.
8. Calculated Annual Percentage Rate.

MANUAL CALCULATION

R I. To find the Credit Life Insurance Premium on insured loans:

A. Multiply the amount advanced by .0302465.
B. Multiply the results by the number of days in the term of the note.
C. Divide by 1000.
D. Drop any fractions of a cent. Do not round up.

EXAMPLE: $1,500 Advance, at 8% simple, with base charge, 150 days term, with Credit Life Insurance.

$ 1,500	Advance
x .0302465	Premium Rate
$ 45.36975	
x 150	Term, In Days
6805.4625	
÷ 1000	
$6.8054625	= $6.80, Credit Life Insurance Premium

II. To find the Finance Charge:

A. Add the amount advanced and the Credit Life Insurance Premium, if any, to find the total amount financed.
B. Multiply the total amount financed by the appropriate simple interest rate.
C. Multiply the result by the number of days in the term of the note.
D. Divide by 365.
E. Drop any fractions of a cent. Do not round up.
R F. Determine the base charge as follows:

1. Multiply the total amount financed by .05 times the term in days, and divide by 30. Drop any fractions of a cent. Subtract the interest charge.

2. Multiply the total amount financed by .08. Drop any fractions of a cent.

3. The base charge is the result of step 1, the result of step 2, or $10, whichever is smallest.

Replaces Bulletin: OVER THE COUNTER - SINGLE PAYMENT TIME LOANS TO INDIVIDUALS - Dated 8/16/71

G. Add the base charge and the interest charge to determine the total finance charge.

EXAMPLE #1: $1,500 advance, at 8% simple, with base charge, 150 day term, with Credit Life Insurance.

$1,500.00	Advance
6.80	Credit Life Insurance Premium
$1,506.80	Total Amount Financed
x 08	Interest Rate
$120.5440	
x 150	Term, In Days
18081.6000	
+ 365	
$ 49.5386	= $ 49.53 Interest Charge
	+ 10.00 Base Charge*
	$ 59.53 Finance Charge

*1506.80 x .08 = 120.54

$(1506.80 \times .05 \times \frac{150}{30}) - 49.53 = \$327.17$

EXAMPLE #2: $132 advance, at 8% simple, with base charge, 32 days term, with Credit Life Insurance.

$ 132.00	Advance
x .0302465	Premium Rate
$ 3.9925380	
x 32	Term, In Days
$127.7612160	
+ 1000	
$ .127761216	= $.12, Credit Life Insurance Premium

$ 132.00	Advance
.12	Credit Life Insurance Premium
$ 132.12	Total Amount Financed
x .08	Interest Rate
$ 10.5696	
x 32	Term, In Days
$338.2272	
+ 365	
$ .9266	= $ .92 Interest Charge
	6.12 Base Charge **
	$7.04 Finance Charge

**Base Charge:

1. ($132.12 x .05 x $\frac{32}{30}$) - $.92 = $7.0464 - .92 = $6.1264 = $6.12
2. $132.12 x .08 = $10.5696 = $10.56

III. To find the Annual Percentage Rate (A.P.R.):

A. Divide the total Finance Charge, including base charge, by the Total Amount Financed.

B. Find the term of the note on the "Conversion Chart - Single Payment Loans, 365-Day Basis". Read the factor from the column to the right of the term. The conversion chart is reproduced on the last page of this bulletin. Additional supplies of the conversion chart may be obtained from Retail Banking, 17 NBG Building, Atlanta.

C. Multiply the result of Step A by the factor. Round to the nearest hundredth of a percent.

EXAMPLE: $1,500 advance, at 8% simple, with base charge, 150 day term, with Credit Life Insurance.

$ 59.53		Total Finance Charge
+1,506.80		Total Amount Financed
.039508		
x 243		Conversion factor for 150 day term
9.600444	=	9.60%, Annual Percentage Rate

NOTE: If there is no base charge, the Annual Percentage Rate determined by this method should be the same as the Simple Interest Rate used in calculating the Finance Charge. A slight variance is possible, due to rounding of decimals during calculation.

RATE CHARTS

N Single payment time loan charts have been prepared to simplify handling of the most common loans. Each chart is calculated at 8% simple, with base charge. Complete instructions for use of the chart, including their use where the base charge is waived, are printed on the cover of each chart. Each chart includes figures for loans with credit life insurance, as well as for loans without insurance.

Order in writing from Rate Chart Section, Retail Banking, 17 NBG, Atlanta. Each order must include a list of the chart numbers and quantities desired. Attach a signed supply requisition card. Charts available are:

Replaces Bulletin: OVER THE COUNTER - SINGLE PAYMENT TIME LOANS TO INDIVIDUALS - Dated 8/16/71

CODE	TERMS
8 - SP - 1	28, 29, 30, 31, 32, and 33 days
8 - SP - 2	58, 59, 60, 61, 62, and 63 days
8 - SP - 3	88, 89, 90, 91, 92, and 93 days
8 - SP - 4	118, 119, 120, 121, 122, and 123 days
8 - SP - 6	178, 179, 180, 181, 182, and 183 days
8 - SP - 9	270, 271, 272, 273, 274, and 275 days

RELATED BULLETINS

COG 9.19	Loans - Base Charge, Regulation Z
COG 9.5	Loans - Note Forms, Revised - Regulation Z
COG 9.6	Loans - Regulation Z, Summary
COG 9.8	Loans - Commercial Loan System, Index of Bulletin & Manual
COOG	LENDING GENERAL - REGULATION Z - SUMMARY

L&D
MAXIMUM CHARGE RATE CHART
NO INSURANCE

30 Day Loan, 8%, 365-Day Basis

Amount Advanced	Interest	+ Base	= Finance Charge	Total Payment	A. P. R.
$ 50	$ .32	$ 2.18	$ 2.50	$ 52.50	60.83%
100	.65	4.35	5.00	105.00	60.83%
200	1.31	8.69	10.00	210.00	60.83%
231	1.51	10.00	11.51	242.51	60.62%

60 Day Loan, 8%, 365-Day Basis

Amount Advanced	Interest	+ Base	= Finance Charge	Total Payment	A. P. R.
$ 50	$ .65	$ 4.00	$ 4.65	$ 54.65	56.58%
100	1.31	8.00	9.31	109.31	56.64%
125	1.64	10.00	11.64	136.64	56.64%

90 Day Loan, 8%, 365-Day Basis

Amount Advanced	Interest	+ Base	= Finance Charge	Total Payment	A. P. R.
$ 50	$ .98	$ 4.00	$ 4.98	$ 54.98	40.39%
100	1.97	8.00	9.97	109.97	40.43%
125	2.46	10.00	12.46	137.46	40.43%

L&D
MAXIMUM CHARGE RATE CHART
WITH INSURANCE

30 Day Loan, 8%, 365-Day Basis

Amount Advanced	Life Premium	Interest	+ Base	= Finance Charge	Total Payment	A. P. R.
$ 50	$ .04	$ .32	$ 2.18	$ 2.50	$ 52.54	60.78%
100	.09	.65	4.35	5.00	105.09	60.78%
200	.18	1.31	8.69	10.00	210.18	60.78%
231	.20	1.52	10.00	11.52	242.72	60.62%

60 Day Loan, 8%, 365-Day Basis

Amount Advanced	Life Premium	Interest	+ Base	= Finance Charge	Total Payment	A. P. R.
$ 50	$ .09	$ .65	$ 4.00	$ 4.65	$ 54.74	56.47%
100	.18	1.31	8.00	9.31	109.49	56.53%
125	.22	1.64	10.00	11.64	136.86	56.55%

90 Day Loan, 8%, 365-Day Basis

Amount Advanced	Life Premium	Interest	+ Base	= Finance Charge	Total Payment	A. P. R.
$ 50	$ .13	$ .98	$ 4.01	$ 4.99	$ 55.12	40.37%
100	.27	1.97	8.02	9.99	110.26	40.41%
125	.34	2.47	10.00	12.47	137.81	40.35%

Replaces Bulletin: OVER THE COUNTER - SINGLE PAYMENT TIME LOANS TO INDIVIDUALS - Dated 8/16/71

MAXIMUM CHARGES (Insurance Optional)

30 Day Loan

Amount	Maximum Charge
50.00	2.50 including interest
100.00	5.00 including interest
200.00	10.00 including interest
231.00 up	10.00 base plus interest

60 Day Loan

Amount	Maximum Charge
50.00	4.67 including interest
100.00	9.33 including interest
125.00 up	10.00 base plus interest

90 Day Loan

	Maximum Charge
50.00	5.00 including interest
100.00	10.00 including interest
125.00 up	10.00 base plus interest

RENEWALS:

$100 or Less

Only simple interest for the renewal period may be charged on renewal of loans with original maturity of two months or less. Loans over two months in original maturity can be assessed charges on above basis for renewal period.

RENEWALS - Continued

More than $100

Only simple interest for the renewal period may be charged on renewal of loans with original maturity of six months or less. Loans over six months in original maturity can be assessed charges on above basis for renewal period.

PAID OUT LOANS:

If a customer pays out a loan and is granted a new loan within 15 days of the payout, it is considered a renewal to the extent of the amount of the old loan and the above renewal rules apply to that amount and based on that amount (i.e. $100 - 2 months; $100 plus - 6 mos.). Any excess may be handled as original loan with charges as above for the new loan period.

For example: A customer borrows $50 for 30 days, pays out the loan and five days later wants to borrow $100. The charges would be $2.18 base plus 65¢ interest. Rather than the $5.00 maximum charge for a $100 30-day loan.

CONVERSION CHART - SINGLE PAYMENT LOAN

365 Day Basis

$\frac{\text{Finance Charge}}{\text{Amount Financed}}$ X Daily Factor = Annual Percentage Rate

DAYS	FACTOR	DAYS	FACTOR	DAYS	FACTOR	DAYS	FACTOR	DAYS	FACTOR	DAYS	FACTOR	DAYS	FACTOR	DAYS	FACTOR	DAYS	FACTOR	DAYS	FACTOR	DAYS	FACTOR	DAYS	FACTOR
1	36500	31	1177	61	598	91	401	121	302	151	242	181	202	211	173	241	151	271	135	301	121	331	110
2	18250	32	1141	62	589	92	397	122	299	152	240	182	201	212	172	242	151	272	134	302	121	332	110
3	12167	33	1106	63	579	93	392	123	297	153	239	183	199	213	171	243	150	273	134	303	121	333	110
4	9125	34	1074	64	570	94	388	124	294	154	237	184	198	214	171	244	150	274	133	304	120	334	109
5	7300	35	1043	65	562	95	384	125	292	155	235	185	197	215	170	245	149	275	133	305	120	335	109
6	6083	36	1014	66	553	96	380	126	290	156	234	186	196	216	169	246	148	276	132	306	119	336	109
7	5214	37	986	67	545	97	376	127	287	157	232	187	195	217	168	247	148	277	132	307	119	337	108
8	4562	38	961	68	537	98	372	128	285	158	231	188	194	218	167	248	147	278	131	308	119	338	108
9	4056	39	936	69	529	99	369	129	283	159	230	189	193	219	167	249	147	279	131	309	118	339	108
10	3650	40	913	70	521	100	365	130	281	160	228	190	192	220	166	250	146	280	130	310	118	340	107
11	3318	41	890	71	514	101	361	131	279	161	227	191	191	221	165	251	145	281	130	311	117	341	107
12	3041	42	869	72	507	102	358	132	277	162	225	192	190	222	164	252	145	282	129	312	117	342	107
13	2807	43	849	73	500	103	354	133	274	163	224	193	189	223	164	253	144	283	129	313	117	343	106
14	2607	44	830	74	493	104	351	134	272	164	223	194	188	224	163	254	144	284	129	314	116	344	106
15	2433	45	811	75	487	105	348	135	270	165	221	195	187	225	162	255	143	285	128	315	116	345	106
16	2281	46	793	76	480	106	344	136	268	166	220	196	186	226	162	256	143	286	128	316	116	346	105
17	2147	47	777	77	474	107	341	137	266	167	219	197	185	227	161	257	142	287	127	317	115	347	105
18	2027	48	760	78	468	108	338	138	264	168	217	198	184	228	160	258	141	288	127	318	115	348	105
19	1921	49	745	79	462	109	335	139	263	169	216	199	183	229	159	259	141	289	126	319	114	349	105
20	1825	50	730	80	456	110	332	140	261	170	215	200	183	230	159	260	140	290	126	320	114	350	104
21	1738	51	716	81	451	111	329	141	259	171	213	201	182	231	158	261	140	291	125	321	114	351	104
22	1659	52	702	82	445	112	326	142	257	172	212	202	181	232	157	262	139	292	125	322	113	352	104
23	1586	53	689	83	440	113	323	143	255	173	211	203	180	233	157	263	139	293	125	323	113	353	103
24	1521	54	676	84	435	114	320	144	253	174	210	204	179	234	156	264	138	294	124	324	113	356	103
25	1460	55	664	85	429	115	317	145	252	175	209	205	178	235	155	265	138	295	124	325	112	357	102
26	1404	56	652	86	424	116	315	146	250	176	207	206	177	236	155	266	137	296	123	326	112	359	102
27	1352	57	640	87	420	117	312	147	248	177	206	207	176	237	154	267	137	297	123	327	112	360	101
28	1304	58	629	88	415	118	309	148	247	178	205	208	175	238	153	268	136	298	122	328	111	363	101
29	1259	59	619	89	410	119	307	149	245	179	204	209	175	239	153	269	136	299	122	329	111	364	100
30	1217	60	608	90	406	120	304	150	243	180	203	210	174	240	152	270	135	300	122	330	111	365	100

E- 1525

The Citizens and Southern National Bank, Atlanta, Georgia

FC X DF = APR

OPERATING BULLETIN

SECTION OVER THE COUNTER
SUBJECT TIME DEPOSITS
TOPIC WITHDRAWAL LOANS

 Date 11-20-70

Revision of Page 2 only of: OVER THE COUNTER-TIME DEPOSITS-Dated 5/21/70

As an added service to our savings customers with multiple maturity accounts, C&S will now make money available at any time. This must be handled in the form of an unsecured loan using note #15-1100 and the loan interest charged will equal the interest on the deposit account for the same period of time.

ELIGIBLE ACCOUNTS

1. Unpledged C&S Savings Bonds (Series V - 5% and X - 4½%)
2. Unpledged C&S 5 Percenter Savings Accounts.

AMOUNT OF LOAN

We are willing to advance up to the full value of the bond or account as of the date advanced. However, for expediency and simplicity we should use the value last calculated by the computer. On bonds this will be as of the last scheduled redemption date and is available from the monthend computer printout. If the bond has accrued interest that will be paid by check (or credit) before the next quarterly anniversary, only the redemption value as of the last quarter should be advanced. A Master File Change must be sent to Bond Control Department to divert interest check to the bond teller.

Example: $1,000 bond, issued 3-15-69, annual interest option. Loan made 2-5-70, value would be $1,038.21. However, check for $51.27 will be issued 3-1-70 before maturity date, at which time bond would be worth only $1,000.

For 5 percenter accounts this will be the current balance. If the customer has multiple accounts or several bonds, we must handle each as a separate loan because the anniversary dates or availability may be different.

TERM OF LOAN AND INTEREST

The due date of the loan will be the next date the savings funds will normally be available. On bonds this will be the next 3 months' anniversary date. On 5 percenter savings accounts this will be the first of next quarter; if funds were not on deposit at the beginning of the current quarter, use 90 days, and obtain customer's signature on a Withdrawal Notice (21-5010). Forward this immediately to the Five Percenter Bookkeeper at the bank where the account is carried.

Interest should be calculated at 5% simple except where the bond rate is 4½%, in which case the loan interest is to be 4½%. Although the bonds and savings accounts pay interest compounded daily, the difference between the simple and compounding will generally be only a few cents.

Explain to the customer that upon the due date (loan and savings) a check will be mailed to him for the excess of his savings over the loan balance. This will be generally the amount of accrued interest which was not advanced to the customer with the loan. There is to be no base charge or life insurance, and the A.P.R. will be either 4.50 or 5.00%.

OPERATING BULLETIN

SECTION OVER THE COUNTER

SUBJECT TIME DEPOSITS

TOPIC WITHDRAWAL LOANS

Page 2 Of 2 **Date** 11-20-70

Revision of Page 2 only of: OVER THE COUNTER - TIME DEPOSITS - Dated 5/21/70

LOAN PAYMENT

Bonds:

When signing the note, bond customers should also sign in triplicate the "Customer Request for Automatic Bond Redemption" (21-5135 with C&S logo or 21-5140 without logo). CUSTOMERS MUST NOT ENDORSE THE BONDS, and under no circumstances should we use a collateral note form. Remember to do this for each bond on which we lend. Copy distribution and use:

1. Original stapled to L&D note tickler. Upon note maturity, pull and use to redeem bond and pay off note. Since arrangements have been made to pay the loan from bond proceeds, do not send notice to customer.
2. Duplicate to branch that issued bond, to be attached to their file copy.
3. Triplicate to customer, as his receipt for bond.

Five Percenter Savings Account:

When signing the note, customers should also sign a withdrawal slip for the "Total R of Payments" of the note. The withdrawal slip should be dated with the maturity date of the loan. Place the withdrawal slip in the negotiable collateral file. Write on the L&D tickler "Withdrawal slip in negotiable collateral file", as a reminder at maturity of the note to use savings funds to pay the loan. Complete a Five Percenter Savings Status Change Order (21-5100), checking block 11 for "Hold Balance". On the maturity date do the following:

1. Send in another Five Percenter Savings Status Change Order (21-5100), coded Release Status 18.
2. Send in the withdrawal slip on loan maturity date.

If the customer is closing his account, rather than making a partial withdrawal, show "balance" on the withdrawal slip. On the withdrawal date, determine the balance and accrued interest, then enter the amount on the withdrawal slip.

TAX INQUIRY This does not affect our present reporting routines at all.

CONTROL

LENDER SHOULD IMMEDIATELY PHONE BRANCH THAT HANDLES THE ACCOUNT. Tellers should always refer to bond files before issuing duplicate bonds. The duplicate "Customer Request For Automatic Bond Redemption" will appear here as a control device.

FORMS

15-1100	Consumer Note
21-5010	Withdrawal Notice
21-5100	Five Percenter Savings Status Change Order
21-5135	Customer Request for Automatic Bond Redemption (with C&S logo)
21-5140	Customer Request for Automatic Bond Redemption (without logo)

All forms can be ordered from the Purchasing Department in the usual manner.

CONSUMER CREDIT OPERATING BULLETIN INDEX*

SALES FINANCE VII

3-01-72

APPLIES TO	SUBJECT	TOPIC	DATE
	ADD-ON PLAN		3-20-70
	AGREEMENT	FULL RECOURSE	10-10-56
	AGREEMENT	NON-RECOURSE PLAN	2-20-61
	APPLIANCE FINANCING	WHOLESALE	1-04-51
	AUTOMOBILE LOANS	INSURANCE FOLLOWUP	12-11-70
	BOAT AND MOTOR FINANCING		8-23-62
	BUSINESS DEVELOPMENT	PAID IN FULL SOLICITATIONS	See Acctng. & Gen. Opr. PAID-IN-[illegible] PROCEDURES
	DEALER CREDIT	APPROVAL OF DEALER LINES	8-20-53
	DEALER CREDIT	D&B REPORTS	6-01-68
	DEALER CREDIT	DEALER CREDIT RECORD	8-23-62
	DEALER CREDIT	DEALER PURCHASE GUIDE	8-23-62
	DEALER CREDIT	DEALER REJECTION REPOSSESSION RECORD	8-23-62
	DEALER CREDIT	FINANCIAL STATEMENTS	10-23-57
	DISTRIBUTOR - MFG. RELATIONS		3-30-51
	DISTRIBUTOR - MFG. RELATIONS	DISTRIBUTOR AGREEMENT	7-12-50
	FARM EQUIPMENT		12-05-66
	FARM EQUIPMENT FINANCING	PURCHASER CREDIT	12-06-54
	GEORGIA REGULATIONS		9-01-67
	NEW BUSINESS REPORT		7-13-50
	PROPERTY IMPROVEMENT	NOTE-AGREEMENT	9-01-67
	REPAIR PLAN		9-01-67
	SUBSTITUTION AGREEMENT		7-23-65
	UNIFORM COMMERCIAL CODE	DEALER RELATIONS	3-30-65
	UNIFORM COMMERCIAL CODE	RETAIL	4-13-65
	UNIFORM COMMERCIAL CODE	WHOLESALE	4-20-65
	WHOLESALE		8-08-51
	WHOLESALE	CHECKING RECORD	6-15-66
	WHOLESALE	CHECKING REPORT	6-15-66

Sec. VII

LENDING Sales Finance

E- 1578

*Information on how to use guide, indexes, and bulletins is on the pink page in Sect[illegible]

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT ADD-ON PLAN

TOPIC

 Date 3/20/70

Replaces Bulletin: SALES FINANCE - ADD-ON PLAN - Dated 9-1-67

The Add-On Plan can be a valuable sales tool for the retail appliance and furniture dealer. Many credit worthy customers have an actual need for acquiring additional merchandise while they are still paying for previous purchases. However, required down payment and/or monthly installments on two accounts at the same time make this impossible. The Add-On Plan is designed to enable the customer to overcome these problems and is an essential part of our sales financing program available to dealers.

The Add-On Plan is designed to stimulate dealer interest and create customer awareness of the plan. Particularly attractive points of the program are:

1. We will accept an Add-On without additional down payment, after 4 prompt installments.

2. An insert describing the Add-On Plan will be placed in the customer's payment book (after the 4th payment card) on all eligible transactions for dealers using the Plan.

ADVANTAGES OF THE ADD-ON PLAN

CUSTOMER

1. Additional merchandise without additional down payment.
2. Wherever possible, little or no change in monthly payments.
3. No delivery delay due to additional credit investigation.

DEALER

1. An expanded market through sales to present customers.
2. No down payment required.
3. No additional credit investigation required.
4. Increased reserve participation through greater credit sales.

BANK

1. Increased volume at increased profit through lower collection and investigation costs.
2. More complete service to both customer and dealer.

DEALER CONTACT

All appliance and furniture dealers regardless of size, can profitably make use of the Add-On Plan. Each dealer should be thoroughly acquainted with the dealer advantages of the Plan and with its mechanics of operation. Be sure to explain its advantages to new prospects - it could close the sale for you.

Replaces Bulletin: SALES FINANCE - ADD-ON PLAN - Dated 9-1-70

ADD-ON INSERT (19-1042)

The Add-On Insert illustrated below is designed to advertise the plan to eligible customers and to alert dealers to eligible prospects. It reminds the customer of the availability of the Plan when the fourth payment is made. When customers make payments in the dealer's store, the dealer will see the insert and will have the opportunity to ask for additional business.

In the upper right hand corner of the Discount Sheet (19-898), in the space for "Payments", write in the words "ADD-ON COUPON" with red ink so that the Central Billing Department will include the Add-On Insert in the customer's coupon book.

On the new Discount Sheet (19-1295), in the Special Instructions Code box, write in a large number 3, circled.

NOTE: Our present computer program provides for use of only one digit as Special Instructions Code. If you need to use either Code 1 or 2, DO NOT write in (3). That customer simply will not receive an Add-On Coupon in his book.

Replaces Bulletin: SALES FINANCE - ADD-ON PLAN - Dated 9-1-67

TERMS

Additional merchandise may be financed without down payment any time after four payments have been paid satisfactorily on open contract for the same dealer. The maximum maturity on an Add-On Contract is 36 months. The dealer should try to set up the monthly installments on the Add-On Contract so that they are, as nearly as possible, the same amount as those of the original contract. This adjustment can be made by extending the terms on the Add-On Contract upwards, as necessary, to 36 months. Similarity of installments will be possible only when the original terms were 24 months or less and will depend on the net balance of the original contract and the additional amount to be financed.

Because of the 36 months limit there will be many cases when it will be impossible to add-on at a similar amount of monthly repayment. Dealers should understand why this will happen so that they will not mislead the customer into expecting that the amount of the add-on payments will (always) remain the same.

INSURANCE

Credit Life, Disability, and Property - Fire and Theft Insurance coverages are applicable to Add-On Contracts in the same manner as they apply to any other Sales Finance Domestic transaction.

However, customers who are currently receiving disability benefits under the original contract are not eligible for the Add-On Plan. In those rare instances, where credit factors warrant, such transactions should be handled on the basis of an additional loan - not covered by disability insurance.

COMPUTING NEW CHARGES

It will be necessary for the dealer to call the bank for a new pay off on the first contract. The dealer should then add the net balance (after rebate of charges and Dealer reserve) on the first contract to the cash unpaid balance on the Add-On Contract, and apply the appropriate rate to the combined figure. IT SHOULD BE NOTED THAT STANDARD REBATE NOW APPLIES TO THESE PAYOFFS.

The rate for Add-On Contracts will be the rate currently in effect with that dealer.

Replaces Bulletin: SALES FINANCE - ADD-ON PLAN - Dated 9-1-67

COMPLETING THE DISCOUNT SHEET

In setting up the Add-On Contract the following spaces on the Discount Sheet will be affected:

1. AMOUNT FINANCED - This will be the sum of the "Unpaid Balance of Cash Price" on the Add-On Contract plus the "Net Balance First Contract".
2. OLD NOTE - Show the number of the first contract and the net balance on the first contract.
3. DEALER'S LOSS RESERVE - If a reserve is being set up out of the finance charges in your plan of operation for the dealer, compute the percentage against the combined net balance on the old contract plus the add-on.
4. CONTINGENT RESERVE - If your plan of operation with the dealer calls for a holdback, compute against the cash unpaid balance on the amount added-on only.
5. CHECK TO DEALER - For the cash unpaid balance on the Add-On less contingent reserve, if any.
6. COLLATERAL - Describe both the merchandise already being financed and the merchandise added-on.
7. CODING - Source code of all add-on transactions is "3-RENEWAL ADDITIONAL $".

COMPLETING THE ADD-ON CONTRACT

Use the standard Add-On Contract (19-852).

RETENTION

When the Add-On Contract is discounted, the original contract should be stapled to it and retained in the note file along with the Add-On Contract. The Add-On Contract becomes a part of the first contract and the two must be retained in the note file until the add-on has been paid out.

SETTING DUE DATES

Due dates for Add-On Contracts should be established consistent with first contract due dates and the customer's previous payment record and the first installment should be within 30 days of the date of Add-On.

ORDERING FORMS

Order the Add-On Contract (19-852) from the Purchasing Department, Atlanta.

OPERATING BULLETIN

SECTION SALES FINANCE
SUBJECT AGREEMENT
TOPIC FULL RECOURSE

 Date 10-10-56

Replaces Bulletin: "SALES FINANCE - FARM EQUIPMENT FINANCING - DEALER AGREEMENT" Dated 3-20-50

Reproduced on Page 2 is a revised Dealer Agreement which is designed to be used for all classes of business and plans of operation where the dealer is fully obligated to buy back defaulted instruments. This new agreement (19-935) includes the following changes:

1. The wording covering payment of reserves has been changed to provide for a percentage holdback of reserve as well as "as and when" payment. The new wording also conforms more closely to Federal Reserve and F. D. I. C. definitions of "earned" and "unearned" reserves.

2. A definite right of offset of contract, reserves or other assets in our possession against any and all indebtedness of dealer to us.

3. Provision is made for suit against dealer on individual contracts as well as on the entire portfolio.

4. Changes in wording to clarify the overall intent of the agreement.

Immediate substitution of this agreement for existing agreements is not necessary; however, the new agreement should be used as new dealers are signed and should be substituted on present dealers as a favorable opportunity presents itself.

Although this is a printed "form" the legal significance is the same as though the agreement were individually drawn for each dealer. Every man in the Installment Loan Department handling dealer business should understand every provision of the agreement and the reason for it. Please check if you do not.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT AGREEMENT

TOPIC FULL RECOURSE

Date 10-10-56

E- 1584

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT AGREEMENT

TOPIC NON-RECOURSE PLAN

 Date 2-20-61

NEW SUBJECT

Flexibility in the handling of sales finance is a mark of mature, realistic service to sales finance dealers. This is particularly true in a highly competitive finance market. Consequently, additional means have been developed by which to serve these dealers, e.g., the Non-Recourse Option and the Non-Recourse Plan.

Introduction of this Non-Recourse Plan does not change our basic philosophy that the best plan for sales finance dealers is our standard recourse plan. Please continue to sell our dealers on the advantages of the standard recourse plan. If we cannot satisfy a dealer with the recourse plan, our first alternative is the Non-Recourse Option. This option and the standard plan should provide sufficient flexibility for us to handle all of our dealers. If a good dealer cannot be satisfied with the option, the second alternative is the Non-Recourse Plan. This plan may be offered to him only after you submit to System Consumer Credit, a resume of the full particulars covering our need to place him on the plan and obtain approval to offer it to him. The plan is placed into effect by the execution of a Non-Recourse Agreement (19-938, reproduced on page 2) between the dealer and the Bank.

The Non-Recourse Plan provides the dealer with a means of limiting his liability on paper assigned to us by establishing a reserve based upon a predetermined percentage of the dollar amount of his outstandings. This reserve percentage should be at least 10%. Accumulated funds in the reserve above this limit are considered to be earned. Losses up to percentage limit are charged to this reserve; losses in excess of the limit are sustained by the Bank.

The provisions of the plan are as follows:

1. Contracts received from the dealer will have a 2% per annum dealer's reserve set up from charges when discounted. In addition, a holdback may be set up in a separate reserve account, where deemed necessary, either to build up the reserve account or because of the nature of the offerings.

2. When in the opinion of the Bank, repossession is warranted on a particular account, written notice will be given the dealer. He will effect repossession within five days without charge to the Bank for his personnel or equipment.

3. The dealer agrees to hold the collateral for the Bank without charge and to assist in its resale at a mutually agreeable price. The Bank is not bound to accept the dealer's price; it may make other disposition at its discretion.

4. Upon resale of the collateral, the dealer will promptly forward to the Bank the proceeds of the sale, less any Bank-approved expenses in repossessing and reconditioning the collateral, to be applied to the delinquent account.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT AGREEMENT

TOPIC NON-RECOURSE PLAN

Date 2-20-61

E- 1586

NEW SUBJECT

5. Any remaining deficiency will be cleared by deduction from the reserve account. If sufficient funds are not available in the reserve account to pay the deficiency, this loss is sustained by the Bank.

6. On June 1 and December 1 of each year, any balance in the dealer's reserve account in excess of 10% of his contingent liability will be paid to him. This reserve will not be paid if the dealer is in default with any obligation to the Bank in any way or is in the process of liquidating his contingent liability.

7. It is the intent of this plan that all of the dealer's offerings should qualify for purchase under it. However, if a dealer wants us to handle a marginal offering, this may be done with full recourse by indicating this on the voucher portion of the check or on the deposit slip given in payment for the contract.

8. This agreement may be canceled at any time by either party giving written notice to the other party. Cancellation will have no effect on offerings purchased prior to the date of the cancellation notice.

FACTORS TO CONSIDER BEFORE RECOMMENDING THIS PLAN In determining whether this plan should be recommended for a dealer, the factors of capital, capacity, and character should be considered. In addition, consider the following factors:

1. Our experience with dealers with whom we are doing business would be a determining factor in whether we could offer them this plan. If the quality of the paper and our experience in general have been good, these dealers would be eligible for this plan.

2. This plan should not be recommended for a new dealer unless we have sufficient information on him to establish that his paper will liquidate within the limits of the reserve account. If a new dealer desires this plan, investigate him thoroughly to determine his character and the type of business he submits to his finance company.

3. The dealer's volume, both in the number of accounts and in the amount of each contract, should be sufficient to build up an adequate reserve.

4. The dealer's location should make it practicable to check a customer's credit without undue expense. The Non-Recourse Plan cannot be extended in areas where adequate pre-investigation is not possible.

5. The dealer's attitude in working with the Bank on this plan is of prime importance. The plan should be recommended only for the more cooperative

NEW SUBJECT

dealer who understands that it is to his advantage to work with the Bank in order to conserve his reserve account.

EXTENDING RETAIL CREDIT UNDER THIS PLAN The Non-Recourse Plan will lose its effectiveness if we purchase an excess number of contracts on a recourse basis. Therefore, we must be alert to detect and to reserve undesirable trends in that direction. We can minimize potential problems in this area in several ways:

1. Be sure that our dealers, both old and new, understand that we expect the same volume and the same class of business under the Non-Recourse Plan as we would expect under the standard recourse plan. They should also understand that we expect them to maintain the same credit levels under the Non-Recourse Plan as they would if they were placing full endorsement on each contract.

2. Some dealers will be tempted to send us marginal deals which they probably would have rejected prior to accepting the Non-Recourse Plan. If the quality of a dealer's paper deteriorates after he signs the Non-Recourse Plan Agreement, contact him immediately and, through effective salesmanship, implant the fact that we cannot purchase paper which does not match the standards of his previous offerings.

3. Purchases which are graded fair or better should qualify under the Non-Recourse Plan.

ELIGIBLE PRODUCTS All products which we currently classify as sales finance-domestic, subject to an adequate reserve in relation to the product being financed.

FORM OF CONTRACT Present contracts will be used.

RATES Our net rate will be the same as that in effect from time to time under our various recourse plans, with charts to the public adjusted to provide the necessary reserve differential.

INSURANCE The same insurance will be used on these contracts as is used on the standard recourse plan.

HANDLING THE RESERVE A new dealer number should be assigned when a dealer switches from the standard recourse plan to the Non-Recourse Plan. Any account purchased under the Non-Recourse Plan but with recourse should be identified by placing an "R" before the loss reserve figure on the discount sheet, and the reserve should be kept separately from the non-recourse reserve. A different dealer number may be assigned for recourse purchases from a non-recourse dealer, [illegible] much paper is being purchased on a full recourse basis.

NEW SUBJECT

DEALER CONDITION REPORT Any dealer operating under this Non-Recourse Plan should be designated on the Dealer Condition Report by placing "NR" under the date in the Approval Expiration Date column.

If you have any questions regarding the operation of this plan, please contact System Consumer Credit.

RELATED BULLETINS SALES FINANCE - AGREEMENT - FULL RECOURSE

SALES FINANCE - AGREEMENT - NON-RECOURSE OPTION

NEW SUBJECT

5. Any remaining deficiency will be cleared by deduction from the reserve account. If sufficient funds are not available in the reserve account to pay the deficiency, this loss is sustained by the Bank.

6. On June 1 and December 1 of each year, any balance in the dealer's reserve account in excess of 10% of his contingent liability will be paid to him. This reserve will not be paid if the dealer is in default with any obligation to the Bank in any way or is in the process of liquidating his contingent liability.

7. It is the intent of this plan that all of the dealer's offerings should qualify for purchase under it. However, if a dealer wants us to handle a marginal offering, this may be done with full recourse by indicating this on the voucher portion of the check or on the deposit slip given in payment for the contract.

8. This agreement may be canceled at any time by either party giving written notice to the other party. Cancellation will have no effect on offerings purchased prior to the date of the cancellation notice.

FACTORS TO CONSIDER BEFORE RECOMMENDING THIS PLAN In determining whether this plan should be recommended for a dealer, the factors of capital, capacity, and character should be considered. In addition, consider the following factors:

1. Our experience with dealers with whom we are doing business would be a determining factor in whether we would offer them this plan. If the quality of the paper and our experience in general have been good, these dealers would be eligible for this plan.

2. This plan should not be recommended for a new dealer unless we have sufficient information on him to establish that his paper will liquidate within the limits of the reserve account. If a new dealer desires this plan, investigate him thoroughly to determine his character and the type of business he submits to his finance company.

3. The dealer's volume, both in the number of accounts and in the amount of each contract, should be sufficient to build up an adequate reserve.

4. The dealer's location should make it practicable to check a customer's credit without undue expense. The Non-Recourse Plan cannot be extended in areas where adequate pre-investigation is not possible.

5. The dealer's attitude in working with the Bank on this plan is of prime importance. The plan should be recommended only for the more cooperative

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT APPLIANCE FINANCING

TOPIC WHOLESALE

Page 1 of 1 **Date** 1-4-51

New Bulletin

STANDARD PLAN

TERMS	
Advanced by bank	90% of cost
Down payment by dealer	10% of cost plus wholesale flat charge

RATE	
Original flat charge for 90 days	1%
Renewal flat charge for 30 days	½%

In addition, charge interest monthly on the average daily balance. The interest rate will vary, based on the normal Commercial Loan interest rate in the office and dealer territory.

CURTAILMENTS The original note is written for 90 days. At the end of 90 days, collect 10% curtailment and each month thereafter as the ½% renewal flat charge is collected.

Our standard Distributor Agreement requires curtailments to be made at the rate of 10% per month starting with the seventh month. The agreement was written this way to permit deviation from our standard plan where individual cases might require the skipping of one or more curtailments.

INSURANCE The flat charges quoted above include the cost of insurance under our blanket wholesale policy -- see bulletin "Insurance, Wholesale - Equipment", dated 5-5-54. We prefer to collect our normal flat charge and place the insurance rather than have the dealer arrange his own. For substantial dealers, if the dealer insists on placing his own insurance, be sure to obtain a copy of the dealer's insurance policy with a loss payable clause in our favor. Monthly interest charge should be increased 1% per annum if flat charge is waived.

OPERATING BULLETIN

SECTION SALES FINANCE
SUBJECT AUTOMOBILE LOANS
TOPIC INSURANCE FOLLOWUP

 Date 12-11-70

NEW BULLETIN

Our customers have a continuing responsibility to us to furnish us with evidence of adequate insurance coverage on the collateral. Wording in our contracts creates this insurance obligation, and empowers us to administer insurance monies and obtain insurance coverage when the customer has failed to do so. We frequently have to exercise these rights.

This bulletin covers the recommended followup routines for Sales Finance locations. It also introduces the Uninsured Vehicles Report. The follow-up principles and methods involved here are very similar to those of our collection followup routine. Early stage followups are made by clerical personnel. Later followups are to be made by the adjuster, who must exercise credit and collection judgment in connection with his followup. This is the "Personal Handling" stage. This procedure makes it clear that personal handling is the adjuster's responsibility.

USE OF FORM LETTERS

Please use no form letters other than shown or mentioned in this bulletin. Policy identification, routing, etc. will be expedited by following these standardized procedures. Use of two of these form letters, for instance, (38-1280 and 38-1285) will (1) reduce initial insurance followup with the customer, and (2) eliminate the need for an insurance policy or copy of the policy. The properly executed form letter returned from the insurance agent can be placed in the customer's file in lieu of the policy or copy of policy.

NEW TRANSACTIONS

INSURANCE AND TITLE VERIFICATION

A completed Insurance and Title Verification form (19-2015-0) must accompany each contract covering an insurable vehicle. (See sample on page 2.) This is the very cornerstone of our entire followup procedure. Dealers and their Sales personnel should be educated and sold on accurate completion of this form.

FOLLOWUP

WHEN THE INSURANCE IS ORIGINALLY PLACED THROUGH THE C&S AGENCY, order coverage using the procedure outlined in the bulletin: INSURANCE-AUTOMOBILE PHYSICAL DAMAGE. No followup is required of the branch, unless the account requires personal handling. When this occurs, C&S Agency will refer the account to the branch with instructions.

INSURANCE AND TITLE VERIFICATION FORM

This form completed in detail must accompany all contracts. Failure to comply will result in contract being returned.

Customer's Name: _____

Description of Vehicle: _____

Name of Insurance Co.: _____

Agent _____

Agent's Phone No. _____

Agent's Address _____

Policy No. or Binder No.: _____

Verified With: _____ at Tel. No. _____

Verified By: _____ (Salesman)

New Title Applied for By: _____

LIST ALL OPERATORS First / Middle / Last	Date of Birth MO.	DA.	YR.	Sex M	F	Marital M	S	Stat W	D	Drivers License Number	State	Time Licensed	Yof Exp
Principal Operator													
Other Operators										(If available)			
1.													
2.													
3.													

Certified correct: _____ Dealer _____ Date

19-2015-0

WHEN C&S IS FINANCING BOTH THE VEHICLE AND THE INSURANCE COVERAGE, AND THE AGENT IS OTHER THAN THE C&S AGENCY, this is the procedure:

1. Pay the insurance coverage with a Bank or Financial Corporation check payable to agent or company with following endorsement stamped on back.

   By endorsing this check, the payee warrants and agrees that the coverage outlined to the payee in drawer's transmittal letter describing this check have been provided, and that all conditions in that letter have been or will be met.

NEW BULLETIN

2. Prepare form letter 38-1285, a Premium Transmittal and Insurance Confirmation Request in duplicate. (See sample on page 4).
3. Send original to customer's insurance agent, including a return envelope. Copy goes to customer's file.
4. Prepare Insurance Followup Card #38-1060-0, shown below, and suspense for 20 days.

Policy No. _____ Insurance Follow-up
Premium Paid $_____ Expiration Date _____

Name _____ Loan No. _____ Loan Date _____

No.	Follow-up Description	Follow-up No. and Date Made	Follow Next On:
1	38-1280 Insurance Confirmation Request		
1a	Premium Transmittal and Insur- 38-1285 ance Confirmation Request		
2	"Second Request" and copy to customer or telephone call (TC) to agent		
3	Insurance Notice #1		
4	Insurance Notice #2		
5	Given to for personal follow-up		
6			

38-1060-0 12-70

5. When the agent's letter or policy comes in:
   a. Check the information on the letter (or policy) for adequacy of coverage-type, amount, period, and premium paid. Check the premium against the amount we paid. If a difference exists, refer immediately to the Unit Manager.
   b. If the policy is continuous (one that is renewed automatically upon payment of premium), write in "CONTINUOUS" and your initials on the Expiration Date line of the Insurance Followup Card. Staple the Insurance Followup Card to the policy or to the Premium Transmittal and Insurance Confirmation Request (38-1285). File in customer's folder to make it readily apparent that the insurance is on a continuous basis.
   c. If the policy has an expiration date, keep the card in the Insurance Followup Card tray under the follow date, which should be 10 days prior to expiration date.

C&S

Date _____

Customer
Address
City
Make of Vehicle
Year
Body Style
I. D. Number

Here is our check number _____, dated _____, for $_____ which the above customer has asked that we send to you covering the premium for a physical damage insurance policy on the vehicle described above.

This vehicle is pledged to us as security and the right to receive payment of claims or of return premium under this policy, or any renewal thereof has been assigned to us. We request that the policy or any renewal thereof have attached Loss Payable Form NAUA 51 or its equivalent in favor of C&S as security holder and provide that we will be given ten days' advance notice in the event of cancellation of the policy.

Please do not send us a copy of the policy. We will appreciate your furnishing the information requested below by returning this letter to us promptly in the enclosed pre-addressed envelope. No postage will be necessary.

If the coverage cannot be placed please return the check to us promptly.

Thank you very much.

_____

To: The Citizens and Southern _____

_____

_____

The customer named above has coverage on the vehicle as described on the policy issued as follows:

Name of Company _____

Policy Number _____ Policy Period _____

Coverages: (Comp.) (Fire) (Theft) $_____ Deductible Collision _____

This policy provides that any loss under these coverages is payable as interest may appear to the named insured and

The Citizens and Southern _____
and that C&S will be given ten days' advance notice in the event of cancellation of the policy. Also, Loss Payable Form NAUA 51 or its equivalent is now attached to the policy.

Date _____

Agency _____

By _____ Title

NEW BULLETIN

6. If the letter is not answered in 20 days, refer the account to an adjuster for personal handling. This is done by preparing, in duplicate, an Uninsured Vehicle Card, (form #38-1055-0.) See sample below. Note the adjuster's initials on both copies of the card. Give the carbon copy to the adjuster. Keep the original to be used in preparation of the Uninsured Vehicles Report. Procedure for this is explained later in this bulletin. Personal handling begins at this point. The adjuster uses his own judgment in efforts to conclude the account.

Uninsured Vehicle Card **Follow-up Date** _____

Customer Name
Address
City

Dealer Name

Account No.	Date and Balance When Assigned		Dealer No.	Collateral or Indorser

Agent Name _____
Agent Address _____
Agent Home Phone _____
Agent Business Phone _____
Type Coverage _____
Amount $_____
Coverage Period From _____ to _____
Agent Verifying _____
38-1055-0 12-70

WHEN THE CUSTOMER IS FURNISHING INSURANCE COVERAGE AND THE PREMIUM IS NOT A PART OF THE LOAN TRANSACTION, The Insurance Followup Clerk should:

1. Prepare Insurance Confirmation Request form letter (38-1280) in quadruplicate. (See sample on page 6.) This is an Insurance Confirmation Request that should be sent to the customer's agent. Include a return envelope. File the other three copies in the customer's folder.
2. Prepare Insurance Followup Card #38-1060-0 and suspense for ten days.
3. When the agent's letter or policy comes in:
   a. Check the information on the letter (or policy) for adequacy of coverage - type, amount and period.
   b. If the policy is continuous (one that is renewed automatically upon payment of premium), write in "CONTINUOUS" and your initials on the Expiration Date line of the Insurance Followup Card. Staple the Insurance Followup Card to the policy or to the Insurance Confirmation Letter. File in customer's folder to make it readily apparent that the insurance is on a continuous basis.)

C&S

Date

Customer
Address
City
Make of Vehicle
Year
Body Style
I. D. Number

We have financed an automobile for the above customer, who has indicated he will secure a physical damage insurance policy from you on the vehicle described above.

This vehicle is pledged to us as security and the right to receive payment of claims or of return premium under this policy, or any renewal thereof has been assigned to us. We request that the policy or any renewal thereof have attached Loss Payable Form NAUA 51 or its equivalent in favor of C&S as security holder and provide that we will be given ten days' advance notice in the event of cancellation of the policy.

Please do not send us a copy of the policy. We will appreciate your furnishing the information requested below by returning this letter to us promptly in the enclosed pre-addressed envelope. No postage will be necessary.

Thank you very much

To: The Citizens and Southern

The customer named above has coverage on the vehicle as described on the policy issued as follows:

Name of Company

Policy Number Policy Period Premium Paid $

Coverages: (Comp) (Fire) (Theft) $ Deductible Collision

This policy provides that any loss under these coverages is payable as interest may appear to the named insured and The Citizens and Southern and that C&S will be given ten days' advance notice in the event of cancellation of the policy. Also, Loss Payable Form NAUA 51 or its equivalent is now attached to the policy.

Date

Agency

By

E- 1597

NEW BULLETIN

c. If the policy has an expiration date, keep the card in the Insurance Followup Card tray under the following date, which should be 10 days prior to expiration date.

4. If we have not gotten response in ten days, take the three copies of the form letter 38-1280 from the customer file and type on the upper right hand corner in capitals "SECOND REQUEST". Send one copy to the agent and one copy to the customer along with the 3x5 card that asks the customer for help in following up his insurance agent. This is form number 38-1065-0, Confirmation Assistance Request (shown below). You will then be left with one copy of the form 38-1280, which should remain in the customer's folder. Indicate your followup on the Insurance Followup Card, and the next followup date, and suspense for ten days. When there has been no response at the end of this second ten-day period, refer the account to an adjuster for personal handling. This is done by preparing, in duplicate, an Uninsured Vehicle Card, form #38-1055-0. Note the adjuster's initials on both copies of the card. Give the carbon copy to the adjuster. Keep the original to be used in preparation of the Uninsured Vehicle Report. Procedure for this is explained later in this bulletin.

CONFIRMATION ASSISTANCE REQUEST

IMPORTANT . . . To you and to us! This is the second time that we have asked your insurance agent for the necessary information on your automobile insurance. You can help by contacting him and asking him to answer right away. Thanks.

38-1065-0 12-70

PERSONAL HANDLING

The adjuster uses his own judgment in efforts to contact the customer and, in order of desirability:

1. Get the customer to furnish dual interest coverage immediately.
   a. Through C&S Agency, debiting the account for the premium, or,
   b. Through an outside source.
2. Place single interest coverage, charging his account.
3. Repossess the vehicle.

NEW BULLETIN

The adjuster is expected to use whatever telephone calls and/or letters necessary to conclude this account. He should be familiar with all of the automobile physical damage insurance program bulletins. Once he has received the assignment from the Insurance Followup Clerk, it continues to be his responsibility until he has received written confirmation of the evidence of insurance and has given it to the Insurance Followup Clerk.

UNINSURED VEHICLES REPORT

This report, shown on page 10, advises management on a periodic basis of all uninsured vehicles in a given location. Provision is made to break them down by dealer, so problem dealerships can be spotted readily.

Any and all uninsured automobile loans that have reached the personal handling stage should be entered on this report. They should continue to be listed on this report until:

1. The loan is paid out or charged off.
2. Written evidence of coverage is secured. This will be:
   a. A copy of the policy that shows us as lienholder, or,
   b. Our completed form letter that gives us confirmation of the insurance coverage,or,
   c. The policy has been ordered through C&S Agency.

The Insurance Followup Clerk should prepare the report in duplicate, at the end of each reporting period. The original should be sent to Retail Banking, Atlanta, and a copy should be retained by the local office to be used in much the same manner as the Past Due List. The originals of the Uninsured Vehicle Cards are the accounts that should be listed on this report. The date and balance columns have special significance. Loans on this report over 30 days must be listed on the next Potential Loss Report. The balance is the balance when first on report, and does not need to be updated. Deletions from the report can be made by simply lining through the items. Additions can be "tacked on". Care should be taken to revise the totals of each new report, however.

CANCELLATION AND RENEWAL FOLLOWUP

After original insurance placement, there are three situations that will prompt us to follow the customer for coverage:

1. Cancellation. Insurors are legally bound to notify insured lienholders of cancellation at least 10 days before date coverage will terminate.
2. Expiration. Policy expires during life of loan. Most companies notify the lienholder of the expiration if they do not intend to renew. Since all companies do not do this, we must rely on our Insurance Followup Card, which should come up 10 days before expiration.
3. Non-payment of renewal premium on continuous policies.

NEW BULLETIN

All three of these situations can be handled with just two form letters. Here is the procedure:

As soon as any notice of cancellation or non-payment of renewal premium is received, the Insurance Followup Clerk should immediately:

1. Send Insurance Notice #1 (shown on page 11).
2. Prepare Insurance Followup Card, note the followup performed and next followup date, and file the card on the termination date.
3. On the termination date send Insurance Notice #2 (shown on page 11). Suspense for 20 days.
4. At the end of this period, if no confirmation has been received, refer the account to the adjuster by the procedure in the New Transactions section of this bulletin. Enter the account on the next Uninsured Vehicles Report.

ORDERING FORMS

Here is a listing of all forms and supplies mentioned in this bulletin, and how obtained.

FORM NO.	DESCRIPTION	ORDER FROM:
19-2015-0	Insurance and Title Verification Form	Atlanta Purchasing Dept.
38-1280	Insurance Confirmation Request	" " "
38-1285	Premium Transmittal & Insurance Confirmation Request	" " "
38-1065-0	Confirmation Assistance Request	" " "
38-1060-0	Insurance Collateral Followup Card	" " "
38-1055-0	Uninsured Vehicle Card	" " "
NONE	Insurance Notice #1	Produce Locally
NONE	Insurance Notice #2	" "
NONE	Insurance Premium Disbursement Endorsement Stamp	Atlanta Printing Department
NONE	Uninsured Vehicle Report	C&S Agency, Atlanta

RELATED BULLETINS

INSURANCE - THE CITIZENS AND SOUTHERN AGENCY, INC.
INSURANCE - AUTOMOBILE PHYSICAL DAMAGE
INSURANCE - AUTOMOBILE LOANS - SINGLE INTEREST COVERAGE
INSURANCE - PAYMENT SCHEDULE - CHANGES
OVER-THE-COUNTER - AUTOMOBILE LOANS - INSURANCE FOLLOWUP

UNINSURED VEHICLES REPORT

Bk/Br No.& Location _____ for period ending _____

Page _____ of _____

	Dlr. Name	CUSTOMER NAME	LOAN NUMBER	LOAN DATE	*DATE AND BALANCE when first on report	
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						

This period's total number and balances:

Last period's total number and balances:

* Loans on this report over 30 days must also be listed on the next Potential Loss Report.

INSURANCE NOTICE #1

Dear _____

Your insurance company has notified us that your automobile insurance will terminate on _____ because:

_____

_____

Please contact your insurance agent promptly and secure proper coverage. Also, please ask him to furnish us with a copy of the policy, showing as loss payee:

_____

_____

_____

He should send it to my personal attention. If we can help, just call. Thank you.

Sincerely,

_____

(TITLE)

Telephone: _____

INSURANCE NOTICE #2

Dear _____

Your automobile insurance terminated
We have not yet received acceptable evidence of coverage from your agent. The financing terms of your agreement state that you will provide insurance coverage. Of course, we cannot continue to finance on an uninsured basis.

Please call me at once so we can discuss a satisfactory solution.

Sincerely,

_____

TITLE

Telephone_____

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT BOAT AND MOTOR FINANCING

TOPIC

 . **Date** 8-23-62

Replaces Bulletin: "SALES FINANCE - BOAT AND MOTOR FINANCING" Dated 4-5-61

For the past several years increased leisure time, higher personal income and the development of artificial waterways within practical distance of larger urban areas have resulted in the phenomenal growth and popularity of boating as a major recreational activity. Consistent with our policy of gearing our services to the needs of the communities we serve, a complete revision of our boat and motor financing plan has been made.

We are now able to offer a complete and adequate "financing package" to boat dealers through the addition of our new boat and motor group insurance policy, revised rates, reserves, terms and the availability of several plans of operation. These optional plans provide a means of tailoring our plan to each individual dealer's needs while still providing low cost competitive financing for the purchaser. In cases where present dealer relations are satisfactory to all concerned, the new "package" does not require the change of existing dealer arrangements. However, it places us in an excellent position to solicit new business and to protect our present dealers in situations where we are faced with losing the dealer because we are not competitive with other plans available.

All installment loan personnel concerned with the handling of sales finance dealers should thoroughly understand all provisions of the new "package."

CLASSIFICATION — Contracts purchased from dealers covering boat and/or motors should be classified as SALES FINANCE - DOMESTIC.

DEALER PLANS

I. Standard Plan - Full Recourse

Agreement - use Full Recourse, 19-935

Reserve balance requirement - 5% of retail outstandings.

Reserve rate - 2% per annum on the unpaid balance of each transaction until 5% reserve balance is obtained. 1% per annum at dealer's option thereafter. (See subsequent paragraph "DEALER LOSS RESERVE.")

Should it become necessary to change existing dealers operating under a full recourse plan with reserve balance requirements in excess of 5% of retail outstandings, a new agreement must be executed. Excess reserve thus created may be paid at the next settlement date.

The full recourse plan still remains our standard plan of operation. It offers the most profitable arrangement to the dealer in that more of the contracts which he offers to us can be approved and it provides him with the greatest profit from his loss reserve since the reserve balance requirements are lower than the optional plans. It also affords the bank the greatest protection. All effort should be made to sell both present and prospective dealers on the advantages of the full recourse plan.

Replaces Bulletin: "SALES FINANCE - BOAT AND MOTOR FINANCING" Dated 4-5-61

II. Non-Recourse Option

Agreement - use Full Recourse, 19-935, together with Non-Recourse Option, 19-933 (Operating Guide bulletin: SALES FINANCE - AGREEMENT - NON-RECOURSE OPTION).

Reserve balance requirement - 10% to invoke.

The option agreement must be signed with an agreed percentage of 10%. Since this plan is essentially full recourse until the dealer decides to invoke his option, excess reserves will be paid over 5% of retail outstandings. The dealer must understand, however, that in order to invoke the option he must first bring his reserve up to 10% of his retail outstandings. (See subsequent paragraph "DEALER LOSS RESERVE.")

Reserve rate - 2% per annum on the unpaid balance of each transaction until 5% reserve balance is obtained. 1% per annum at dealer's option thereafter. (See subsequent paragraph "DEALER LOSS RESERVE.")

III. Non-Recourse

Agreement - use Non-Recourse, 19-938 (Operating Guide bulletin: SALES FINANCE - AGREEMENT - NON-RECOURSE).

Reserve balance requirements - 10% of retail outstandings.

Reserve rate - 2% per annum on the unpaid balance of each transaction until 10% reserve balance is obtained. 1% per annum at dealer's option thereafter. (See subsequent paragraph "DEALER LOSS RESERVE.")

The Non-Recourse Plan is to be offered only after the recourse and Non-Recourse Option plans have been extended and the dealer has refused both. Approval of System Consumer Credit is necessary before offering Non-Recourse to a dealer.

RATES The net rate to the bank computed on the unpaid balance, including insurance premium when financed, should be 6-LD2. (The net rate no longer changes with balances over and under $500 as in previous plans.)

RATE CHARTS Dealers should be provided with the standard rate chart cover, 19-1021, containing:

1. Credit Life Insurance Insert
2. Disability Insurance Insert
3. Boat and Motor Insurance Insert
4. 8-LD2-M chart (2% reserve)
5. 7-LD2 chart (1% reserve)
6. 6-LD2 chart (reserve - see previous paragraph on "DEALER LOSS RESERVE")

E- 1604

LD charts should be provided in all cases. Transactions received, which are not eligible for disability and/or credit life coverage, should be adjusted in accordance with the paragraph "INELIGIBLE TRANSACTIONS - SALES FINANCE" in the Operating Guide bulletin: INSURANCE - CREDIT LIFE and INSURANCE - DISABILITY.

DEALER LOSS RESERVES Rate to the purchaser will be 6% per annum plus life and disability and a 1% or 2% per annum dealer loss reserve based upon the reserve balance requirements of the particular plan of operation involved.

On an individual transaction basis, the dealer may give the bank's net rate (6-LD2) to the customer when it is necessary in order to place either the insurance or the transaction itself with us. In such cases, the standard reserve (2% or 1%) will be held out of the proceeds of the transaction and should be credited to dealer contingent reserve. From the standpoint of reserve accounting and settlement, there should be no distinction between the loss reserve and the contingent reserve.

Reserve balances will be built at the rate of 2% per annum, on each transaction, until the required reserve balance is reached. After this the dealer may elect to add to his reserve at the rate of 1% per annum. Dealers should understand that in so reducing their reserve they are cutting a profit-making tool in half.

ADVANCES Advance of 100% may be made on all plans unless there is reason to set up a "Contingent Reserve" on a particular individual offering.

TERMS AND DOWN PAYMENTS We should always determine that on each contract offered to the bank, the purchaser should: 1. have sufficient down payment to establish an interest, or real equity, in the equipment and. 2. be in a position to pay regular monthly installments in an amount sufficient to increase his equity faster than the equipment will depreciate from time, average use and obsolescence. It is important to remember that a pleasure craft is a "luxury item" and during an adverse economic period, when it is necessary to curtail expenditures, a boat is dispensible, hence the purchaser's equity is extremely important. Down payment of 10% may be accepted on contracts involving small balances (under $500) and short terms (12-15 months). As the amount of the balance to be financed increases so will the need for larger terms and larger down payments. As a guide, the percent of down payment should gradually increase from 10% to 25% as the amount financed increases from $500 to $2,500. Terms may be correspondingly increased up to 24 months on contracts in this range. Contracts involving more than $2,500 may have terms up to 36 months, but should have 25% down payment unless substantial information is available to conclusively prove the credit reliability and financial worth of the customer. The bank should be protected on any contract either by adequate down payment or repayment sufficiently fast to insure that the value of the boat and related equipment always exceeds the balance outstanding.

Where rate is a factor, for the dealer, in the closing of transactions of $2,500 or over, we will be willing to negotiate the rate on an individual deal basis down to 5-LD2 - net to the bank. The standard reserve (2% or 1%) will still apply to such deals, and should be held out of the proceeds of the transaction and credited to dea

contingent reserve. Here again from the standpoint of reserve accounting and settlement, there should be no distinction between the loss reserve and the contingent reserve. 5-LD2 rate charts should not be supplied to dealers. These large transactions should be handled on an individual dealer contact basis.

INSURANCE As in the case of all of our group insurance policies, dealers should be educated to sell our new boat and motor insurance on an automatic, part of the transaction, basis. All installment loan personnel concerned should become familiar with the provisions of our group boat and motor insurance policy. (Operating Guide bulletin: INSURANCE - BOATS AND MOTORS.)

Whenever our policy is not used, equivalent coverage must be provided by the customer. In such cases, the bank should be named "Loss Payee." All such loans or contracts should be covered with coverage failure insurance. (Coverage Failure Statement must be signed by the customer and the dealer.)

RECORDING All contracts should be recorded, covering:

1. Boats
2. Boats and Motors
3. Motors alone in excess of $500

Contracts on motors alone, $500 or less, need not be recorded. Be sure our requirements on recording are understood by each dealer so that he may record contracts on motors alone, $500 and less, if he wishes.

CONTRACT FORMS Use Conditional Sales Contract Vehicle-Farm-Equipment (19-986) which provides a recording copy. The dealer should be provided with a separate credit application - Confidential Statement (19-987, Rev. 8-60) which he will attach to the contract when submitting.

On contracts covering motors alone, $500 or less, which do not need to be recorded, use Conditional Sales Contract Personal Property (19-899). This form does not provide a recording copy but does have the Confidential Statement on the reverse side of the original contract.

WHOLESALE If required, advance 80% for 90 days and curtail 10% each 30 days thereafter. Rate is 1% flat for 90 days with ½% renewal charge each 30 days. Boats and motors may be insured under our wholesale equipment policy (GP-142298, American Manufacturers Mutual Insurance Company). This is an inland marine policy and boats and motors on demonstration are covered on an "all risk" basis.

So many manufacturers and distributors in the boat industry have repurchase agreements available that it is impractical for the bank to execute them centrally as we do for appliance business. In the case of boat dealers, each local office should execute their own distributor agreements whenever it is felt that such an arrangement would be either necessary or materially add to our protection. At least a D&B Report should be

Replaces Bulletin: "SALES FINANCE - BOAT AND MOTOR FINANCING" Dated 4-5-61

obtained on the manufacturer or distributor before executing the agreement. If questions arise, consult the System Consumer Credit Department, Atlanta.

OUTBOARD MOTORS SOLD BY APPLIANCE DEALERS We are presently financing outboard motors for some dealers who also sell us appliance contracts (principally hardware stores). If volume is insufficient to warrant setting up separate handling, motors may be handled on the same basis as appliances. Such motors are insurable under our blanket retail fire and theft policy, but only to the extent to the coverages there (excludes collision and sinkage).

ORDERING FORMS Rate charts and inserts (not covers) should be requisitioned from System Consumer Credit, Atlanta. All other forms used with the various plans may be requisitioned in the normal manner from the Purchasing Department, Atlanta.

RELATED BULLETINS
INSURANCE - BOATS AND MOTORS
SALES FINANCE - AGREEMENT - FULL RECOURSE
SALES FINANCE - AGREEMENT - NON-RECOURSE OPTION
SALES FINANCE - AGREEMENT - NON-RECOURSE PLAN

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT DEALER CREDIT

TOPIC APPROVAL OF DEALER LINES

 Date 8-20-53

NEW SUBJECT

"Approval of Dealer Lines" (Form 19-977) has been revised to show operating plans, experience and guidance lines more clearly for each class of business.

The revised form appears in three subsequent illustrations showing its use with different kinds of dealers. These are copies of actual reviews of dealers with whom we are doing business. Only slight changes have been made for illustrative purposes or names changed to protect identities.

The following paragraphs and illustrations are intended to cover procedure and mechanics only, and will not consider credit factors, in preparing the "Approval of Dealer Lines."

PURPOSE

1. To summarize all information needed by the approving officer or committee in setting dealer lines.

2. To provide a permanent record of the credit action taken.

3. To serve as a "top sheet" in the credit file for quick reference.

4. To provide the System Consumer Credit Department, Atlanta, with a summary on each dealer line for use in discussing accounts with distributors, and in maintaining a uniform credit policy throughout the system.

WHEN TO PREPARE

Where practical, the Approval should be prepared before making major credit decisions on any dealer account.

On new dealers, an Approval form should be prepared to summarize the results of investigation and proposed plan of operation before setting lines.

On old dealers, an Approval should be prepared if retail line is about to be exceeded, if wholesale line requires adjustment or, if expiry date has been reached.

On accounts being declined a written record of the factors involved in the declination is particularly important. An Approval form should be used for this purpose on all declined accounts whether old or prospective dealers.

DISTRIBUTION

1. Original as "top sheet" in credit file.

2. Copy for unit manager or officer handling daily relationship with dealer.

3. Copy for System Consumer Credit Dept., Atlanta.

4. Additional copies as needed for members of credit committee or others with an interest in the account.

NEW SUBJECT

CENTRAL CREDIT REVIEW

On dealers doing business exclusively with the Installment Loan Department or where liability in the Commercial Department is secondary, it is not necessary to send a transcript of the financial statement to System Consumer Credit or to prepare Financial Statement Analysis (Form 8-257). The Approval serves a comparable purpose and is intended to meet all written review requirements both locally and centrally.

Where the primary liability is in the Commercial Department, Commercial Department requirements should be observed in sending copies of statements, analysis, etc. to Atlanta.

In either case, dealer's entire liability and relationship with the bank should be reviewed at the same time.

Since Financial Statement Analysis (Form 8-257) does not have spaces to properly describe activity in the Installment Loan Department, the "Approval of Dealer Lines" should be a part of every consolidated review.

ORDERING FORMS

The Approval of Dealer Lines may be requisitioned from the Purchasing Dept., Atlanta, in the normal manner.

RELATED BULLETINS

SALES FINANCE - DEALER CREDIT - D&B REPORTS
SALES FINANCE - DEALER CREDIT - DEALER CREDIT RECORD
SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE
SALES FINANCE - DEALER CREDIT - DEALER REJECTION-REPOSSESSION RECORD
SALES FINANCE - DEALER CREDIT - FINANCIAL STATEMENTS
SALES FINANCE - DEALER CREDIT - VERIFICATION OF #3 PAYMENTS

E-1640

OPERATING BULLETIN

SECTION SALES FINANCE **Page** 4 of 5

SUBJECT DEALER CREDIT

TOPIC APPROVAL OF DEALER LINES **Date** 8-20-53

E- 1611

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT DEALER CREDIT

TOPIC D&B REPORTS

 Date 6-1-68

Replaces Bulletin: "SALES FINANCE - DEALER CREDIT - D&B REPORTS" - Dated 11-6-57

Effective June 1, 1968, new contracts will be made with Dun and Bradstreet, and also effective on that date certain changes will be made in our operating procedures for ordering reports. This bulletin outlines these changes.

WHEN REQUIRED

Continuous service should be maintained on each active dealer and prior to review and approval of lines on present dealers, a check should be made to insure that a current report is on hand. A current report is one less than six months old. In the analysis and approval of new dealers, D&B reports should be obtained.

BANKS THAT DO NOT HAVE THEIR OWN CONTRACT WITH DUN AND BRADSTREET

D&B "Subscriber Inquiry" forms ready imprinted with a special code number and address are supplied by Corporate Services Department. This inquiry form should be prepared in triplicate and the Bank Code should be added to the special code already imprinted, e.g., Thomaston, "07". The original form should be mailed direct to Dun and Bradstreet, P. O. Box 6187, Station H, Atlanta, Georgia 30308, one copy should be sent by inter-office mail to Corporate Services (Agency Reports), 7th Floor, Atlanta Main Office; and the second copy should be retained for follow-up.

Dun and Bradstreet will mail the reports to Corporate Services which, in turn, will send the original to the Ordering Bank and provide System Consumer Credit with a copy for their files.

Additional D&B "Subscriber Inquiry" forms may be obtained from Corporate Services (Agency Reports), as necessary.

CONTINUOUS SERVICE RENEWAL PROGRAM

Continuous service extends for a period of one year from the date a report is first ordered. It consists of supplementary or revised reports sent to you automatically, and at no extra cost.

Prior to expiration date, Dun and Bradstreet will send the original "Subscriber Inquiry" forms to Corporate Services which, in turn, will send them on to you together with a RED and a BLUE card. You should separate the inquiry forms into two groups - those in which you have continued interest and those in which you have no interest. The "continued interest" group should be banded under the RED card and the "no interest" group should be banded under the BLUE card. Both groups should be returned to Corporate Services where a record will be kept of the reports on which continuous service is desired. (A copy of the record will be sent to System Consumer Credit.) The two groups will then be returned to Dun and Bradstreet who will charge the continuous service reports to the C&S contract.

Replaces Bulletin: "SALES FINANCE - DEALER CREDIT - D&B REPORTS" - Dated 11-6-57

METHOD OF PAYMENT
Corporate Services will maintain a month-by-month record of the reports each Bank orders and will debit each Bank monthly for those reports. The renewals for Continuous Service will rate as orders and will be debited at the end of the month in which each is made.

BANKS INCLUDED IN THE C&S CONTRACT, OR WHICH HAVE THEIR OWN CONTRACT WITH DUN AND BRADSTREET

The procedure outlined above will not apply, but it will be necessary for you to insure that Dun and Bradstreet furnishes a duplicate copy of each report. The duplicates are required for System Consumer Credit files and you should send them by inter-office mail to: System Consumer Credit, 7th Floor, First Federal Building, Atlanta.

CONTINUOUS SERVICE RENEWAL PROGRAM
You will be responsible for insuring that Continuous Service is maintained on your dealer accounts.

METHOD OF PAYMENT
Dun and Bradstreet will charge all reports to the C&S contract and you will be debited by Corporate Services at the end of the contract year.

OPERATING BULLETIN

SECTION LENDING SALES FINANCE

SUBJECT DEALER CREDIT

TOPIC DEALER CREDIT RECORD

 Date 8-23-62

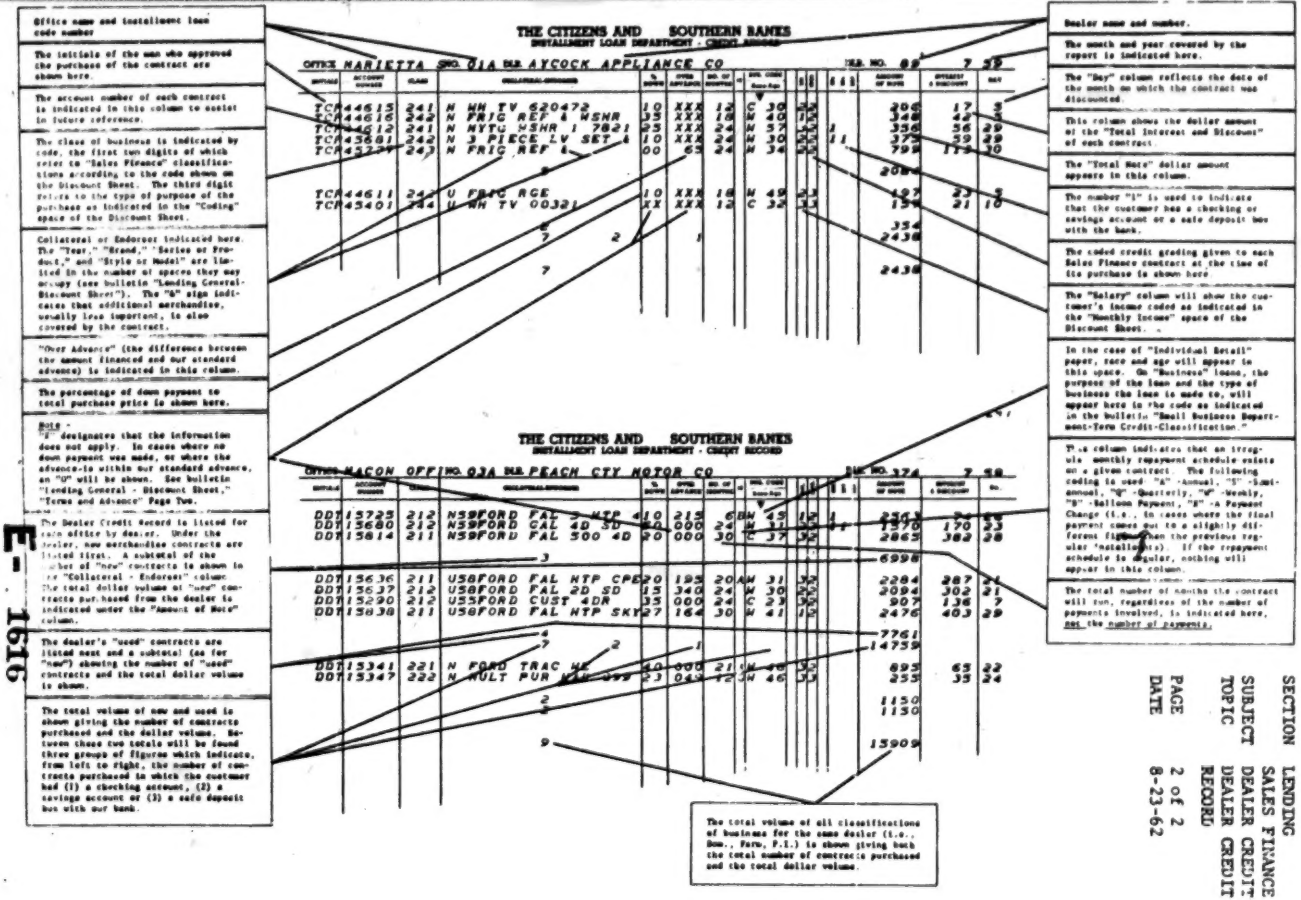
REPLACES BULLETIN: SALES FINANCE - DEALER CREDIT - DEALER CREDIT RECORD. Dated 9-15-59

With the installation of new automatic equipment in the Central Billing Department, we are now able to furnish each office with a monthly IBM listing of all retail purchases from each dealer, thereby eliminating much of the manual posting of information required by our present Dealer Credit Record. This new Dealer Credit Record (IBM listing), including information not previously available, is reproduced on page 2 with explanations covering the various spaces. Coded information on this listing corresponds with the coded spaces on the Discount Sheet as described in the Operating Bulletin: LENDING GENERAL - DISCOUNT SHEET. To obtain full benefit, all applicable spaces on the Discount Sheet must be filled in and the Central Billing Department must be informed of all changes in dealer numbers.

The new IBM Dealer Credit Record will be sent to each office as soon as possible after the end of each month. As received, totals should be posted to the experience section of the Dealer Purchase Guide, a review of the month's purchases should be made to determine any unfavorable trends requiring correction in subsequent purchases, and the Record filed in the Purchase Guide Binder for reference during the month. At least one month's Credit Record should be kept in the binder at all times, and as new records are received, the old records should be transferred to the dealer credit file. As new Approvals of Dealer Lines are prepared and the retail experience is summarized on the Approval, the Credit Records may be destroyed.

Use of the old Dealer Credit Record, form number 19-922, should be discontinued immediately. This form will, however, continue to be carried in stock for use by correspondent banks that are not provided with the new IBM Dealer Credit Record.

RELATED BULLETINS
LENDING SALES FINANCE - DEALER CREDIT - DEALER REJECTION-REPOSSESSION RECORD
LENDING SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE
ACCOUNTING & GEN. OPERATIONS - REPORTS - DEALER CONDITION



THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT - CREDIT RECORD

OFFICE MARIETTA BRO. 01A SUB AYCOCK APPLIANCE CO DLR. NO. 88 7 58

THE CITIZENS AND SOUTHERN BANKS
INSTALLMENT LOAN DEPARTMENT - CREDIT RECORD

OFFICE MACON OFFI NO. 03A SUB PEACH CTY MOTOR CO DLR. NO. 174 7 58

Office name and installment loan code number

The initials of the man who approved the purchase of the contract are shown here.

The account number of each contract is indicated in this column to assist in future reference.

The class of business is indicated by code, the first two digits of which refer to "Sales Finance" classifications according to the code shown on the Discount Sheet. The third digit refers to the type of purpose of the purchase as indicated in the "Coding" space of the Discount Sheet.

Collateral or Endorser indicated here. The "Year," "Brand," "Series or Product," and "Style or Model" are listed in the number of spaces they may occupy (see bulletin "Lending General - Discount Sheet"). The "B" sign indicates that additional merchandise, usually less important, is also covered by the contract.

"Over Advance" (the difference between the amount financed and our standard advance) is indicated in this column.

The percentage of down payment to total purchase price is shown here.

Note -
"0" designates that the information does not apply. In cases where no down payment was made, or where the advance is within our standard advance, an "0" will be shown. See bulletin "Lending General - Discount Sheet," "Terms and Advance" Page Two.

The Dealer Credit Record is listed for each office by dealer. Under the dealer, new merchandise contracts are listed first. A subtotal of the number of "new" contracts is shown in the "Collateral - Endorser" column. The total dollar volume of "new" contracts purchased from the dealer is indicated under the "Amount of Note" column.

The dealer's "used" contracts are listed next and a subtotal (as for "new") showing the number of "used" contracts and the total dollar volume is shown.

The total volume of new and used is shown giving the number of contracts purchased and the dollar volume. Between these two totals will be found three groups of figures which indicate, from left to right, the number of contracts purchased in which the customer had (1) a checking account, (2) a savings account or (3) a safe deposit box with our bank.

Dealer name and number.

The month and year covered by the report is indicated here.

The "Day" column reflects the date of the month on which the contract was discounted.

This column shows the dollar amount of the "Total Interest and Discount" of each contract.

The "Total Note" dollar amount appears in this column.

The number "1" is used to indicate that the customer has a checking or savings account or a safe deposit box with the bank.

The coded credit grading given to each Sales Finance contract at the time of its purchase is shown here.

The "Salary" column will show the customer's income coded as indicated in the "Monthly Income" space of the Discount Sheet.

In the case of "Individual Retail" paper, race and age will appear in this space. On "Business" loans, the purpose of the loan and the type of business the loan is made to, will appear here in the code as indicated in the bulletin "Small Business Department-Term Credit-Classification."

This column indicates that an irregular monthly repayment schedule exists on a given contract. The following coding is used "A" -Annual, "S" -Semi-annual, "Q" -Quarterly, "M" -Monthly, "B" -Balloon Payment, "X" -A Payment Change (i.e., in cases where the final payment comes out to a slightly different figure than the previous regular installments). If the repayment schedule is regular, nothing will appear in this column.

The total number of months the contract will run, regardless of the number of payments involved, is indicated here, not the number of payments.

The total volume of all classifications of business for the same dealer (i.e., Ins., Furn, P.L.) is shown giving both the total number of contracts purchased and the total dollar volume.

E- 1616

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT DEALER CREDIT

TOPIC DEALER PURCHASE GUIDE

Replaces Bulletin: "SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE"- Dated 9-15-54

This bulletin has been revised to include changes both in posting the Dealer Purchase Guide and in the source of those postings.

Dealer Purchase Guides for each dealer should be kept alphabetically in 3 ring binders together with the preceding month's Dealer Credit Record and Dealer Rejection-Repurchase Record. The Dealer Purchase Guide is a necessary tool in the daily purchase of dealer paper and it has been designed to go into your binder so that the History Section always faces the Dealer Credit Record or the Dealer Rejection-Repossession Record.

The Purchase Guide is designed to serve two basic purposes:

1. AS A GUIDE FOR THE PERSON RESPONSIBLE FOR THE DAY-TO-DAY PURCHASE OF DEALER PAPER. All spaces must be correctly filled in, showing the exact plan of operation. This assures paper being purchased in accordance with plans and conditions set forth at the time previous experience is reviewed and approval prepared. It also eliminates any danger of the account being handled incorrectly in the event a person unfamiliar with the dealer is assigned to buy his paper. Use a separate sheet for each class of business.

2. TO PROVIDE FOR THE ACCUMULATION OF EXPERIENCE FIGURES NEEDED IN REVIEWING AND APPROVING GUIDANCE LINES. Space is provided for two years' experience, as well as two prior years' purchases. To realize its full value, all spaces must be filled in neatly and accurately. No spaces should be left blank. If "none" is appropriate, so indicate by using a dash (-). When completed each month, these figures should be reviewed by the person responsible for the account and steps should be taken to correct any unfavorable situations.

HISTORY SECTION This section provides for showing the name of the dealer, officers or partners, authorized signatures, type of business, and bank personnel working with the account. It is important that all information be correct and complete.

The names of the New Business Representative and Officer of Account are provided so that they may be informed of all developments affecting the handling of the account.

RETAIL PLAN OF OPERATION This information is used daily by the man buying the dealer retail paper. Consequently, it is a must that it be shown accurately and correctly.

WHOLESALE PLAN OF OPERATION This section provides for a complete picture of the floorplan operation. It, too, should be accurate, showing the "discount plan," the frequency of "checking," etc. If the dealer supplies his own insurance, proper follow-up must be established and maintained to be sure this insurance is in force.

Show exact signatures that appear on corporate resolutions or Powers of Attorney on file for checking against contract assignments.

For guidance of men not familiar with account, show principal or dealer employee through whom majority of contact is made.

ILD person responsible for New Business solicitation.

Show exact trade style to insure mail being correctly addressed and accuracy in all transactions.

Be sure any changes made in plan of operation are reflected on the dealer purchase guide so that the information is current at all times.

Spaces are self-explanatory and should be filled in with precision completely and accurately so that operation may proceed correctly in the absence of Branch personnel.

This space is provided to show how dealer is to report to Bank on "Net Sale" basis, rather than upon gross terms shown above.

Show wholesale purchase plan data - terms provided on each plan dealer with merchandise (applicable to banks). In "check away" show frequency of wholesale checks.

INSTALLMENT LOAN DEPARTMENT
DEALER PURCHASE GUIDE

Dealer's Name: Hardhead Appliance Co., Inc.
Address: Douglasville, Georgia (Street) (City) (State)
Principal Contact or Dealer: I. M. Broke, Treas.
Phone No.: 1234
Dealer No.: 2
Corporation (P) Partnership Individual Venture

Name of Owners or Officers	Title	Signatures Authorized by P.O.A. or Corporate Resolution	Dated
Joseph Hardhead	Pres.	Joseph Hardhead	1-17-56
Sam B. Flunkey	V. Pres.	I.M. Broke	2-24-56
O.O. Nothing	Secy.		
I.M. Broke	Treas.		

New Business Man: C.O. Cottum, A.C.
Officer of Account: Will I. Lender, A.C.

BANK PLAN OF OPERATION

PURCHASE: WITHOUT RECOURSE; DAY ACCEPTANCE AGREEMENT; REPLACE INVOICE-STATION; AS OF INVOICE-STATION
EACH CONTRACT: DIRECT; BY ASSIGNMENT; MAIL; BANK EXPENSE; DEALER'S EXPENSE

INVOICE RATE: SPECIAL ARRANGEMENTS: DOUGLASVILLE CREDIT EXCHANGE (Name of Bank or Acct. No.); OTHER CREDIT BUREAU BILLS BANK - DEDUCT $2.00 FROM PROCEEDS OF EACH DEAL
ATTACHED CREDIT BUREAU REPORT

DEALER LIABILITY: FULL RECOURSE; BY PURCHASE; LIMITED (Specify Limit in Remarks); NONE

ADVANCE	On	RATE CHART (If Any)	DEALER RESERVE	NOT RATE CHART USED BY BANK
95 %	APPL	FAIRFIELD	5%	
90 %	RTURN	CARLTON PL	LAW	

PAY PROCEEDS BY	RECORD	RESERVES PAYABLE	OUTSIDE INSURANCE
DEPOSIT X	YES	JUNE 10 DEC. 10	TYPE COVERAGE REQ. NONE
CHECK	NO X	(Mo.-D) AS EARNED	PROCEEDS PAID TO: OUR; AGENT; BY CHECK (); DEPOSIT (); DRAFT; AGENT
DRAFT			

BANK ACCOUNT WITH: C&S AND COMMERCIAL BK.

WHOLESALE PLAN OF OPERATION

ADVANCE	FLOOR	CURTAIL	EACH	INT. RATE	PART. CHARGE	REMEMB. CHARGE	CHECK TERMS	BRAND NAME AND PRODUCT	DEALS WITH	WHOLESALER'S FOR
10 %	3 mo	10 %	1 mo	6 %	1%	½%	30 DAYS	G.E. TELEVISION	W.D. ALEXANDER CO.	JONES TAMLIN FOSTER
5	mo	5	mo	6				G.E. WHITE GOODS	" " "	" " "
5	mo	5	mo	6				FEDDERS ROOM COOLERS	ELECTRIC L. WHOLESALE	" " "
5	mo	5	mo	6						

INVOICED BY BANK (); DEALER (); DEALER INSURANCE EXPIRES

CONDITIONS AND REMARKS

DATE	
2-2-56	PURCHASE NO POOR RISKS OBTAIN PERSONAL GUARANTY OF HARDHEAD
2-3-56	HAVE GUARANTY OF HARDHEAD - OM LIMIT - DATED 1-3-56

Other Bank Officer with whom dealer transacts business.

Show months Reserves paid and percent of Reserves held related to outstandings.

Fill in completely on classes of business requiring outside insurance coverage.

Show Bank personnel authorized to sign for dealer.

Keep up to date - lines are added or changed.

Show all pertinent information affecting daily handling of account; i.e., conditions of approval, special handling received, etc.

Replaces Bulletin: SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE, Dated 9-15-59

CONDITIONS AND REMARKS This section is most important and should show all special conditions, arrangements, etc., affecting the handling of the account. Conditions provided in the Approval of Dealer Lines should also be included and lined out as satisfied.

EXPERIENCE SIDE

PURCHASED DURING THE CURRENT MONTH

Wholesale Purchases - All information concerning wholesale is obtained direct from the wholesale control sheet. These purchases should be compared with the wholesale outstandings for turnover. Compare with retail purchases to help determine the percentage of business we are obtaining.

Retail Purchases - This information comes from the Dealer Credit Record and is self-explanatory. Watch for sudden increases and decreases in volume. From the standpoint of profit, the unpaid balance and the number of used purchases against new should be observed closely, keeping in mind the rate currently obtained.

Poor Risks - This column is a consolidation of "poor" and "bad" risks purchased (coded 3 and 4), including both new and used, and is obtained from the "Credit" column of the Dealer Credit Record. This indicates the quality of paper generated and should be watched in relation to collection experience.

Note - "Retail Purchases" (new and used) and "Poor Risks" are the only items posted from the Dealer Credit Record. These two items will be posted when the Dealer Credit Record arrives from the Central Billing Department. All other information should be posted, as in the past, at the end of each month.

Rejections - This figure is consolidated from the Dealer Rejection-Repossession Record and indicates the class of paper being offered. Too high a percentage of rejections might indicate the need of stopping business entirely or requiring the dealer to pay the additional inventigation costs. No rejections could indicate an unusually good class of paper or too liberal passing of credit.

Repurchases - To properly control and analyze dealer paper, we must be able to determine the extent to which the paper will stand on its own feet in case of dealer financial difficulties. In this column, enter the number of accounts repossessed as well as repurchases by the dealer because of collection trouble. Do not enter repurchases if they were made for some other reason than collection. This information is posted from the Dealer Rejection-Repurchase Log.

Losses - This will be filled in from the total number of losses during the current month and is obtained from the Dealer Rejection-Repurchase Log.

E- 1620

EXPERIENCE RECORD

PURCHASED DURING CURRENT MONTH

	WHOLESALE NO.	WHOLESALE AMOUNT	NEW RETAIL NO.	NEW RETAIL AMOUNT	USED RETAIL NO.	USED RETAIL AMOUNT	No. Floor Risks	No. Reject	REPURCHASES NO.	REPURCHASES AMOUNT	LOSSES
JAN	76	12,947	14	4,489	—	—	4	3	—	—	—
FEB	18	4141	12	3,273	1	160	1	—	—	—	—
MAR	16	2,567	14	3,275	2	456	3	1	1	160	—
APR	2	312	29	9,010	2	375	1	2	—	—	—
MAY	9	1799	9	2,946	1	95	—	1	1	213	—
JUN	2	200	13	3,497	1	196	3	—	—	—	—
JUL	6	899	12	4,007	1	112	1	2	1	120	—
AUG	34	7123	16	4,780	—	—	3	—	—	—	—
SEP	—	—	14	4,879	2	216	4	1	—	—	—
OCT	18	3437	13	4,173	4	437	2	—	2	310	—
NOV	2	408	11	3,418	1	176	—	2	—	—	—
DEC	10	2171	15	4,634	3	492	3	1	—	—	—
Total 19 56	191	44,213	172	56,901	19	2,722	30	13	5	803	—
JAN	18	3,510	14	4,619	—	—	2	1	1	—	—
FEB											
MAR											
APR											
MAY											
JUN											
JUL											
AUG											
SEP											
OCT											
NOV											
DEC											
Total 19											

TWO PREVIOUS CALENDAR YEARS PURCHASES

19 54	129	28,859	147	44,967	32	4389	27	16	4	813	—
19 55	170	31,492	187	46,799	22	3077	21	12	3	508	—

OUTSTANDINGS — CLOSE OF CURRENT MONTH

	RETAIL NO.	RETAIL AMOUNT	TOTAL RESERVE	PAST DUES 15/29	PAST DUES 30/59	PAST DUES 60 +	WHOLESALE AMOUNT	WHOLESALE OVER 4 MOS.	DATE CK'D	DIRECT INST. LOAN	L & D
	199	33,833	4,671	6	—	—	15,912	460	4-29	2,590	4500
	197	33,363	4,559	5	—	—	16,276	492	3-4	2,416	4609
	196	33,940	4,571	7	1	—	15,904	215	3-10	2,721	—
	210	32,264	5,281	6	1	—	15,568	658	4-20	2,562	—
	208	31,139	5,481	5	1	—	14,695	280	5-30	2,412	—
	209	31,712	5,730	7	—	1	12,545	601	6-11	2,193	—
	201	26,143	4,088	3	—	—	9,320	3,533	7-30	2,093	—
	215	40,630	4,472	3	2	—	10,273	4,619	8-15	1,923	—
	214	40,625	4,747	7	4	1	9,437	1,437	9-2	1,731	—
	212	41,896	5,010	9	2	—	11,561	1,035	10-22	1,310	—
	211	40,491	5,201	5	—	—	8,641	1,897	11-10	—	—
	203	41,913	5,118	6	2	—	9,776	815	12-4	—	—
	213	84,614	9,015	4	—	—	11,004	731	6-7	—	—

APPROVED LINES

RETAIL	WHOLESALE	EXPIRES
80M	17M	1-31-63

FINANCIAL STATEMENTS

FISCAL YEAR END 12/31 — DATE LAST R/C 12/31/55
SECURE STATEMENTS ANNUALLY [X] SEMI-ANNUALLY [ ]
QUARTERLY [ ] MONTHLY [ ]

C & S BANK SERVICES SINCE

CHECKING	1-6-55	TRUST	1-6-55
SAVINGS		CAS- L&D	4-6-59
S. DEPOSIT		ILD	

Dealer's Name HARDHEAD APPLIANCE CO., INC.

Classification S.F. DOMESTIC

Replaces Bulletin: "SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE" Dated 9-15-59

OUTSTANDINGS - CLOSE OF CURRENT MONTH

Retail Outstandings - Enter number and amount of accounts outstanding at the end of the month. The amount can be obtained from the adding machine tape prepared when monthly listings are made. Number of accounts should be obtained by actually counting the cards.

Total Reserves - Includes both Dealer Loss Reserve and Dealer Contingent Reserve and may be entered from the copies of the monthly statements rendered to the dealer. Should be adequate for class of paper and financial worth of dealer.

Past Due Accounts - Show the number of accounts 15-29 days, 30-59 days and more than 60 days past due, in the appropriate column. If none, so indicate by using a dash. These indicate the quality of paper purchased and if percentage is out of line, perhaps a complete review is in order to determine if contracts are bought correctly and if adequate collection effort is being maintained.

Wholesale Outstandings - These are posted from the wholesale ledger with that portion of the total outstandings that is over six months' old being segregated. Compare six months portion with total outstandings to determine if corrective measures are necessary. The date checked is entered in the appropriate column before sending wholesale checking report to Atlanta.

Direct Installment or L&D Loans - Direct installment liability is determined from the Installment Loan records and L&D liability from the liability ledger. (L&D information may be picked up anytime between the 25th and the end of the month.) The total indebtedness of the dealer should be considered in the monthly review.

Financial Statement - Up-to-date financial information is necessary to completely review an account. This section provides a constant reminder if statements are not in file. In conversations with the dealer, a glance at the Purchase Guide tells when statements are required.

C&S Bank Service Since - Every effort should be made to obtain the full collateral benefit from each dealer account. Show here the date each service is opened, and use this section as a guide for soliciting further service. Until space is provided, write in the information regarding CAS.

APPROVED LINES As dealer accounts are reviewed, the retail and wholesale lines and expiry date should be entered on the Dealer Purchase Guide as a limit for the man buying paper. Paper should not be purchased except within approved lines; and whenever lines are about to be exceeded or expire, it is the responsibility of the man buying the paper to bring the account up for credit review.

RELATED BULLETINS

LENDING SALES FINANCE - DEALER CREDIT - DEALER CREDIT RECORD
LENDING SALES FINANCE - DEALER CREDIT - DEALER REJECTION-REPOSSESSION RECORD
LENDING SALES FINANCE - DEALER CREDIT - APPROVAL OF DEALER LINE
ACCOUNTING & GEN. OPERATIONS - REPORTS - DEALER CONDITION

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT DEALER CREDIT

TOPIC DEALER REJECTION-REPOSSESSION RECORD

 Date 8-23-62

Replaces Bulletin: "SALES FINANCE - DEALER CREDIT - DEALER REJECTION-REPOSSESSION RECORD" - Dated 9-7-59

The Dealer Rejection-Repossession Record (19-928) serves as a supplement to the IBM Dealer Credit Record so that a complete picture of recent activity is available with which to evaluate dealer paper being purchased. The general level of purchaser credits submitted and the consequent rejection and repossession picture are important factors in the consideration given to the conditions under which a dealer's paper will be purchased in the future.

REJECTIONS The Dealer Rejection-Repossession Record is reproduced on page 2 of this bulletin as a completed sample. All applicable spaces are to be completed. The columnar headings are self-explanatory and when listing a rejection, show the purchaser's name (last and initials), the date of application, the amount of the rejection (amount to be financed), and indicate the reason for the rejection in the "Remarks" column.

REPOSSESSIONS-REPURCHASES Repurchases are to be entered on the date they are paid off by the dealer. Bank liability repossessions are entered when the loss is charged off. Show the customer's name, date of repurchase, the amount of the net balance (after rebate if any) and the reason for repurchase. In the case of bank liability repossessions, indicate the customer's name, date of repossession, the amount of net balance, the amount charged off to P&L, and the reason for repossession. Comments concerning losses, the length of time a dealer takes to pay off a repurchase, etc. should always be noted in the "Remarks" column whenever such information is available.

RECAPITULATION The number of rejections, the number and dollar amount of repurchases or repossessions, and the dollar amount of losses is recapped at the end of each month and the totals posted to the experience record of each dealer's Dealer Purchase Guide (see bulletin: SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE).

ORDERING THE RECORD Your supply of the Dealer Rejection-Repossession Record may be ordered from the Purchasing Department, Atlanta, in the usual manner.

RELATED BULLETINS
LENDING SALES FINANCE - DEALER CREDIT - DEALER CREDIT RECORD
LENDING SALES FINANCE - DEALER CREDIT - APPROVAL OF DEALER LINES
LENDING SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE
ACCOUNTING & GEN. OPERATIONS - REPORTS - DEALER CONDITION

Dealer Rejection — Repossession Record

DEALER'S NAME AYCOCK APPLIANCE COMPANY ADDRESS DOUGLASVILLE, GA. CLASSIFICATION 24 DEALER NO. 89

PURCHASER'S NAME (LAST NAME AND INITIALS)	REJECTIONS: DATE OF APPLICATION MO. - DAY - YR.	REJECTIONS: AMOUNT REJECTED	REPURCHASES - REPOSSESSIONS: DATE OF REPURCHASE OR REPOSSESSION	REPURCHASES - REPOSSESSIONS: AMOUNT (NET REPAID BALANCE)	REPURCHASES - REPOSSESSIONS: AMOUNT OF LOSS (IF ANY)	REMARKS: REASON FOR REJECTION, REPURCHASE OR REPOSSESSION COMMENTS ON: LOSSES, LENGTH OF TIME DEALER TOOK TO PAY OFF REPURCHASES, ETC.
SMITH, C.T.	5-8-59	210.00				INSUFFICIENT INCOME
JONES, A.C.			5-19-59	167.20		OVER OBLIGATED - LOST JOB
BROWN, R.V.	5-22-59	152.00				PREVIOUS UNSATISFACTORY ACCOUNT
GREEN, T.R.			5-25-59	242.20		LOSS OF EMPLOYMENT
WHITE, J.P.			6-6-59	73.50		CUSTOMER "SKIPPED"
LAUDERUM, B.R.	6-12-59	195.00				OVEREXTENDED
MATHEWS, M.C.			6-17-59	304.70		OVER OBLIGATED - D.R. TOOK 45 DAYS TO PAY OFF
BLACK, C.C.	6-20-59	235.00				PREVIOUS REPOSSESSION
MILLER, E.F.			6-22-59	135.10	55.60	CUSTOMER "SKIPPED". D.R. OUT OF BUSINESS

E-1023

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT DEALER CREDIT

TOPIC FINANCIAL STATEMENTS

 Date 10-23-57

Replaces Bulletin: "FINANCIAL STATEMENTS" Dated 1-30-51

Having current financial statements and operating figures in file on all of our dealer accounts has always been a requirement for the extension of wholesale and retail lines. During the past two years, particularly, we have emphasized, individually and in meetings, the need for accurate information and intelligent analysis. Without going into the techniques of financial statement analysis, we would like to outline our current basic requirements for financial statement followup and handling.

FREQUENCY OF STATEMENTS

As a matter of policy, we should have statements and operating figures from dealers at their fiscal year-end and at their mid-year period. Exceptions are expected in both directions at the discretion of the credit men reviewing the accounts. One statement per year is adequate in most cases for larger, well financed firms -- monthly or quarterly statements may be required from marginal accounts or where accomodations are large in relation to net worth.

All automobile dealers furnish their factories with monthly balance sheets and operating figures. Except in the case of a very rare and unquestionably strong dealer, we should be furnished with copies of these statements.

The majority of our dealers close their books at 12-31 and our general followup is therefore geared to request statements at the end of January and at the end of July.

FORM OF STATEMENT

A complete audit report prepared by an outside accounting firm will generally furnish the best and most complete information and is mandatory on larger lines. Many cases bring out the need for Certified Audits. In one instance, a large automobile dealership had falsified statements both to the bank and to the factory by including a debt due stockholders in their surplus account, thereby creating a difference in net worth of approximately $75M. When an audit was obtained, the fraud became evident and a possible large loss was avoided by immediate action.

In the absence of an audit, have your dealers complete the applicable statement form supplied by the Federal Reserve Bank of Atlanta. (Order directly from them, rather than through our Purchasing Department).

a. Personal Financial Statement (CB110)
b. Proprietorship or Partnership (CR221)
c. Corporation (CR222)

PROCEDURE FOR FOLLOWUP

The Dealer Purchase Guide should be your automatic tickler for statement followup. Each time a unit man talks with the dealer, the Guide should be before him and he can easily check to be sure the required statement is in file.

Replaces Bulletin: "FINANCIAL STATEMENTS" Dated 1-30-51

In addition to this, the procedure should be:

1. Send letters out 45 days after fiscal year-end to all dealers whose statements are not in file.
2. Send second letter 15 days later to those who have not replied.
3. Pick up followup as outlined above by telephone and personal contact, keeping in mind that current figures are of much more value than those several months old.

This procedure can be amended to fit a specific situation and can also apply to interim statements.

ACKNOWLEDGEMENT

Statements should be acknowledged with a brief personal letter from the man handling the account. If possible, comment favorably on some aspect of the statement. If the statement is incomplete, P&L figures not furnished, or certain items require explantion, this is the time to ask for more information. Do not hesitate to return the statement to the dealer for correction if it is incorrect or incomplete in any way. This presents a constant selling job to encourage dealers to give us accurate and complete figures.

SPREADING OF STATEMENTS

As each financial statement comes in, it should be spread on our Comparative Statement form for dealer accounts (19-865). This form can be ordered from the Purchasing Department and is set up especially for Installment Loan dealers. Without the use of a comparative spread sheet, an accurate analysis of the account based on figures rendered is difficult and trends may be overlooked.

FORWARD TO CENTRAL INSTALLMENT

So that everyone may be kept aware of the financial progress (or lack of same) among the dealers in whom we have the greatest exposure, please send to Central Installment, Atlanta, after your review and analysis, the original of all financial statements received on automobile dealers and on other dealers where retail outstandings exceed $75M and wholesale outstandings exceed $40M. Also, please forward copies of any credit memorandums written concerning statements received between approvals. The statements will be returned to you immediately following review.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT DISTRIBUTOR - MFGR. RELATIONS

TOPIC

 Date 3-30-51

New Subject

All of you are aware that our relations with distributors have been a major factor in the development and holding of appliance and farm equipment dealer business. This relationship is improving daily with the cooperation that each of you is giving to the credit men and roadmen of the various distributors. To further improve our position, we would like to bring out additional suggestions.

PROMPT PAYMENT OF INVOICES

Do not hold up payment to distributors pending receipt of down payment and signed papers from the dealer. You are already committed to handle the transaction and a Power of Attorney procedure has been developed to give you the necessary protection if you will use it. Make it standard practice to pay invoices the same day they are received - obtain dealers' Power of Attorney for your protection and greater ease of handling. On new dealers, the Power of Attorney should be sold as part of our wholesale plan and the necessary forms signed then.

DEALERS AUTHORIZATION

All of the automobile factories require a letter from each of their dealers authorizing the bank or finance company to pay for cars shipped to the dealer. Our farm equipment and appliance distributors have not made this a requirement but in many cases it is good business for us to supply such authorization to definitely confirm wholesaling arrangements and emphasize that we are the sole financing agency. With such a letter in effect, the dealer will be less likely to make other wholesaling arrangements and the distributor will be unable to switch floorplan to someone else without specific authorization from the dealer.

A sample letter is attached (#1) which would be obtained:

(a) From all farm equipment dealers where we are to handle floorplan.

(b) From appliance dealers as judgment dictates. We should use this means of tying in the larger appliance accounts with their distributors. In the case of smaller dealers, it might be well to tie in the one or two distributors supplying the bulk of the inventory.

This letter should be given to you to forward to the distributor.

NOTIFICATION TO DISTRIBUTOR

In every case, each distributor of every dealer having lines with us should be notified of our relations with the dealer. The letter described above serves the purpose where it is used - where it is not used, a letter from you, following the pattern of letter #2, should be sent to each distributor. Make this standard practice with all new accounts as your initial lines are approved. On present dealers, as lines are reviewed, send appropriate letters to the distributors involved.

APPROVAL TO DISTRIBUTORS

In many cases where only 1 or 2 distributors are involved, it should be possible to give a blanket approval based on a limit each week subject to cancellation. Where

New Subject

the dealer credit warrants, use letter #3 to confirm such arrangements. In those cases where you do not feel that a dealer's usual requirements can be approved on a blanket basis, the letter can be filled in with an amount that will take care of one or two item shipments.

Copies of all letters should be sent to us for use in discussing dealer accounts around the territory with the distributor.

As a matter of procedure, therefore, please send System Consumer Credit, Atlanta, a copy of any correspondence which you have with one of the distributors. Where a declination of a dealer account is involved, on Atlanta's copy of the letter indicate breifly the reason for the declination if the facts are such that you have not put them in your letter to the distributor. We are also asking the distributors, in turn, to send us copies of their letters to you.

If you have any unusual situations respecting the distributors or their roadmen where you feel that their attitude generally or with respect to individual accounts is unreasonable, please let us have the facts on those also, in memorandum form.

Manufacturer-Distributor-Dealer relations are becoming more important to us.

LETTER #1

(DEALER LETTERHEAD)

(Distributor)

Arrangements have been made with the Citizens and Southern _____, (town) _____ to finance my installment sales and provide floorplan accomodations.

This will authorize you to send invoices to the bank for payment where those invoices cover merchandise ordered by me and where the bank has given prior credit approval.

(Dealer Trade style)

By _____

(Obtain signed copy to go to distributor, copy for your file, copy for Atlanta file.)

LETTER #2

(BANK LETTERHEAD)

(Distributor)_____

_____

_____

RE: (Dealer)
(Town)

Retail lines - to cover installment sales and floorplan lines - to provide adequate display and stocking inventory have been approved for your dealer.

In floorplan transactions covering your merchandise, we will handle the entire detail of collecting the down payment and getting papers signed with the dealer. Just call or write us for approval of your order from the dealer and send the invoice to us on approved transactions. (If initial order pending, add "Your initial order of $_____ is approved").

Please call on us when we can serve you or your dealer.

_____

(Copy for your file, copy for Atlanta file.)

LETTER #3

(BANK LETTERHEAD)

(Distributor)

RE: (Dealer)
(Town)

Retail lines - to cover installment sales and floorplan lines - to provide adequate display and stocking inventory have been approved for your dealer.

In the floorplan transactions covering your merchandise, we will handle the entire detail of collecting the down payment and getting papers signed with the dealer. Just send the invoice to us on approved transactions. (If initial order pending, add "Your initial order of $_____is approved".)

To avoid delay, until we notify you to the contrary, shipments not exceeding $_____in any one week may be shipped without prior approval from us.

Please call on us when we can serve you or your dealer.

_____

(Copy for your file, copy for Atlanta file.)

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT DISTRIBUTOR-MFGR RELATIONS

TOPIC DISTRIBUTOR AGREEMENT

 Date 7-12-50

New Subject

The Distributor Wholesale Agreement, form 19-937 (shown on page 2), is the basic agreement between the distributor and the C&S National Bank. The Supplement, form 19-936 (shown below), covers any other bank under our basic agreement.

These agreements provide the bank with protection against unsold new merchandise floorplanned for dealers.

Use of the distributor agreement will enable us to perform a genuine service for our correspondent banks. We are willing to administer this agreement for the benefit of any of our correspondents, and the simplicity of the mechanics involved should appeal to them. All that is necessary is to have the correspondent bank execute the supplement, send it to us, and we will do the rest.

NOTIFICATION Since all agreements are on our standard form, the marking of those signed on the Distributor Index should be sufficient for reference purposes. As new agreements are signed, you will be notified by memorandum so that your Distributor Index may be marked. New Distributor Indexes are published periodically.

ORDERING FORMS Both the Distributor Wholesale Agreement and the Supplement may be requisitioned from the Purchasing Department, Atlanta, in the normal manner.

The Citizens and Southern National Bank,
Atlanta, Georgia

Gentlemen:

On_____, 19____, you entered into an agreement therein and herein called the "Distributor Agreement" with_____

_____

(therein and herein called "Distributor"). A copy of that agreement is hereto attached marked Exhibit "A" and made a part hereof. In accordance with paragraph 4 thereof you, on behalf of Distributor, extended an offer to us to become a party to a contract with Distributor identical with the Distributor Agreement with paragraph 4 thereof deleted.

This letter is the formal acceptance of that offer. You may advise Distributor of our acceptance, for which purpose find enclosed a copy of this letter signed by us but omitting the exhibit referred to above.

All notices to us called for by paragraph 5 of the Distributor Agreement shall be sent addressed as follows:

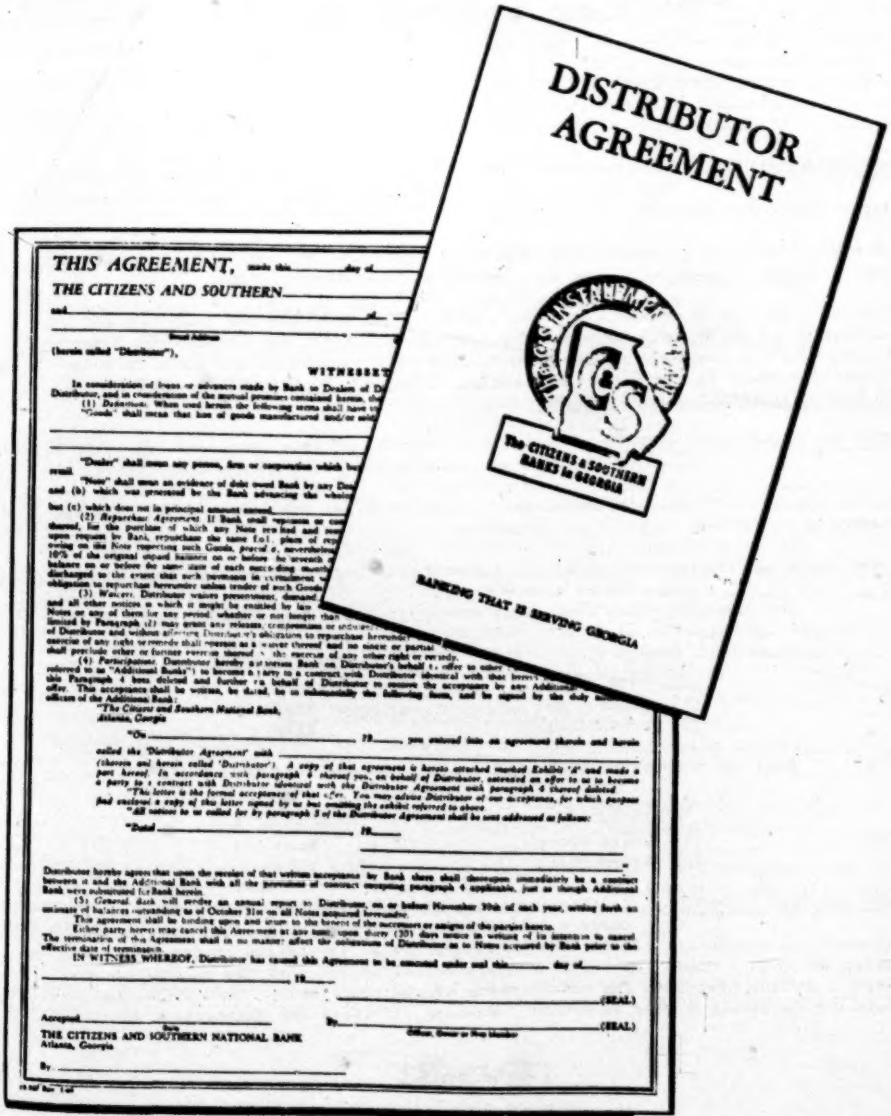
Yours very truly,

Dated_____, 19____

_____

_____

E-1630



DISTRIBUTOR AGREEMENT

THE CITIZENS & SOUTHERN BANKS in GEORGIA

BANKING THAT IS SERVING GEORGIA

THIS AGREEMENT,

THE CITIZENS AND SOUTHERN

THE CITIZENS AND SOUTHERN NATIONAL BANK
Atlanta, Georgia

By

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT FARM EQUIPMENT

TOPIC

 Date 12-5-66

Replaces Bulletin: "SALES FINANCE - FARM EQUIPMENT" - Dated 5-15-63

Changing conditions and the entry of more competition in the field have led to a review of our entire program of farm equipment financing. A practical, easy to use set of rate charts have been developed that will simplify the computation of seasonal payments. All farm equipment charts now include both life and property insurance.

PROPERTY INSURANCE. Our experience under the master policy with American Southern has been satisfactory and they are being continued as insurance carrier under our new program.

Procedures for issuing certificates and settling claims are outlined in the Operating Guide bulletin "Insurance - Farm Equipment" dated December 5, 1966.

There will be some instances where the customer will have his own insurance and will not want us to write the coverage. Under these circumstances, be sure the "Statement of Insurance" is completed on the reverse side of the contract and place Coverage Failure Insurance on the loan. As a matter of policy, DO NOT ADJUST THE RATE WHEN THE CUSTOMER CARRIES HIS OWN INSURANCE.

RATES AND DEALER LOSS RESERVE Under this program, we have increased our yield after insurance costs, but still remain competitive.

The new rate charts simplify computation and still allow the dealer to be flexible in meeting particular competitive situations.

Listed below are the amounts of dealer reserve paid according to the chart used:

New (or late model used) with amount financed over $1,500:

Dealer Uses	Dealer Reserve
(A) Pink Chart	None
(B) White Chart	1%PA
(C) Green Chart	2%PA

Used (or low priced new) with amount financed less than $1,500:

Dealer Uses	Dealer Reserve
(A) White Chart	None
(B) Green Chart	1%PA

TERMS AND DOWN PAYMENTS Maximum terms are 48 months on new units. This assists those purchasers who are buying big units with large unpaid balances. It should not be construed, however, as an invitation to use long terms on smaller balances. Every repayment schedule should insure that the balance on the contract remains less than the resale value of the collateral. Used units, as a rule, should not be financed over 36 months. However, if there are extenuating circumstances

which justify longer terms and the credit factors are satisfactory, longer terms may be used provided prior approval is secured from the bank.

As a guide, the following relationship between terms and down payments is suggested:

NEW TRACTORS, IMPLEMENTS, LATE MODEL USED TRACTORS

Minimum Down Payment	Standard Payment Plans
20%	Equal Monthly Payments, 30 Months Maximum First Payment Within 45 Days
25%	Equal Monthly Payments, 36 Months Maximum First Payment Within 45 Days
30%	Equal Monthly Payments, 48 Months Maximum First Payment Within 45 Days
25%	Any semi-annual or crop payment plan providing first payment comes due in six months or less. Maximum is 36 months.
30%	Any semi-annual or crop payment plan providing first payment comes due in six months or less. Maximum is 48 months.
35%	Any crop payment plan if first payment comes due after six months, but no later than twelve months. Maximum is 48 months.

USED IMPLEMENTS, OLD MODEL TRACTORS

Maximum term is 36 months.

Down payment: 25% - All monthly repayment contracts.

35% - All other than monthly repayment contracts.

The exercise of good judgment in evaluating the credit standing of the customer, his financial resources to withstand a crop failure and the selling practices and financial strength of our dealer will enable us to perform the maximum service to both on a sound basis.

Replaces Bulletin: "SALES FINANCE - FARM EQUIPMENT" - Dated 5-15-63

CONDITIONAL SALES CONTRACT Our Conditional Sales Contract (19-986, Rev. 1/64) is to be used in the financing of farm equipment. Spaces are provided for listing seasonal payments.

NEW APPLICATIONS A revised and simplified application has been developed which reduces the amount of information to be taken from the prospective customer. This application also provides space for the computation of the time price differential. An illustration is shown on page

ADVANCE Normally the reserve buildup out of the finance charges should permit a 100% advance provided the quality of the paper purchased and the strength of the dealer justifies.

DEALER LIABILITY Experience has proven that a full recourse plan, supported by adequate credit and collection service, more completely fills the dealers' needs and results in a lower net financing cost for the dealer.

REPOSSESSIONS As a matter of policy, farm equipment repossessions should be paid off by the dealer within ninety days from the date they are repossessed. If they are sold within this period, they should be paid off on the date sold. This period should normally give the dealer adequate time to recondition and resell the unit. However, there may be a valid reason, such as a seasonal slack selling period, that the dealer has not been able to resell a repossession. If our insisting that the full balance be paid would work a real hardship on the dealer, then it may be short-sighted to demand payment. If we are convinced that the dealer is doing all that can normally be expected to resell repossessed units, then we should ask for a 10% curtailment every thirty days (10% of the balance outstanding at the time of repossession). We should continue to emphasize the importance of selling these units so the dealer will not relax efforts to dispose of them. They should also be checked each time a wholesale check is made.

FILING FINANCING STATEMENTS It is not necessary to file a Financing Statement on those transactions where the selling price of the merchandise is less than $2,500 and we have Purchase Money Security Interest. A Financing Statement should be filed where the total purchase price of the merchandise plus the time price differential is in excess of $2,500. This subject is covered in detail in the Operating Guide Bulletin - "Sales Finance - Uniform Commercial Code - Retail".

REBATES A rebate chart is available for use in conjunction with our new seasonal rate charts. It can be used on all maturities except monthly and single or irregular payment plans. These exceptions will continue to be computed in the usual manner. (See Operating Guide Bulletin - "Rebates - Procedure".)

ORDERING CHARTS All rate charts, inserts and rebate charts should be ordered from System Consumer Credit in the usual manner. Keep in mind that the charts are printed in sets, including all three rates, when ordering.

FARM EQUIPMENT PLAN

PURCHASERS CONFIDENTIAL STATEMENT

PRINT NAME _____ AGE _____ MARRIED ☐ SINGLE ☐ NUMBER OF DEPENDENTS _____

FIRST MIDDLE LAST

ADDRESS _____ PHONE NUMBER _____

STREET & NUMBER RURAL ROUTE

CITY _____ COUNTY _____ STATE _____

NO. YRS. FARMING _____ AT PRESENT ADDRESS? _____ NAME OF HUSBAND OR WIFE _____

INCOME

SEASONAL

LIST CROPS OR LIVESTOCK WHICH REPRESENT MAJOR PORTION OF INCOME

NO. OF ACRES OR HEAD CATTLE	TYPE OF CROP OR LIVESTOCK	EXPECTED MARKET DATE	AMOUNT EXPECTED

MONTHLY AVERAGE MONTHLY INCOME FROM

DAIRY $

POULTRY $

OTHER $

OTHER $

DO YOU HAVE A JOB - NO ☐

OTHER THAN FARMING - YES ☐ WHERE? _____ SALARY $

OBLIGATIONS AND REFERENCES

PRESENT OBLIGATIONS

TO WHOM OWED	AMOUNT OWED	REPAYMENT SCHEDULE

CREDIT REFERENCES

NAME	ADDRESS
BANK	
BANK	
REFERENCE	
REFERENCE	
REFERENCE	

TOTAL NO. ACRES UNDER CULTIVATION _____ FARMING IS ☐ FULL TIME ☐ PART TIME

DESCRIPTION OF LAND OWNED OR RENTED

	OWNED					RENTED			
	NO. ACRES	MTG. AMT.	MTG. HOLDER	TITLE IN NAME OF		NO. ACRES	LANDLORD	ANNUAL RENT
OWN					RENTED			
BUYING					SHARES			

PAYMENT COMPUTATION

SELLING PRICE _____

LESS DOWN PMT:

CASH _____

TRADE _____

TOTAL DN. PMT. _____

AMT. TO FINANCE _____

RATE CHART USED: _____

BALANCES LOOKED UP

$_____ PAYMENTS $_____ NOTE AMT. $_____

$_____ PAYMENTS $_____ NOTE AMT. $_____

$_____ PAYMENTS $_____ NOTE AMT. $_____

$_____ PAYMENTS $_____ NOTE AMT. $_____

TOTAL $_____ PAYMENTS $_____ NOTE AMT. $_____

I HEREBY AFFIRM THAT THE INFORMATION GIVEN ABOVE IS AN ACCURATE STATEMENT OF MY AFFAIRS AS OF THIS DATE.

DATE _____

PURCHASER'S SIGNATURE _____ DEALER _____

10-000 REV. 11-00

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT FARM EQUIPMENT FINANCING

TOPIC PURCHASER CREDIT

 Date 12-6-54

New Bulletin

PURCHASER'S CONFIDENTIAL STATEMENT (19-969)

Any discussion of purchaser credit for Farm Equipment Financing can ge geared directly to the Purchaser's Confidential Statement. This application form was designed after careful study of the particular credit factors involved in extending credit to farmers for the purchase of equipment. It provides a simple and easy means for dealers and their salesmen (who aren't trained credit men) to assemble the facts that are necessary to make an intelligent credit decision. Insist that it be used on every transaction.

SAFE GUARD YOUR DEALER AND YOURSELF

Past experience shows us that credit losses are created in periods of prosperity. This happens because basic credit fundamentals tend to be ignored in times when production and sales are at a high level. Many dealers have entered the Farm Equipment field in recent years and need credit guidance such as you can give them based on collective lending experience through good years and bad.

GENERAL CREDIT FACTORS

The factors most generally considered are being reviewed only briefly because it is assumed that all of our credit men have been taking these factors into consideration. Investigation through the references given on the Purchaser's Confidential Statement and the usual other sources will determine the applicant's habits and general reputation for paying bills. Your investigation should substantially confirm the financial statement presented to you which usually determines the financial responsibility and the ability of the farmer to stand crop failure.

You take into consideration the size of the farm, which is reflected on the application, along with the need for the equipment being purchased. There are still many farmers whose income and size do not warrant the purchase of expensive mechanical equipment.

You keep in mind your customer's total income as related to the prospective purchase and normal expenses. You take into consideration the equity of the farm, the stability and other borrowing power it may represent. Farmers with small equities or tenant farmers are not generally good risks for equipment financing.

PERIODS OF INCOME

Assuming that all other factors are favorable, the most important element of farmer credit still remains, that is, to properly arrange terms on the unpaid balance. It is obvious from some of our collection difficulties recently that the terms of repayment have not been properly arranged. Years ago, credit to farmers was generally extended with one payment due in the fall because the farmer was dependent upon one principal money crop. Today, most farmers derive some income throughout the year from various sources. It is essential that contracts be set up to obtain some repayment out of each and every source of income.

New Bulletin

We have a past due account today on a dairy farmer who was set up to pay half of his note in November, 1949, and the other half in November, 1950. Our application and investigation in this case clearly showed that this farmer received his income monthly and the contract should have been set up for monthly repayments. The result is that we have a slow collection case and a customer whose credit rating will be affected because of improper scheduling.

MATCHING PAYMENTS WITH INCOME This is the most important space on your farm application. Terms cannot be intelligently arranged without knowing the source of income and the amount of income at each period throughout the year. It is essential that payments be arranged to conform to the income periods.

DEALER RELATIONSHIP It is not enough for us to know how farm equipment should be sold. Unless the dealers with whom you do business can be sold on the fact that matching payments to income will increase their sales and decrease collection problems and repossession, you will not be able to successfully service these dealer accounts. Your success in handling this class of paper through dealers will depend to a large extent on your ability in educating dealers along the lines of proper credit selling.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT GEORGIA REGULATIONS

TOPIC

 Date 5-3-68

Revision of Page 1 **Dated 9-1-67**

The General Assembly has enacted legislation, effective 10-1-67, regulating the sale and financing of motor vehicles and consumer goods and/or services. This legislation is covered under two Acts:

1. HB 225 - Motor Vehicle Sales Finance Act.
(Covers any device or vehicle including automobiles, motorcycles, motor trucks, trailers, and all other vehicles operated over the public highways and streets of this state and propelled by power other than muscular power, but does not include traction engines, road rollers, implements of husbandry and other agricultural equipment and such vehicles as run only upon a track.)

2. HB 224 - Retail Installment and Home Solicitation Act.
(Covers personalty or work or labor purchased or furnished primarily for personal, family or household use. Includes materials and labor used when improving real property.) The portion of the Retail Installment and Home Solicitation Act that exempted property improvement transactions where a deed to secure debt was taken has now been amended (April, 1968). Property Improvement contracts now come under the Retail Installment and Home Solicitation Act, whether secured or unsecured. This places us in a more favorable position with regard to rates. R R R R

The full text of these acts has been furnished to the senior consumer credit officer in each of our cities and the following comments are intended to cover only the main provisions - as briefly as possible. Both Acts are covered in this bulletin since many of the requirements are similar. Changes are being made to existing bulletins, where necessary, to cover changes in operating procedure or policy resulting from these acts.

RETAIL INSTALLMENT CONTRACT (Instrument creating a purchase money interest)

1. Our contracts have been revised to conform to both Acts with respect to size of type, wording designed to protect the buyer, description of the transaction and other requirements.

2. Contract must be completed "as to all essential provisions prior to signing by the buyer." If merchandise is delivered after the contract is signed, the identifying numbers and due date of the first installment may be inserted at time of delivery.

3. Buyers must be furnished by seller with a completed copy of the contract at the time it is signed. Buyer's signature on a contract conforming to the Act will be considered as evidence of compliance with this provision.

NEW BULLETIN

FINANCE CHARGE LIMITATION

Both Acts limit the amount of finance charge (time price differential) exclusive of official fees, insurance premiums, delinquency charges, attorneys' fees and court costs.

1. Motor Vehicles - The rates on motor vehicles are based on the year model of the vehicle and the year in which it is sold, as follows:

   a. Class I - - - $8 per $100 per year
   Any new motor vehicle designated by the manufacturer by a year model not earlier than the year in which the sale is made - i.e. 1967 model sold in 1966 or 1967.

   b. Class II - - - $11 per $100 per year.
   Any new motor vehicle not in Class I and any used motor vehicle designated by the manufacturer by a year model of the same or not more than two years prior to the year in which the sale is made, i.e. new 1967 model sold in 1968 or any used current year model plus the two preceding year models.

   c. Class III - - - $15 per $100 per year
   Any used car not in Class II and sold not more than four years after the year model given the vehicle by the manufacturer, i.e. 1964 or 1963 models sold in 1967.

   d. Class IV - - - $17 per $100 per year
   Any used motor vehicle not in Class II or Class III and sold more than four years after the year models given the vehicle by the manufacturer, i.e. 1962 or older models sold in 1967 or thereafter.

2. Consumer Goods/Services

   $12 per $100 on first $400.

   $10 per $100 on the excess over $400.

A new graduated rate chart is being printed for use when the maximum rate is to be charged.

The above rates pertain to contracts payable in successive monthly payments that are substantially equal in amount. When payments are unequal or irregular, the finance charge may be at a rate that will provide the same yield as is permitted on monthly payment contracts.

NEW BULLETIN

As in the past, our rates will be determined by costs of operation and competitive conditions, but in no case can the total finance charge (including dealer reserve) exceed the maximums permitted under these Acts.

MINIMUM FINANCE CHARGE

In some instances where small balances are concerned, the charge (percentage-wise) allowed by these Acts will not cover the costs of handling the loan. The Acts have provided for minimum charges as follows:

1. Motor Vehicle

   $25 minimum charge.

2. Consumer Goods and Services - The minimum charge in this Act is based on the principal balance as follows:

Principal Balance	Minimum Charge
0 - $25	$ 5.00
$25.01 - $50	$ 7.50
$50.00 or more	$12.00

LATE CHARGES

Both Acts provide for the collection of late charges in the amount of 5% of the payment or $5, whichever is less. This charge can only be collected once on a given payment, and only then if the payment is not made within 10 days of the due date.

OFFICIAL FEES, ATTORNEYS' FEES AND COURT COSTS

Both Acts allow for the collection of official fees (the amount actually to be paid for recording and releasing the recording), attorney's fees (reasonable attorney's fees provided the contract is referred for collection to an attorney who is not a salaried employee of the bank) and court costs (the actual amount of the costs).

INSURANCE

The "costs" of insurance coverage, provided for in the contract, must be shown on the contract.

1. Physical Damage - A new automobile contract has been developed to show the coverages provided and the amount of premium included for these coverages.

2. Life, Disability and Property * - We have revised our consumer goods contract, and our attorneys feel we can show the percentage per year for these coverages rather than the dollar amount of the premiums. This eliminates the need for revising our rate charts to show the actual premium.

* Property insurance on domestic contracts only.

NEW BULLETIN

REFINANCING AND EXTENSIONS

1. Motor Vehicles - When refinancing a motor vehicle account, the vehicle may be re-classified, at the time of refinance, into the new class according to the year model. When refinancing however, do not take an acquisition charge on the old contract and do not charge more than the appropriate percentage on the new loan regardless of the amount financed.

   Although a special method of computing extension fees is prescribed for vehicles, we will continue to charge 1% per month of the unpaid balance with a minimum fee of $2.00.

2. Consumer Goods and Services - We will continue to refinance and extend these accounts as we have in the past.

PREPAYMENT OF CONTRACTS

Both Acts require that upon prepayment the rebate must be based on the total charges. This means dealer reserve must also be rebated on the same basis as our interest and discount, (see new bulletin - ACCOUNTING AND GENERAL OPERATIONS - REBATES - DEALER RESERVE - PROCEDURE - Dated 9-1-67).

ACQUISITION CHARGES

Both Acts allow deduction of an acquisition charge from the Interest and Discount before applying the appropriate rebate percentage.

1. Motor Vehicles

   Acquisition charge $25.

2. Consumer Goods and Services

   Acquisition charge $15.

HOME SOLICITATION SALES

Whenever the sale of goods and services is made in a home other than that of the seller (usually the home of the buyer), there are some special regulations regarding the sale and subsequent financing.

1. The buyer may cancel the sales agreement by so notifying the seller by registered mail post mailed not later than midnight of the day following the date of sale.

2. In the event of such cancellation, the seller must return all deposits, down payments or goods traded in within 10 days.

NEW BULLETIN

3. The seller is entitled to 5% of the sale price or $25, whichever is less, as liquidation damages. The seller is also entitled to collect or retain the cost of picking up goods delivered, however, this fee cannot exceed $5.00.

This provision should present no problems in financing as long as we adhere to our policy of doing business only with responsible and ethical dealers.

ADD-ON CONTRACTS

There are no specific provisions in the consumer goods and services act relating to add-on financing. We will continue to use our add-on plan, with a revised contract, with one major exception. The contract must be completed prior to signing by the buyer - which means the dealer will have to call the Bank for a pay-off prior to completing this contract.

TRANSFER OR ASSIGNMENT OF CONTRACTS

We will continue to be able to take an assigned contract free of any defenses the buyer may be able to assert against the seller.

However, the defenses of the buyer, allowed under these Acts, may be asserted against any holder of a contract bearing charges in excess of those allowed by these acts.

We must be absolutely sure that the charges on all contracts we purchase from dealers do not exceed those allowed under these Acts. The penalty for violation is quite severe.

CORRECTION OF ERRORS

Any violation in connection with the computation of the finance charge may be corrected within ten (10) days after the date the contract was executed and neither the seller nor holder is subject to any penalty.

REPOSSESSIONS AND DEFICIENCIES

There are new provisions in these Acts regarding disposition of repossessions in the event the holder intends to pursue a deficiency balance. This is covered under a new bulletin (COLLECTIONS - SALES FINANCE - DEFICIENCY CLAIMS - Dated 9-1-67).

SUMMARY

Prior to October 1, 1967 calls must be made upon all Domestic, Property Improvement, and Automobile dealers to explain the provisions of the new Acts and deliver new contracts and rate charts (where applicable). An initial supply of materials will be sent to you and you may order more through the Purchasing Department and System Consumer Credit Department in Atlanta in the usual manner.

Any questions that may arise as a result of these Acts or any operational problems that occur should be referred to System Consumer Credit, Atlanta, so uniform policy can be developed for the entire system.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT NEW BUSINESS REPORT

TOPIC

 Date 7-13-50

New Bulletin

The New Business Report form (reproduced on reverse) has been in use in our offices for some time.

PURPOSE
The purpose of the New Business Report is to outline for future reference the exact plan of operation discussed with each new dealer at the time he is signed up. This is particularly important where the purchase of paper is to be handled by an individual other than the individual signing up the dealer.

WHEN TO PREPARE
A NEW BUSINESS REPORT SHOULD BE MADE UP IMMEDIATELY AFTER CONCLUDING ARRANGEMENTS WITH A NEW DEALER.

A SUPPLEMENTARY REPORT, USING THE SAME FORM, SHOULD BE MADE UP WHENEVER A CHANGE IN RATE OR PLAN IS MADE.

It is not necessary to prepare this report covering routine calls on a dealer except as mentioned above.

DISTRIBUTION
This report form is padded in sets of three. The original should be sent to Atlanta immediately to the attention of Mr. P.M. Welch. After review, this copy will become a part of our general file maintained on each dealer account. The copy marked "Local Installment Office" should be made a part of your credit file on each dealer account after it has served the initial purpose of getting the dealer set up. The triplicate copy has been provided for the benefit of those offices that have a separate New Business Department and need not be used unless it is required for this purpose.

DISTRIBUTORS
We would like to know in every case the distributors that are involved in connection with each dealer's account. When this form is reprinted a space will be provided to show the name of the distributor. In the meantime, include this information in the block "Merchandise to be Financed".

REMARKS ON REVERSE
Where a dealer is signed up at his own place of business, particular attention should be paid to the kind of store the dealer is operating and the impression received as to ability to operate successfully, class of paper expected, etc. The new business man can supply invaluable information to the Credit Department in appraising an account.

19-975 (Rev. 8-50) TRIPLICATE—Local Bank New Business Department

19-975 (Rev. 8-50) DUPLICATE—Local Installment Loan Office (Credit File)

19-975 (Rev. 8-50) ORIGINAL—Installment Loan Department, Atlanta

INSTALLMENT LOAN DEPARTMENT
New Business Report

Dealer's Name _____

Street Address _____

Town _____

Individual ☐ Partnership ☐ Corporation ☐

Firm Members	Title

Person Interviewed _____

_____ Office

_____, 195__

Distributor ☐

Dealer ☐

Present customer of Bank? Yes ☐ No ☐

If Yes — Show below facilities being used.

If No — Show name of present bank.

MERCHANDISE TO BE FINANCED

Article & Trade Name	Manufacturer	Distributor

Attach descriptive literature showing selling prices, types of users, etc.

Who is handling paper now _____

Outline briefly competitors plans, rates and liability on reserve.

RETAIL PLAN QUOTED

Plan _____

Advance _____% Dealer Reserve _____% Rate Chart or Rate _____ Agreement # _____

Direct collection ☐ Indirect collection ☐ Describe any Special Plan on Reverse

On out-of-town dealers, outline manner in which investigations and approvals are to be handled.

WHOLESALE PLAN QUOTED

New: Advance _____% of POB Factory ☐ Delivered Cost ☐

Used: Advance _____% of Low Book _____

Rate: Flat Charge _____ Renewal Charge _____ Interest Charge _____

Original Note For _____ months _____ Renewal permitted for _____ months each

Insured By: Bank ☐ Dealer ☐ If dealer, policy expires _____ 19__

I left the following supplies _____

Supply dealer with the following _____

Financial statement is attached ☐ If not attached, give reason _____

Use reverse of this form to outline your call completely. (Tumble)

E- 1644

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT PROPERTY IMPROVEMENT

TOPIC NOTE - AGREEMENT

 Date 9-1-67

Replaces Bulletin: "SALES FINANCE - PROPERTY IMPROVEMENT FINANCING - APPLICATION AND NOTE" Dated 11-26-57

Extensive revisions have been made to our Property Improvement Note (form #19-913 Rev. 9/67) to comply with the new Georgia "Retail Installment and Home Solicitation Sales Act." Changes have also been made to make this instrument more readily acceptable and more flexible from the standpoint of recording.

NOTE - AGREEMENT
This is a dual purpose instrument which if recorded on the Public Real Estate Records does not create a lien, but gives notice that a debt related to the property exists. Generally, any attorney handling the closing of the sale of the property would advise that the debt be paid rather than risk litigation.

Additionally, the wording retains a security interest in the "goods" being financed, classifies them as removable personalty, and qualifies as a Financing Statement, which may be filed on the Personal Property Records with instructions to "cross index" to the Real Estate Records.

Before handling any phase of a Property Improvement transaction, it is essential that this instrument be carefully read and completely understood.

WHEN TO RECORD AND/OR FILE
Whether or not to record the Property Improvement Note on the Real Estate Records and/or file it as a Financing Statement is a matter of credit judgment on each transaction, considering the need for strengthening what would otherwise be a completely unsecured obligation.

Generally, the note should be recorded if -

1) the total note amount exceeds $1,500, or

2) there is reason to believe that the property might be sold during the term of repayment, i.e. customer subject to transfer, or

3) collection problems and deterioration of credit are encountered.

Whenever possible the note should be recorded on the Real Estate Records. If this is not possible, the note may be recorded as a financing statement. However, a financing statement merely protects against other creditors and does not assure us that we will be paid in the event the property is sold. Therefore, on larger and/or more hazardous transactions it may be advisable to obtain a deed to secure debt and file as a second mortgage.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT PROPERTY IMPROVEMENT

TOPIC NOTE - AGREEMENT

 Date 9-1-67

Replaces Bulletin: "SALES FINANCE - PROPERTY IMPROVEMENT FINANCING - APPLICATION AND NOTE" Dated 11-26-57

WHERE TO RECORD AND/OR FILE

The note should be recorded in the Real Estate Records and/or filed as a Financing Statement in the Office of the Clerk of Superior Court of the county in which the land is located.

There have been some instances where Clerks of Court have been reluctant to record these notes on the Real Estate Records for various reasons. The new note provides for a brief "legal description" of the property for use in areas where the Clerk insists on having this information.

REQUIREMENTS FOR RECORDING AND/OR FILING

To be admissible to either record, the document to be recorded must carry original signatures.

For the Real Estate recording to be effective, the note must be executed as a deed to land, i.e., there must be two witnesses to the customer's signature, one of whom must be a notary public who must affix his seal and date of expiration of office. The snap-out set of forms provides for two bank copies. The "Bank-Original" should be sent out for recording and the "Bank-Duplicate" be retained pending return of the original from the Clerk of Court.

For filing as a Financing Statement both customer and dealer must sign and the addresses of each must be entered and all blanks must be completed, particularly descriptions of the goods to be used in the improvement, description of the land to be improved and the name of record owner or lessee of that land. The Clerk must have two additional copies for filing as a Financing Statement, one to retain and one on which to enter filing data and return to you. Consequently additional copies must be made for this purpose or separate standard forms of Financing Statements (form #19-891) taken. In transmitting to the Clerk, instruct him to file as a Financing Statement covering removable fixtures and to cross-index to the real estate records.

APPLICATION

In the initial printing of the three-part note form, time did not permit incorporating a customer application. This will be incorporated in subsequent printings. In the meantime, until your supply is exhausted, you may continue to use the application portion only of the old contract. Do not use the old note. When your supply is exhausted, it will be necessary to use the "Confidential Statement" that is used with the Sales Finance Automobile dealers.

ORDERING FORMS

The Property Improvement Note (#19-913 Rev. 9/67) should be requisitioned from the Purchasing Department, Atlanta in the usual manner.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT REPAIR PLAN

TOPIC

 Date 9-1-67

Replaces Bulletin: "SALES FINANCE - REPAIR PLAN" Dated 10-1-56

While repair plan business is not profitable in itself, because of the usual small balances involved, a plan to handle financing of the dealer's larger repair orders is part of the normal selling package when soliciting automobile and farm equipment paper from dealers.

TYPE OF INSTRUMENT
The repair note (form # 19-866) is a combination security agreement and note. This instrument has been revised to conform to recent legislation affecting the sale of goods and services.

RECORDING
The repair note itself is not a recordable document. However, in most cases, you will have already perfected your interest in the collateral by filing a Financing Statement or by getting on the Title under the Title Act. In the event you are not financing the collateral to be improved, you should inform the dealer that he should file a Financing Statement or file as a lienholder under the Title Act if he so desires.

Be sure to cross reference ledger cards to insure that the original contract is held until the repair note is paid in full.

TERMS
Repair Plan Notes should carry a maximum maturity of 12 months. Encourage shorter maturities whenever possible, particularly on seasonal Notes.

A down payment is not required, if the equipment being repaired has sufficient equity to cover the additional advance.

DEALER LIABILITY
Repair Plan Notes should only be handled with the full recourse endorsement of a responsible dealer. The assignment on this instrument is a full recourse assignment.

PURCHASE REQUIREMENTS
An extensive credit investigation is not necessary since Repair Plan Notes are handled on a full recourse basis and will come from dealers with whom you are already doing business. In most cases, you will already have an account with the customer covering purchase of the automobile or equipment from the dealer. Where this is true, the only investigation necessary is a check through your files. Prior lien holders should be contacted for their experience.

CLASSIFICATION
Because the percentage of repair plan business will be small in relation to any dealer's outstanding, classify in the same manner as the major portion of the outstanding, i.e., Auto, Farm, etc.

Each Repair Plan transaction should be identified in the collateral section of the discount thusly: '61 Chevrolet - Repairs - A1C#12345 (cross reference to original contract number).

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT SUBSTITUTION AGREEMENT

TOPIC

 Date 7-23-65

Replaces Bulletin: "SALES FINANCE - SUBSTITUTION AGREEMENT" Dated 10-31-56

The Substitution Agreement reproduced below has been revised some time ago to conform to the Uniform Commercial Code.

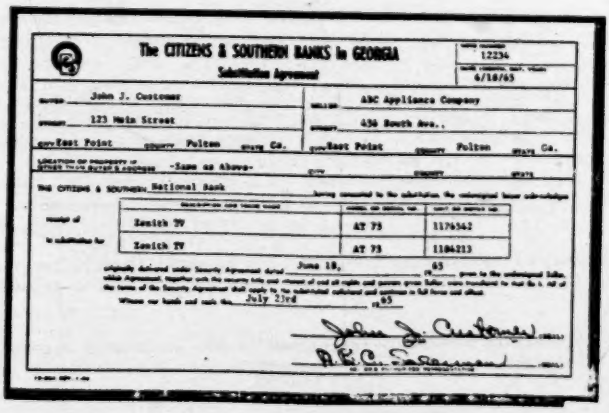
Appliance dealers, particularly, frequently exchange merchandise because of mechanical difficulties or customer preference, without changing the original time payment schedule. In these instances, there is no security interest against the new merchandise unless a new instrument is taken. Your dealers should be supplied with a small quantity of this form and be instructed to obtain a Substitution Agreement whenever merchandise covered by a Conditional Sales Contract is exchanged and the original time schedule remains the same. Outside adjustors should also be supplied with the form so that they may protect both the bank and the dealer's interest if they find substituted merchandise during the course of their collection calls and physical verifications.

PERFECTION The same rules govern the perfection of a security interest in the new merchandise as apply to any conditional sale. See Operating Guide Bulletin: "LENDING GENERAL - PERFECTING SECURITY INTERESTS - POLICY".

PROCEDURE When the Substitution Agreement is received from the dealer, it should be attached to the original Conditional Sales Contract in the Note file. The customer's Ledger Card and the Wheeldex Card should reflect the change of collateral, in ink.

Line through the old merchandise and write in the new (including serial number) and show the date of the Substitution Agreement. It will not be necessary to order a new Payment Card Book.

ORDERING FORMS The Substitution Agreement (19-694) may be requisitioned from the Purchasing Department, Atlanta, in the normal manner.



The CITIZENS & SOUTHERN BANKS in GEORGIA

Substitution Agreement

12234

6/18/65

John J. Customer — ABC Appliance Company

123 Main Street — 436 South Ave.,

East Point, Fulton Co. — East Point, Fulton Co.

-Same as Above-

The CITIZENS & SOUTHERN National Bank

Zenith TV		AT 75	1176542
Zenith TV		AT 75	1184213

June 18, 65

July 23rd, 65

John J. Customer

A.B.C. Salesman

E1648

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT UNIFORM COMMERCIAL CODE

TOPIC DEALER RELATIONS

 Date 3-30-65

New Bulletin

In the purchase or discount of retail contracts, it is not necessary to file a financing statement if possession of the chattel paper itself is taken. This possession of the chattel paper is subordinate to a prior security interest only if possession was taken with knowledge of the prior security interest, or taken other than in the normal course of business.

Most lenders handling floorplan for dealers will file financing statements covering the floorplan. These statements may be in limited form or quite inclusive; i.e., they may cover (1) inventory of a specific nature only, (2) all inventory, (3) inventory and proceeds, or (4) inventory, proceeds, and chattel paper. Also, it is probable that some may file a financing statement covering chattel paper only. Our approach has been to file a financing statement on all dealers for whom we handle floorplan, limited to the floorplan only, unless individual circumstances indicate the need for a more inclusive statement.

When two or more secured creditors claim an interest in inventory, the first to file a financing statement takes priority with the following exception. A purchase money security interest in inventory takes priority over previously perfected security interest, if the one taking the purchase money security interest gives notice to the prior secured party of the intent to acquire that interest and a financing statement is filed before the inventory is delivered to the borrower.

RETAIL Our policy is not to file a financing statement covering chattel paper.

1. It is not necessary to check the records in the clerk of court's office or take any other action to determine whether or not some other lending institution has filed a financing statement. Our security interest in the chattel paper we purchase or discount is a perfected security interest providing we take possession without knowledge of a conflicting interest.

2. If we receive actual knowledge that another party has a security interest in the chattel paper itself (not merely as a part of proceeds), we must take specific steps to protect our interest before we begin or in order to continue discounting chattel paper. Knowledge may be received by direct notice from another security interest holder, the chattel paper having been branded or marked, our actual viewing of a financing statement on record (this may occur when we handle wholesale), notice from a reporting agency, or advice of the fact from the dealer himself. Once we obtain knowledge that the chattel paper is pledged to another, we should:

   (1) Determine and list collateral covered in the financing statement on file.

   (2) Call on the dealer and discuss the advantages of our approach.

In such cases, the dealer may not have understood all that would result from the security agreement he signed, and will want to correct it immediately by doing one of the following:

(1) Contact the creditor and obtain a full or partial release of collateral (specifically chattel paper) and have it filed to clear the record.

(2) Obtain from the creditor a letter subordinating to us their security interest in the chattel paper purchased by us.

Unless the dealer is weak financially, we can continue discounting retail paper for a reasonable period of time to permit one of the above arrangements to be made by the dealer. A close follow-up must be maintained to assure that a proper release is filed or that we obtain the letter of subordination.

WHOLESALE Our policy is to file a financing statement covering the type inventory we will floorplan. On established dealers, we have filed and have also checked the clerk of court's records to determine if another creditor has filed a financing statement. On prospective dealers we will check for other filings before the line is established and file a financing statement ourselves.

1. If we are the first to file, no further action is required to protect our interest in the wholesale. It is important to keep in mind that our financing statement(s) on file must cover all of the types of inventory we floorplan.

2. If another creditor has filed a financing statement prior to ours:

   (1) Immediately send a letter to the creditor advising of our intent to acquire purchase money security interests in the types of inventory we intend to floorplan. After sending this letter, we may floorplan only inventory in which we have a purchase money security interest. We will not be able to advance money on units the dealer already has on his floor.

   (2) Follow with the dealer to get the prior security interest cleared of record if possible, or if not, the interest must be subordinated to ours.

3. If we learn of another creditor filing subsequent to the time of our filing, we must follow to determine if this represents a split in floorplan and, if so, sell the dealer on permitting us to handle his entire requirements.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT UNIFORM COMMERCIAL CODE

TOPIC RETAIL

 Date 4-13-65

Very little change in our existing procedures was necessitated by the Uniform Commercial Code. The various legal forms in use were revised only where necessary and the changes in existing procedures were made, to take advantage of the additional privileges permitted for the benefit of the bank and the dealer. Additional privileges to benefit the bank at the dealers' expense were not taken.

While our various plans of operation continue with the same basic rights and privileges to both the dealer and the bank, certain provisions of the law must be understood and the procedures set out therein followed in our handling of retail discount.

There are two areas to be considered in determining our collateral protection as related to conflicting interests. First, our rights in the chattel paper (conditional sales contracts or notes); and secondly, our rights in the merchandise which is sold to the retail customer.

RIGHTS IN THE CHATTEL PAPER There are two methods by which we can perfect our interest in chattel paper: (a) by taking possession of the chattel paper; or, (b) by filing a financing statement covering the chattel paper.

In all of our dealer relations we take physical possession of the chattel paper when we purchase or discount it, and therefore our security interest in the paper itself is perfected in the best possible manner. When we perfect our interest by taking possession, we have a claim superior to others even though they may have perfected by filing a financing statement prior to the time we took possession. The only time that we would not come ahead of a prior perfected security interest holder would be when we had actual knowledge of the prior interest. Actual knowledge may occur by the conditional sales contracts being stamped or otherwise branded to show the prior interest, or by our receiving direct notification of the prior interest. When such knowledge is received, we must obtain a release from the prior secured party or discontinue purchasing or discounting contracts for that dealer.

IMPORTANT - Each contract purchased should be examined to be sure that it is not branded to show another's interest.

RIGHTS IN THE MERCHANDISE SOLD TO THE RETAIL CUSTOMER As discussed in the bulletin: Lending General - Uniform Commercial Code - General, classification of the collateral, as well as its intended usage, will determine the method of perfecting a security interest. It is of equal advantage to the dealer and the bank, that we take reasonable precautions to protect against potential claims in the collateral by third parties.

AUTOMOBILE AND MOBILE HOME DEALERS Conditional sales contracts originating from these dealers will generally cover vehicles governed by the Georgia Motor Vehicle Title Act. Steps and procedures to perfect or otherwide protect our interest in such collateral is discussed in the bulletin: Lending General - Georgia Motor Vehicle Title Act.

APPLIANCE, FURNITURE, BOAT AND MOTOR DEALERS The merchandise sold by these dealers will most often be consumer goods. The fact that the security interest in these consumer goods arises under a conditional sales contract establishes that it is a purchase money security interest. A purchase money security interest in consumer goods is perfected without filing a financing statement, with two exceptions (motor vehicles and fixtures). These exceptions will infrequently affect our purchases from this type dealer. Therefore, as a matter of practice, we will not file financing statements on contracts when we are perfected by a purchase money security interest.

Occasionally, sales by this type dealer will involve consumer goods which are to become "fixtures"; or, goods which will be used for business purposes and thus will be "equipment" rather than consumer goods.

(a) If the collateral becomes a fixture, the purchase money feature does not perfect and it is necessary to file a financing statement to do so. The financing statement must show the description of the real estate and be filed in the County Clerk's office where a mortgage on the real estate would be recorded.

(b) If the collateral is for business use (this will be indicated on the conditional sales contract by a check mark in the block indicating business), it will be necessary to file a financing statement to perfect.

For detailed policy on perfecting in these type situations, refer to Operating Guide Bulletin - Lending General - Perfecting Security Interest - Policy.

FARM EQUIPMENT DEALERS It will be best to consider conditional sales contracts from these dealers as falling into one of two groups, determined by the selling price of the equipment covered.

(a) Farm equipment with a selling price (cash price, plus time price differential) of $2500 or less. As in consumer goods, a purchase money security interest will be a perfected security interest and it will not be necessary to file a financing statement.

(b) Farm equipment with a selling price (cash price, plus time price differential) of over $2500. Our purchase money interest will protect us to the extent that we have 10 days in which to file a financing statement, however, we must file a financing statement within the 10 day period to have a continuously perfected security interest.

BUSINESS EQUIPMENT OR OTHER EQUIPMENT DEALERS Most contracts developed from such sources will cover equipment, as opposed to consumer goods, and it will be necessary to file a financing statement to perfect a security interest in such collateral.

PROPERTY IMPROVEMENT DEALERS Most contracts will represent unsecured notes. We can gain substantial protection by recording these notes on the real estate records in the county in which the property is located. Refer to Operating Guide Bulletin: Sales Finance - Property Improvement Financing - Application and Note.

One change, as a result of the Code, is the more specific privilege of taking a security interest in and reclaiming fixtures. For this reason, our note grants a security interest in identifiable goods described on the note. Usage of this may be somewhat restricted, because to have such a security interest take priority over an existing mortgage holder, it is necessary that a financing statement on the fixtures be filed before the fixture is attached. (There is considerable question whether such a claim could be supported against a mortgage holder of record, prior to the effective date of the Code). However, even though we file after the fixture is attached, we will come ahead of future interests in the real estate. Such a financing statement must contain a description of the real estate and be filed in the Clerk's office where a mortgage on the real estate would be filed.

CEMETERY AND OTHER DEALER RELATIONS WHERE AN UNSECURED TYPE NOTE IS BEING HANDLED We have no security interest in collateral held by the buyer and no action is needed to perfect. However, on these dealers, we still must observe each contract or note discounted, to be sure that it is not branded or marked to indicate a prior security interest in the paper itself.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT UNIFORM COMMERCIAL CODE

TOPIC WHOLESALE

 Date 4-20-65

Replaces Bulletin: "SALES FINANCE - WHOLESALE - DEALER WHOLESALE APPLICATION & SIGNATURE AUTHORIZATION" Dated 2-14-61

Few of our wholesale procedures were altered as a result of the Uniform Commercial Code; however, the methods of perfecting a security interest in wholesale collateral have been changed and they are set forth in the following paragraphs. This bulletin applies to all dealers located in Georgia. When considering floorplanning in other states, clear with System Consumer Credit, Atlanta, for requirements, procedures and forms applicable to the state involved.

In the past, we did not record floorplan instruments. Now, under the Code, exposure is increased and we must perfect our interest by filing a Financing Statement in all cases. Because of the greater exposure from tax claims and lien creditors, other secured parties will file much more frequently. Financing Statements relating to inventory will seldom apply to specific items but most often items of a specified kind or will be "all inclusive". The first to file will have priority in any claim to the collateral with one exception.

The one exception is, that although another secured creditor has filed a Financing Statement on a dealer's inventory or any part thereof, we can establish a preferred position on certain items if we meet all of the following conditions:

(1) We have a purchase money security interest in the collateral.

(2) We give notice to the prior secured creditor, before the dealer receives the merchandise, in satisfactory form (see sample letter on page 2).

(3) We file a Financing Statement before the dealer receives the merchandise.

When we are the first to perfect, with respect to after acquired inventory, others can take priority over us in the same manner.

PERFECTING A SECURITY INTEREST To perfect our security interest we must:

(1) File a Financing Statement in the clerk of court's office. Generally, this should be filed in the county where the dealer has his primary place of business. If the dealer has a place of business in two or more counties and there is any question as to the primary place of business, file in each county. If, however, the dealer does business in his individual name or under a trade style, file in the county of his residence.

   a. When filing in more than one county, use a separate Financing Statement (19-891) for each county.

(2) Determine if any other party has a Financing Statement on file covering the type collateral we intend to floorplan. This can be done only by checking the records in the clerk of court's office in the county where you plan to file your Financing Statement. Each clerk will keep alphabetical indexes by name of debtor on all filings. Remember that each dealer warrants in our Security Agreement that there are no Financing Statements already on file. This question must be expressly asked of each dealer.

Replaces Bulletin: "SALES FINANCE - WHOLESALE - DEALER WHOLESALE APPLICATION & SIGNATURE AUTHORIZATION" Dated 2-14-61

If another statement is on file prior to ours, one of these three steps must be followed:

(1) Satisfy the prior security interest holder and be positive that a termination statement is filed. (If the debt is satisfied, but no termination statement filed, the prior creditor could make future advances and take priority over us.)

(2) Give written notice (see illustration below) to the prior secured party of our intent to obtain purchase money security interest in certain types of inventory. This will protect us only on the items in which we could establish a purchase money interest. NOTE THAT FURTHER TRANSACTIONS CAN BE HANDLED ON THE BASIS OF THIS LETTER ONLY IF WE HAVE A PURCHASE MONEY SECURITY INTEREST.

(3) Discontinue our wholesale line.

NOTICE TO PRIOR SECURED PARTY

_____, 196___

TO: (Prior Secured Party)

This is to notify you that the undersigned has or expects to acquire purchase money security interests in inventory collateral which will from time to time hereafter be delivered to: _____
(Name of Dealer)

_____ (Address), _____ (City), _____ (County), _____ (State),

Such inventory collateral consists or will consist of types or items of property described as follows: _____

THE CITIZENS & SOUTHERN NATIONAL BANK

BY: _____

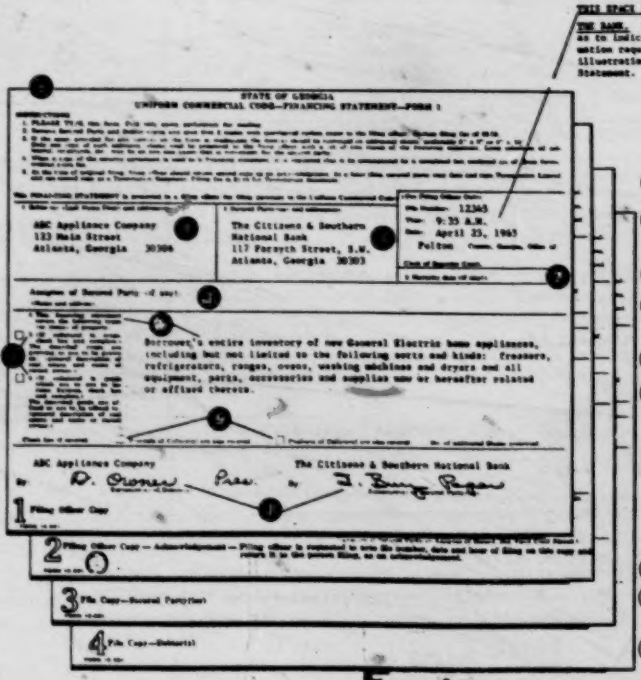
After sending this letter, the decision as to future handling must be made with emphasis on the dealer permitting us to handle his entire banking relationship. Split floorplan has never been condoned, and now it is even more important that we not permit such an arrangement.

Replaces Bulletin: "SALES FINANCE - WHOLESALE - DEALER WHOLESALE APPLICATION & SIGNATURE AUTHORIZATION" Dated 2-14-61

FLOORPLAN FORMS AND AGREEMENTS FOR USE UNDER THE CODE

DEALER WHOLESALE APPLICATION (19-939). This form is no longer to be used for dealers located in Georgia or any state which has adopted the Uniform Commercial Code.

FINANCING STATEMENT (19-891). This form must be obtained from each dealer and filed to provide us with a perfected security interest in the described collateral. Completing this form is simple, but care must be exercised. Follow the "Instructions" at the top of the form for proper distribution and use of the four parts of this form. Filing fee is $2.50.



Replaces Bulletin: "SALES FINANCE - WHOLESALE - DEALER WHOLESALE APPLICATION & SIGNATURE AUTHORIZATION" Dated 2-14-61

SECURITY AGREEMENT, Retail Inventory - Floorplan - (19-939 Revised 1/64.) This form has replaced the DEALER WHOLESALE APPLICATION (19-939) and now includes a "Signature Authorization" for use at the time the dealer is first set up (see illustration on page 5).

This form must be obtained from each dealer for whom we floorplan. Only one will have to be obtained from the dealer, unless the description of the type or category of collateral is changed. This Security Agreement gives us an interest only in the type of inventory described which is being purchased from a distributor or manufacturer in the dealer's normal operation. If the dealer changes his line or adds a new one which we are to floorplan, a new Security Agreement must be obtained.

The Security Agreement must be properly completed and signed. The description of the goods should be specific as to type but not overreaching - i.e.

> "Borrower's entire inventory of new General Electric home appliances, including but not limited to the following sorts and kinds: freezers, refrigerators, ranges, ovens, washing machines and dryers; and, all equipment, parts, accessories and supplies now or hereafter related or affixed thereto."

This description may be expanded to include all makes and models, such as:

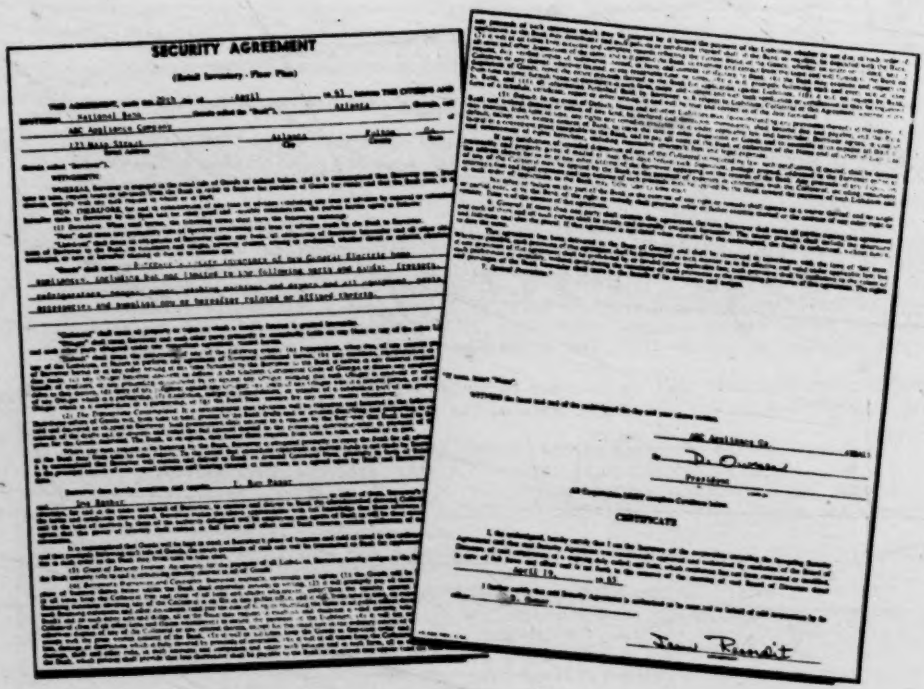
> "Borrower's entire inventory of new and used appliances and electronic equipment, including but not limited to the following sorts and kinds: ranges, refrigerators, freezers, air-conditioners, hot water heaters, washers, dryers, televisions, record players and radios; and, all equipment, parts, accessories and supplies now or hereafter affixed thereto."

The degree to which we wish to tie up the dealer's inventory must be governed by the relative strength of the dealer and the consideration of any competitive disadvantage.

If a situation develops in which we need greater protection, we may claim proceeds by adding in the space provided for special provisions in paragraph 7 of this Security Agreement, the following ---

> "Paragraph (3) hereof is amended to read as follows --- Grant of Security Interest. As security for the payment of all Liabilities, Borrower hereby assigns to the Bank, and grants to the Bank security title to and a continuing security interest in all goods together with all proceeds arising out of their sale or other disposition, including but not limited to monies, items, instruments, documents, chattel paper and accounts."

Whenever such an addition is made, we should have the borrower initial the addition.



SECURITY AGREEMENT

(Retail Inventory - Floor Plan)

ABC Appliance Co.

CERTIFICATE

Before taking this additional protection, we should consider not only the improved collateral protection but also the business retention aspect. If we attempt to over-secure ourselves, we will give competition an additional selling advantage.

NOTE - Exhibit "A" (The Collateral Note - Floorplan) should be attached to each Security Agreement.

- Whenever possible, arrangements should provide for us to make wholesale disbursements directly to the distributor or manufacturer, thus supporting our purchase money interest.

Replaces Bulletin: "SALES FINANCE - WHOLESALE - DEALER WHOLESALE APPLICATION & SIGNATURE AUTHORIZATION" Dated 2-14-61

SECURITY AGREEMENT, Equipment and Inventory (19-908, Rev. 1/64). In floorplan financing, there may be times when it is not possible to pay a distributor or manufacturer for the inventory floorplanned. For example, when signing up a dealer who has previously been flooring with another lender or when a dealer pays the distributor or manufacturer directly and then requests that the merchandise be floorplanned with us. In such cases, particularly when disbursement is made directly to the dealer, the dealer must sign a Note and Security Agreement for each invoice involved even though we normally operate under a Signature Authorization with that dealer.

In all such instances, do not use the Security Agreement (Retail-Inventory Floorplan) since it does not offer the necessary protection. Instead, use Security Agreement (Equipment and Inventory), 19-908. If no equipment is to be pledged, the word "none" should be typed in the space near the top of this form (see illustration on page 7). Wording of this agreement itself conveys a security interest in all inventory. For competitive reasons, we may wish to limit the security interest to specific types of inventory which we will floorplan. This may be done by entering a special provision in the space provided on the reverse of the agreement and headed "Additional Provisions Of Agreement". Such wording as the following may be entered:

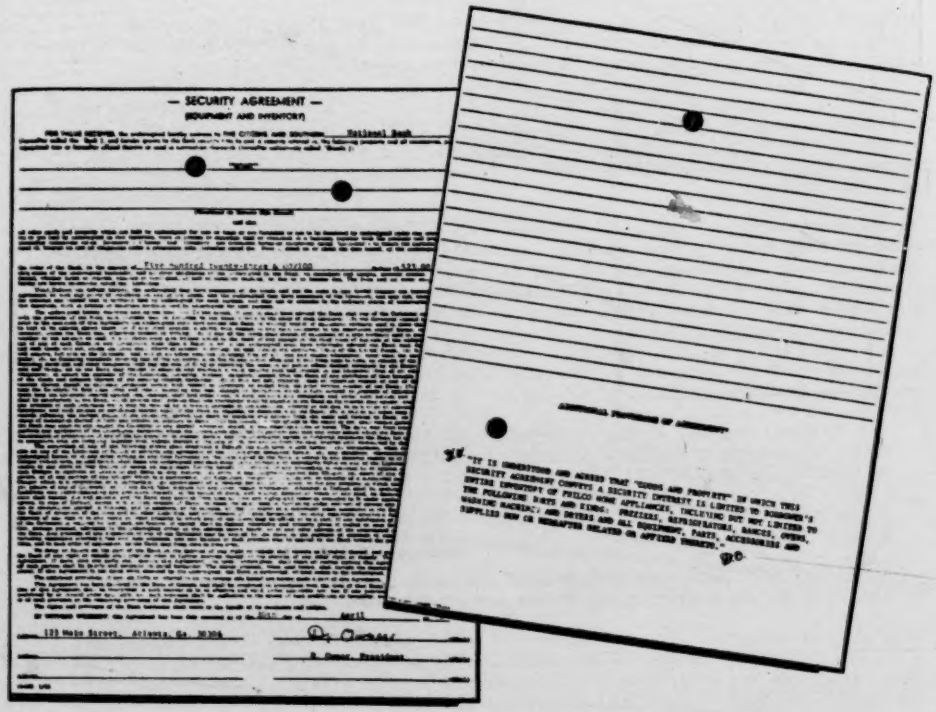
"IT IS UNDERSTOOD AND AGREED THAT "GOODS AND PROPERTY" IN WHICH THIS SECURITY AGREEMENT CONVEYS A SECURITY INTEREST IS LIMITED TO BORROWER'S ENTIRE INVENTORY OF PHILCO HOME APPLIANCES, INCLUDING BUT NOT LIMITED TO THE FOLLOWING SORTS AND KINDS: FREEZERS, REFRIGERATORS, RANGES, OVENS, WASHING MACHINES AND DRYERS AND ALL EQUIPMENT, PARTS, ACCESSORIES AND SUPPLIES NOW OR HEREAFTER RELATED OR AFFIXED THERETO."

Whenever any such "Additional Provisions" are made, the borrower or dealer should initial both at the beginning and at the end of the provision.

When floorplanning and disbursing directly to the dealer, a copy of the invoice unquestionably marked "paid" must be obtained. If any question remains, verification that the dealer has made payment in full should be made with the supplier concerned. The hazard involved is obvious - the dealer may have purchased the merchandise from the supplier on "open account" and then floorplanned with us, thus "double financing" the merchandise.

COLLATERAL NOTE - FLOORPLAN, (19-868, Rev. 1/64). This is a revision of the old Wholesale Note - Bill of Sale to Secure Debt - and will be used in the same manner as in the past. One will be prepared on each individual order and can be signed by a Bank employee authorized in the Security Agreement or in a subsequent Signature Authorization. The Wholesale Ledger Sheet on the reverse side will be completed and maintained as set forth in the Operating Guide Bulletin - ACCOUNTING - WHOLESALE - NEW LOANS.

(1) Be sure to fill-in "NONE" if no equipment is to be taken.


— SECURITY AGREEMENT —
(EQUIPMENT AND INVENTORY)

"IT IS UNDERSTOOD AND AGREED THAT "GOODS AND PROPERTY" IN WHICH THIS SECURITY AGREEMENT CONVEYS A SECURITY INTEREST IS LIMITED TO ASSIGNOR'S ENTIRE INVENTORY OF PHILCO HOME APPLIANCES, INCLUDING BUT NOT LIMITED TO THE FOLLOWING KINDS AND KINDS: FREEZERS, REFRIGERATORS, RANGES, OVENS, WASHING MACHINES AND DRYERS AND ALL EQUIPMENT, PARTS, ACCESSORIES AND SUPPLIES NOW OR HEREAFTER RELATED OR AFFIXED THEREIN."

(2) Do not indicate what collateral is, as in Security Agreement, Retail Inventory - Floorplan, unless you desire to limit your interest as indicated in the "ADDITIONAL PROVISIONS" on the reverse.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT UNIFORM COMMERCIAL CODE

TOPIC WHOLESALE

Replaces Bulletin: "SALES FINANCE - WHOLESALE - DEALER WHOLESALE APPLICATION & SIGNATURE AUTHORIZATION" Dated 2-14-61

SIGNATURE AUTHORIZATION (19-840, Rev. 1/64). The use of a Signature Authorization form to eliminate the necessity of a dealer signing a Note and Security Agreement for each invoice floorplanned has been our standard practice for many years. Now, the Security Agreement, Retail Inventory - Floorplan (19-939), contains a signature authorization. It is therefore not necessary to obtain a separate authorization at the time the dealer signs the above Security Agreement. Use this separate Signature Authorization (illustrated below) in the event of changes of bank personnel after the original Security Agreement is signed.

NOTE - Do not use this form when the Equipment - Inventory Security Agreement (19-908) is used. This Agreement requires the dealer's signature in all cases.

The Signature Authorization is to be used for all dealers and only one such form need be signed per dealer, regardless of the number of suppliers involved. In the case of incorporated dealers, the Authorization must be signed by an officer of the corporation and the "Certificate" on the reverse must be properly completed.

- SIGNATURE AUTHORIZATION -

(RETAIL INVENTORY — FLOOR PLAN)

Know All Men By These Presents:

THAT UNDERSIGNED does hereby constitute and appoint I. Buy Paper

and Ima Banker, or either of them, Undersigned's true and lawful attorneys, for and in the name and stead of Undersigned to execute and deliver to The Citizens and Southern National Bank (hereafter called "Bank"), the Collateral Notes described in and according to the provisions of that certain Security Agreement between Undersigned and Bank dated April 30, 19 65.

Borrower makes the above appointments in substitution for appointments previously made under the aforedescribed Agreement and with full knowledge that the above named attorneys in fact are now and at the time of exercise by them of the authority delegated, will be employees and agents of the Bank.

This power of attorney shall remain in full force and effect until Bank receives written notification of its amendment or revocation.

WITNESS the hand and seal of Undersigned this April 30, 1965

ABC Appliance Company
(Dealer)

By D. Owner
(Signature)

President
(Title)

All Corporations MUST complete Certificate on reverse

CERTIFICATE

I, the undersigned, hereby certify that I am the Secretary of the corporation executing the Signature Authorization on the reverse hereof and that said Signature Authorization was unanimously approved and authorized by resolution of the Board of Directors of said corporation at a meeting duly called and held, which resolution has not been rescinded or modified, is now of full force and effect and is set forth in the minutes of the meeting of said Board of Directors dated April 29, 19 65.

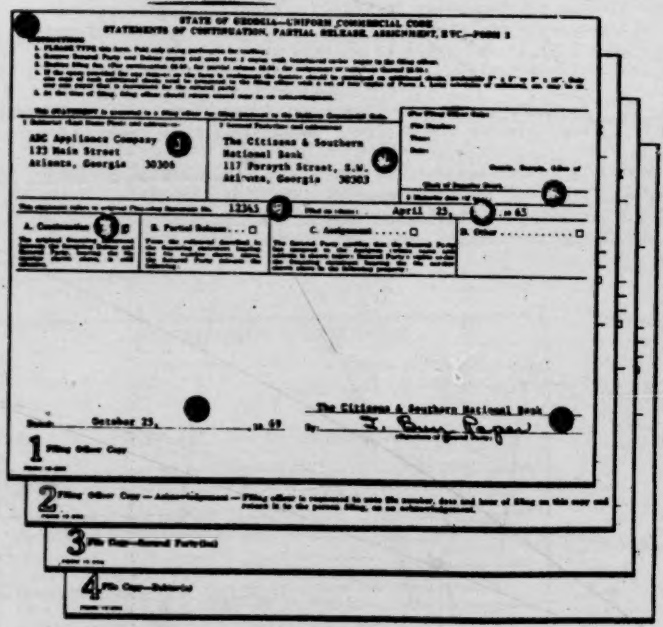
I further certify that said Signature Authorization is authorized to be executed on behalf of said corporation by its officer D. Owner, President

Jim Secretary

E-1661

Rep'aces Bulletin: "SALES FINANCE - WHOLESALE - DEALER WHOLESALE APPLICATION & SIGNATURE AUTHORIZATION" Dated 2-14-61

CONTINUATION STATEMENT (19-892). This is the instrument to be used in continuing our perfection upon expiration of the original Financing Statement. For follow-up of filing Continuation Statements, the latest date that our statement was filed should be noted in each individual dealer file. As future ADL's are prepared, show under Wholesale Comments the date our statement was filed. Follow the "Instructions" at the top of the form for proper distribution and use of the four parts of this form. Filing fee for Continuation is $2.50.



1. Type in the Dealer's and the Bank's name and complete mailing address.
2. Maturity Date - Leave blank - do not fill-in. (When this space is not completed, our filing will give us continued protection for a second 5 year period.
3. Financing Statement Number and Filed On (date). These two items are to be taken from the information placed on the original Financing Statement by the County (see illustration on page 3).
4. Mark for Continuation.
5. Only the Bank need sign.
6. A Continuation Statement may be filed at any time within the six months preceding the expiration of the original Financing Statement By filing within this period, we assure that our protection is continuous.
7. Follow the "Instructions" at the top of the form for proper distribution and use of the four parts of this form.

TERMINATION STATEMENT If for any reason we cease to floorplan for a dealer, we want to release our filing after all of our Wholesale floorplan has been liquidated.

To do this it will be necessary to use, as a Termination Statement, the blue second copy of the original Financing Statement. Date and sign the Termination Statement and return to the county where it was filed together with the fee of $1.00. It is essential that this blue copy of the original Financing Statement be kept in the Dealer File when it is returned so that we can release our perfection when necessary.

Replaces Bulletin: "SALES FINANCE - WHOLESALE - DEALER WHOLESALE APPLICATION & SIGNATURE AUTHORIZATION" Dated 2-14-61

OTHER FORMS Other forms pertaining to wholesale financing have not been affected by the Code and their use is discussed in related Operating Guide Bulletins covering wholesale.

FACTORY AUTOMOBILE RELEASES Clearance of drafts drawn on the bank by automobile factories necessitate its own handling procedures. Each automobile manufacturer requires the use of different special letters, from both the dealer and the bank, to initiate factory clearance. All requests for such arrangements should be cleared through the System Consumer Credit Department, Atlanta, so that proper procedures and forms will be used.

RELATED BULLETINS ACCOUNTING - WHOLESALE - NEW LOANS
SALES FINANCE - UNIFORM COMMERCIAL CODE - DEALER RELATIONS
SALES FINANCE - UNIFORM COMMERCIAL CODE - RETAIL
SALES FINANCE - WHOLESALE

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT WHOLESALE

TOPIC

Page 1 of 1 **Date** 8-8-51

New Bulletin

Generally speaking, wholesale is extended to dealers that require financing of inventory until the related merchandise is sold -- arbitrarily collecting the balance due at any given time may either impair the dealer's ability to operate or force him to borrow elsewhere. Neither of these alternatives is desirable for a dealer account that is in good standing with us.

Again we would like to emphasize our policy. Dealers should be followed closely to sell merchandise before it is six months old. Where merchandise passes the six month age, continue to collect curtailments and continue to apply pressure to sell the old merchandise but do not ask for a pay off with the merchandise still on hand. This policy applies to dealers in good standing with us and is on the assumption that the merchandise is worth the remaining balance.

CURTAILMENTS Our wholesale plans call for automatic billing of curtailments at regular intervals as protection against model changes and/or price reductions. In addition, the regular curtailments serve to keep merchandise turning over on the dealers floor becuase his investment is gradually being increased. Judgement should be used, however, and upon request, curtailments may be waived where the payment would cause hardship and where the merchandise secures the remaining balance.

STATEMENT OF WHOLESALE CURTAILMENTS As a means of control and follow-up, show the date of the note in the space provided for "note number" in addition to showing the note number. Use your copy of the statement to discuss old items with your dealers as a means of getting the merchandise sold.

AMOUNT OF CURTAILMENT It has been our policy generally to collect 10% on each curtailment based on the reduced balance each time. This practice is in vogue with competing finance companies and banks. Some of you have been collecting 10% of the original balance on the invoice each time, however, and have reported no adverse criticism from your dealers as a result. Purely from an operating standpoint, it is preferable to collect 10% of the original balance each time. Those of you that have been collecting on the reducing balance may change to collecting on the original balance each time, if the change can be made without disturbing good dealer accounts. Please let me know of your dealer reaction.

EVEN DOLLARS As floorplan notes are set up, all items carried on floorplan should be adjusted so that the original balance due is in even dollars. Curtailments should be adjusted to the nearest dollar so that we do not have the extra detail of posting cents in connection with wholesale financing.

E-1664

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT WHOLESALE

TOPIC CHECKING RECORD

 Date 6-15-66

Replaces Bulletin: "SALES FINANCE - WHOLESALE - CHECKING RECORD" - Dated 1-28-47

The "Record of Wholesale Checking" form #19-976, Rev. 3-66, is designed to assist you in wholesale control. The purpose of this form is to maintain an up-to-date analysis of a dealer's performance on wholesale. Losses can be avoided if wholesale checks are made with the proper frequency, made correctly, and if the results are analyzed.

HOW OFTEN TO CHECK It is impossible to provide a yardstick for frequency of wholesale checks that will apply to all dealers, however, all dealers should be checked at least once a month. Some of these dealers, depending upon their general credit and past performance on wholesale, should be checked more frequently. Review each dealer, determine the wholesale checking frequency, and enter it in this space. Once this is done, the frequency of wholesale checking becomes an automatic procedure. If circumstances arise that dictate a change in checking frequency, make the necessary change on the "Record of Wholesale Checking."

DEALER Show the dealer's complete name in this space.

DATE SENT - DATE CHECKED The date sent is entered at the time the wholesale checking report is prepared and the date checked is entered after it is returned. These dates are important as a measure of your own performance in checking wholesale. Wherever possible, wholesale inventories should be checked on the same day the wholesale checking report is prepared. Any delay in handling after the report is prepared may result in an incomplete inventory check being made and will make it possible for the dealer to cover up a "float."

CHECKED BY A record must be maintained of who completes each wholesale check. One person should not check a dealer's floorplan more than four consecutive times.

DATE REVIEWED This is the date the completed wholesale check was actually compared with the ledger for discrepancies. It is important that there should be no delay between the time the wholesale checker completes the check and the time it is completely reviewed. If there are discrepancies, prompt action must be taken.

REVIEWED BY Two people should always complete each wholesale check -- One person preparing and reviewing after completion; the other taking the actual physical inventory.

CASH SALES The adjustor should collect for all cash sales at the time of the wholesale check. As the number of days delay in payment is computed on the wholesale checking report, insert into the proper columns the total number of cash sales and also insert in the "Number of Days Delay" column the number falling into that specific category.

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT WHOLESALE

TOPIC CHECKING RECORD

 Date 6-15-66

Replaces Bulletin: "SALES FINANCE - WHOLESALE - CHECKING RECORD" - Dated 1-28-47

CONTRACT SALES The adjustor should pick up contracts on those that are classified as C&S contract sales. The number of days delay on these should be entered just as they are on cash sales.

DEMONSTRATORS Use the same procedure as on cash sales and C&S contract sales. If a unit has been on demonstration more than five days at the time of the wholesale check the adjustor should collect the balance. If this is not done, follow-up must be made to insure that the unit is returned to the dealer's floor or paid off. The day it is returned or paid off, is the day to be used in the computation of days delay. Enter the results in the same manner as cash sales and C&S Contract Sales.

OTHER EXCEPTIONS This category covers all exceptions other than those above. Examples would be -- "Returned to distributor"; "Serial number incorrect, new s/a obtained"; etc. The number of days the unit has been off the floor should be computed on the wholesale checking report, and the date the unit left the dealer's floor should be shown on the"Record of Wholesale Checking".

FINAL DISPOSITION After all spaces have been used, file Record of Wholesale Checking in the dealer credit file for future reference.

SALES FINANCE DEPARTMENT
RECORD OF WHOLESALE CHECKING

DEALER NAME JONES TELEVISION FREQUENCY CHECKED 30 DAYS

DATE SENT	CHECKED DATE	CHECKED NAME	REVIEWED DATE	REVIEWED INITIALS		DAYS DELAY IN PAYMENT OR CORRECTION OF EXCEPTION — IF NONE, SO STATE: TOTAL NUMBER	UNKNOWN	0-5	6-10	11-15	16-30	OVER 30
					CASH SALES	6		5			1	
					C & S CONTRACT SALES	4		4				
					DEMONSTRATORS	3		3				
5/10/66	5/10/66	Smith	5/11/66	RMS	OTHER EXCEPTIONS	2 ITEMS RETURNED TO DISTR - PAID						
					CASH SALES							
					C & S CONTRACT SALES							
					DEMONSTRATORS							
					OTHER EXCEPTIONS							
					DEMONSTRATORS							
					OTHER EXCEPTIONS							
					CASH SALES							
					C & S CONTRACT SALES							
					DEMONSTRATORS							
					OTHER EXCEPTIONS							

10-970 (3-66)

OPERATING BULLETIN

SECTION SALES FINANCE

SUBJECT WHOLESALE

TOPIC CHECKING REPORT

 Date 6-15-66

Replaces Bulletin: "SALES FINANCE - WHOLESALE - CHECKING REPORT" - Dated 4-1-57

Our "Wholesale Checking Report" form (19-963 Rev. 5/66) has been revised to provide spaces for all information necessary to insure proper checking and control of wholesale.

PROPER HANDLING IS MANDATORY Proper checking of wholesale inventories is the control that makes it possible to lend money on floorplan on a more liberal basis than other types of lending. The necessity for proper handling cannot be over-emphasized. On some of the stronger dealer accounts, exceptions might be made without danger of loss, but to start making exceptions to proper safeguards is to invite losses.

PREPARATION OF WHOLESALE CHECK Use form "Wholesale Checking Report" (19-963 Rev. 5/66) illustrated on page 2. From the Wholesale Ledger, list the items to be checked in the space provided. Space is provided for both the note date and note number. Both should be used to assist in the identification of individual items.

1. Add any items recently floorplanned on which wholesale ledger sheets have not been made. Also add any automobile drafts outstanding but not floorplanned.

2. Omit the last digit of the identifying number, i.e., 1645_. Checker will fill out this number from the merchandise. Enter date wholesale check is prepared on form #19-976, "Record of Wholesale Checking." Give the Wholesale Checking Report to outside collector to make the physical inventory.

3. Type total balance outstanding in the space indicated.

DUTIES OF CHECKER Checker must complete the check promptly. The Wholesale Checking Report has printed instructions for the checker which must be followed. After completion, the report is to be returned to the man in charge of wholesale in the local office.

INSIDE HANDLING OF WHOLESALE CHECKING REPORT Immediately upon receipt of Wholesale Checking Report, compare numbers secured by checker with those in Wholesale Ledger. Record irregularities and other pertinent information as wholesale checks are verified to the ledger. Any pertinent information appearing on the wholesale check should be noted in the space provided under each item i.e., 1-26-66 - on demo J. Smith; 1-26-66 serial number reported as 16267; 1-26-66 sold 1-24 cont. in bank; 1-26-66 sold 1-20; 1-26-66 mileage 112; etc.,etc.

Handling in this fashion acts as a double check in case the wholesale check gets misplaced before irregularities are cleared up and is also valuable as subsequent wholesale checks are verified to the ledger.

THE CITIZENS AND SOUTHERN BANKS
FLOORPLAN CHECKING REPORT

OFFICE REQUESTING CHECK	DATE SENT	FLOORPLAN BALANCE
Atlanta Sales Finance Department	5-1-66	$1,842.00

DEALER NAME — ADDRESS

A.B.C. Appliance Company, 550 Main Street, Atlanta, Georgia

IF NOT AT THE ABOVE ADDRESS, SHOW EXACT LOCATION OF MERCHANDISE

NOTE DATE	NOTE NUMBER	DESCRIPTION OF MERCHANDISE	UNIT NUMBER	BALANCE DUE	CASH	CASH & CARRY	OUT ON LOAN	DATE DELIVERED	DATE PAID OR RETURNED	DAYS DELAY	REMARKS (IF AUTH. SHOW RELEASE)
3-17	2791	Philco TV	7749(2)	107.00			✓	4-27		3	T.A. Smith, 1147 10th St. Atlanta
3-17	2791	Philco TV	0808 1	107.00							
3-17	2791	Philco TV	1773(1)	112.00							Crated
3-20	2810	Zenith TV	153037(1)	182.00	✓			4-28	5-2	4	Mrs. J. Jones, 313 S. 9th St. Atlanta
3-20	2810	Zenith TV	152759 0	182.00							
3-20	2810	Zenith TV	199299(1)	216.00	✓			4-26	5-1	5	check mailed 4-29 Received 5-1
3-25	2865	Zenith Color TV	370814 5	454.00							
4-1	3001	Hotpoint Freezer	30775(3)	140.00		✓		4-28	5-1	3	T.H. Wise, 703 Center St. Atlanta
4-1	3001	Hotpoint Freezer	33075 7	205.00							
4-15	3021	G.E. Refg.	100301(7)	137.00			✓	4-20	5-3	13	Returned to Distr. W.O. Alexander

1. **IMPORTANT** EACH ARTICLE MUST BE INSPECTED AND ITS NUMBER SEEN AND TAKEN FROM THE ARTICLE ITSELF.
2. IF MERCHANDISE HAS BEEN SOLD—A. COLLECT BALANCE FROM DEALER.
   B. IF UNABLE TO COLLECT IN FULL, CALL BANK FOR INSTRUCTIONS
   C. ENTER (✓) PROPER COLUMN FOR TYPE OF SALE, SHOWING DATE SOLD AND DATE PAID.
   D. SHOW NAME AND ADDRESS OF PURCHASER IN "REMARKS" COLUMN.
3. REPORT IN DETAIL IF MERCHANDISE IS IN ANY WAY BEING USED OR DEMONSTRATED.
4. IF MERCHANDISE IS ON DEMONSTRATION—A. ENTER (✓) THE "OUT ON LOAN" COLUMN AND SHOW DATE DELIVERED.
   B. SHOW NAME AND ADDRESS WHERE BEING DEMONSTRATED IN "REMARKS" COLUMN.
5. COMPUTE NUMBER OF DAYS DELAY ON ALL ITEMS HOLDING.
   NOTE— IF ON DEMONSTRATION FOR MORE THAN 5 DAYS, COLLECT BALANCE DUE FROM DEALER ON CALL BANK FOR INSTRUCTIONS.
6. CHECKER, READ BEFORE SIGNING:

I CERTIFY THAT I HAVE PERSONALLY INSPECTED THE ARTICLES LISTED ABOVE, EXCEPT WHERE SHOWN NOT TO BE IN THE DEALER'S POSSESSION, AND THAT ALL NUMBERS LISTED OR CHECKED BY ME WERE ACTUALLY TAKEN FROM THE ARTICLES BY ME, AND NOT FROM THE DEALER'S BOOKS OR ANY OTHER SOURCE, AND NOT READ TO ME BY THE DEALER OR ANYONE ELSE.

MERCHANDISE CHECKED			REVIEWED		OFFICE RECORDS	
DATE	SIGNATURE OF CHECKER		INITIALS	DATE	INITIALS	DATE
5-2-66	W. S. Checker	E-1668	I.T.M.	5-3-66	J.W.B.	5-4-66

10-002 (6-66)

OPERATING BULLETIN

SECTION SALES FINANCE
SUBJECT WHOLESALE
TOPIC CHECKING REPORT

 Date 6-15-66

Replaces Bulletin: "SALES FINANCE - WHOLESALE - CHECKING REPORT" - Dated 4-1-57

The wholesale ledger sheet should at all times reflect the exact status of the merchandise covered. When the check is in order in all respects, the person reviewing the report should complete the necessary entries to the "Record of Wholesale Checking", initial and date the "Wholesale Checking Report" in the appropriate space.

SOLD AND UNPAID The checker has instructions to call the office if he is unable to collect for any missing items. If it is necessary to delay collection, ledger sheets should be immediately marked under each item to indicate that it is sold and the date it was sold. It is the responsibility of the Officer-in-Charge to hold the Wholesale Checking Report on his desk until sold items are collected, and proper action has been taken, if unusual delays in getting payoffs occur.

SLOW PAYMENT OF WHOLESALE Our Standard Wholesale Plan calls for merchandise to be paid for as soon as it leaves the dealer's place of business, subject to a reasonable time necessary to clear through the dealer's bookkeeping procedure. The checker must obtain the date sold in all cases. Any delay in paying over three (3) days must be discussed with dealer. Repeated delays after such discussion lead to the consideration of removing the wholesale line of credit.

UNPAID PENDING INSTALLATION Dealers sometimes wish to delay payments until they have collected from their customers. Normally this should not be permitted. A dealer should have sufficient working capital to handle his own sales in progress.

Payments may be delayed pending installation where we hold a conditional sales contract sufficient to cover the wholesale balance. Wholesale ledger sheet should be so marked.

ITEMS "ON DEMONSTRATION" Too frequently merchandise "on demonstration" remains away from the dealer's store in excess of the time required for demonstration. Without proper control, merchandise which has been sold may be reported to be on demonstration to avoid prompt payment. Under normal conditions, five (5) days is a sufficient demonstration period and the checker should collect the balance due in full for items having been on demonstration longer than this period. In all cases, the checker should obtain both the date the item went out on demonstration and the name and address where it is being demonstrated. If too great a number of items are on demonstration in any one month, or if the same items appear on demonstration two months in succession, the checker should verify each item at the locations where demonstrated and another complete wholesale check should be made within five (5) days, physically verifying each item on demonstration.

DIFFERENCES IN IDENTIFYING NUMBERS Wholesale instruments offer protection only if numbers are correctly stated. If differences are discovered, obtain a new Security Agreement covering the correct numbers and correct the numbers on the ledger card and original wholesale note. This procedure applies only where errors have been made; the wholesale plan does not permit substitution.

Replaces Bulletin: "SALES FINANCE - WHOLESALE - CHECKING REPORT" - Dated 4-1-57

DELAY IN COLLECTION If any difficulty is encountered in collecting for sold and unpaid items and the delay is over 2 or 3 days, another complete wholesale check should be made immediately to determine if funds were raised by selling additional merchandise.

FREQUENCY Wholesale inventories should be checked at least once a month. On weaker dealers, check more frequently. The frequency of wholesale checks should be considered when reviewing the dealer's credit file for approval of lines and a notation of the frequency should be placed in the space provided on the Wholesale Checking Record (19-976) and Dealer Purchase Guide (19-994). Do not check any dealer at the same time each month.

FINAL DISPOSITION OF WHOLESALE CHECKING REPORT (19-963) The Wholesale Checking Report should be initialed and dated in the space provided at the bottom of the page by the man purchasing the dealer's paper after all discrepancies are cleared up and notations made of the disposition of all questionable items. The Officer-in-Charge of the department should then review each report, date, and initial in the space provided. Send those reports to System Consumer Credit, Atlanta, with wholesale outstandings of $15,000 or more at the time the Wholesale Checking Report was issued. File all others in your wholesale file and hold for a period of three (3) months. Those sent to System Consumer Credit will be reviewed and returned to you for filing as above.

ORDERING FORMS The Wholesale Checking Report may be requisitioned from the Purchasing Department, Atlanta, in the normal manner.

RELATED BULLETINS
SALES FINANCE - DEALER CREDIT - APPROVAL OF DEALER LINES
SALES FINANCE - DEALER CREDIT - DEALER PURCHASE GUIDE
SALES FINANCE - WHOLESALE
SALES FINANCE - WHOLESALE - CHECKING RECORD
ACCOUNTING - WHOLESALE - NEW LOANS

CONSUMER CREDIT OPERATING BULLETIN INDEX*

CHARGE ACCOUNT SERVICE VIII 3-01-72

This section contains only those bulletins that have application to other lending segments Other detailed CAS operating information is in the CAS Procedure Handbook.

APPLIES TO	SUBJECT	TOPIC	DATE
OTC	CARDHOLDER DEVELOPMENT		4-01-70
OTC	COLLECTIONS	CREDIT CARD-LOST OR STOLEN	3-19-68
OTC	CREDIT APPROVAL	APPLICANTS UNDER TWENTY-ONE YEARS OF AGE	12-15-62
OTC	CREDIT APPROVAL	FLOOR LIMITS	12-09-68
OTC	CREDIT RE-EVALUATION		11-03-67
OTC	CREDIT REQUIREMENTS		4-01-70
OTC, SF	EMPLOYEE ACCOUNTS		6-24-70
OTC	INSTANT MONEY		4-01-70
OTC	INSTANT MONEY	PROCEDURES	7-23-70
OTC	INSTANT SAVINGS	PROCEDURE	11-28-61

Sec VIII Gas

*Information on how to use guide, indexes, and bulletins is on the pink page in Section I.

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT CARDHOLDER DEVELOPMENT

TOPIC

 Date 4-01-70

NEW BULLETIN

Experience has proven that a worthwhile percentage of individuals receiving unsolicited charge cards ultimately become active users. We also know that a satisfied customer in one area of our bank is a better prospect for additional services than an individual with whom we have no relationship. Based on these fundamentals, we propose to expand our program of personal and direct solicitation of cardholders on a permanent, systematic and sustained basis with the ultimate goal that:

EVERY CREDITWORTHY C&S CUSTOMER WILL HAVE AND USE THE C&S CHARGE CARD.

Records are being reviewed in each CAS city to obtain lists of bank customers who do not have charge cards. These lists will be screened, investigations updated where necessary and a complimentary card will be sent to those who qualify. Each banking office and department will be expected to assist in evaluating credit and setting lines of credit for the customers they are presently servicing.

In addition, a day-to-day solicitation program must be maintained to promote Charge Account Service -

As new checking and savings accounts are opened

As personal ILD and L&D notes are made or renewed

As Sales Finance transactions are investigated and approved

As residential real estate loans are made, either for holding or servicing

As personal banking is discussed with officers and employees of firms using corporate services.

When our normal credit investigation or customer relationship reveals an apparently qualified prospect who does not have a CAS card, we must

Obtain a CAS application and discuss the amount of credit needed for cash and purchasing requirements, or

Request issuance of a complimentary card with the amount of credit based on estimated requirements.

This program is intended to make better use of information already available on individual customers in each department and banking location, to have the results of new credit information serve a dual purpose, to better coordinate the extension of credit between CAS and other departments and to provide better customer service. Although centralized record keeping and authorization are necessary, CAS is an important part of our package of services for individuals and each banking office will benefit from the further development and servicing of C&S customers.

Each banking location will be responsible for the development of prospects, appraisal of credit data already available, development of additional information (investigation)

NEW BULLETIN

if needed, and setting a realistic line of credit. After approval of the initial line, CAS will have the primary responsibility for servicing, collection and control, calling on the banking location for assistance where necessary in the interest of improved customer relations or coordinated credit and collection handling. CAS will also have the responsibility for reviewing new lines to the degree necessary to insure that approvals are in keeping with current credit requirements.

PROCEDURES

The CAS manager in each city will work with banking locations and departments to set up local procedures that will accomplish our goals in the most effective way. In general, we would expect these procedures to include the following:

1. The application and photo copies of all data substantiating the approval of the line should be forwarded to CAS along with the amount of line and type of card being requested. Full information is needed by CAS for intelligent authorization and collection follow-up.

2. All "handout" applications should be stamped to show the banking location, and wherever practical customers should be encouraged to return the completed application to that location.

3. Where a complimentary card is requested, the approving officer may wish to write a letter saying that the card is being mailed.

4. A continuing training program covering the most effective use of our new personal checking account form should be maintained, and the CAS application portion of this form may be used in discussing the CAS line requirement or as a basis for issuing a complimentary card.

5. All rejections should be reported to CAS for review and statistical analysis.

KEY "SELL" PHRASES

To solicit new cardholders and to activate non-users -

Shopping convenience throughout Georgia - many establishments extend credit only on the C&S card - member of Interbank, the largest bank credit card organization in the world - credit at many locations for almost any purpose with only one bill - a budget leveler - pre-approved cash reserve - Instant Money at all CAS member banks - identification for cashing checks - optional payment plan - low minimum payments - pre-established credit for major purchases - one card replaces several - no membership fee - as many cards as needed for all members of family - no need to carry large sums of cash when traveling - replenish checking account by mail - automatic transfer to savings account - a tool for family money management - flexible.

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT COLLECTIONS

TOPIC CREDIT CARD - LOST OR STOLEN

 Date 3-19-68

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - COLLECTIONS - CREDIT CARD - LOST OR STOLEN" Dated 12-15-62

Although only a very few of the credit cards reported as lost are later used fraudulently, proper precautions must be taken to protect the customer, our merchants, and ourselves. The possibility of a stolen card being used fraudulently is, of course, greater than for a lost card; consequently, our liability can be more substantial. Here, especially, immediate precautions must be exercised to protect our merchants and to minimize our losses. This bulletin sets forth the procedures to be followed upon receiving notification of a lost or stolen card.

CARDHOLDER RESPONSIBILITIES We take the position that the cardholder is responsible for all charges made prior to our receiving notification of a lost or stolen card. Our right to enforce payment for those charges is included in our old Customer Agreement under item 7, which states:

> "That if my credit card is stolen or lost I will promptly notify you in writing, and unless and until you receive such notification from me I shall be responsible to you for any and all advances you make through the use of this credit card."

The newest credit card application is less explicit:

> "... to repay all advances made through the use of the card until C & S is notified in writing of the loss of the card."

The card itself carries this wording:

> "The registered holder named on the reverse side of this card assumes full responsibility for and agrees to pay all advances made to the account of the registered holder through the use of this card prior to surrendering it to the issuer or to giving the issuer notice in writing that the card has been lost or stolen."

The full extent of a customer's liability is just beginning to be determined in court tests, however.

While logic must be used in relation to the position of the cardholder involved, we take the position that we are right in requesting that such advances be paid. Even if we do not have a signed agreement, our approach should be tactful but positive towards repayment of any advances made prior to our notification.

PROCEDURES TO BE USED UPON NOTIFICATION The following procedure should be used when a card is reported as lost:

1. Refer all telephone, written, or personal notification to a designated senior credit or collection man.

2. Fill out (in duplicate or triplicate, as need exists) Lost or Stolen Credit Card Report, Form # 29-4090, to obtain as many facts as possible.

3. A copy of the Lost or Stolen Credit Card report should be placed in the customer's credit file.

4. Insert a red flasher card in front of the ledger card showing that the card was reported as lost or stolen, the date, and the initials of the person handling the matter. Also, note this on the ledger card. Where authorization journals are used, note on the authorization journal the fact of loss or theft. Send CAS Master File Correction or Transfer Request 29-4120 to Data Processing. On the next day's journal, the account will appear as code C, closed, so no authorizations will be made.

5. Other locations should prepare a CAS Notice of Account Change, 29-4073, to get a new credit card for the customer. Be sure to add the necessary suffix to the account number when ordering the new card. See bulletin: CHARGE ACCOUNT SERVICE - ACCOUNTING - ACCOUNT CHANGES, for the proper procedure in ordering new cards on lost or stolen credit card accounts. The length of time the suffix letter "A" remains on the account number (both permanent and temporary card accounts) is also discussed in that bulletin.

STOLEN CARDS The same procedures apply to stolen cards that apply to lost cards with one exception. Upon receipt of notification that a credit card has been stolen, the account should be entered on the next Stop Charge Notice to the merchant even though charges have not been received. If the circumstances relating to the stolen card seem suspicious to the person handling the situation, a Stop Charge Notice should be issued immediately. The Credit Manager or Collection Manager should maintain a log of stolen cards showing date, account number, and customer name. This will be an aid in determining "normal" activity and in detecting sudden increases in thefts. Such increases may influence frequency of issue of stop-charge lists. Also, this information could be of value to local law authorities.

CHARGES AFTER NOTIFICATION Immediate action is required when charges are received after we have been notified of a lost or stolen card.

1. Contact the customer upon receipt of the first charge. If contact cannot be made immediately, or if he states that he did not make or authorize the charge, issue a Stop Charge Notice to the merchants notifying them of the lost card.

2. Have the customer execute an affidavit (see page 4).

3. Every effort should be made by CAS collection personnel to establish the identity of the party who made the charges.

4. The matter should be referred to local law enforcement authorities if we cannot determine the identity of the fraudulent user and the amount is in excess of $100. A copy of the Lost or Stolen Credit Card Report will serve this purpose.

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - COLLECTION - CREDIT CARD - LOST OR STOLEN" Dated 12-15-62

The possibility exists of a dishonest report by the cardholder that his card has been lost or stolen. He may have made such a report fully intending to use the card afterwards and blame parties unknown. On the other hand, collusion may exist between the cardholder and a subsequent third party user. Careful questioning of the cardholder and a complete review of the file and all available information are mandatory.

ORDERING FORMS Form 29-4090 comes padded in 100's. Order from Purchasing Department.

RELATED BULLETINS CHARGE ACCOUNT SERVICE - COLLECTIONS - CREDIT CARD - REVOCATION ILLEGAL USE
CHARGE ACCOUNT SERVICE - STOP-CHARGE LIST

STATE OF GEORGIA
COUNTY OF Fulton

Personally appeared before me, the undersigned Notary Public, John Q. Quinn, who after being duly sworn by me, deposes and swears that Sales Tickets as herein described charged to John Q. Quinn charge account on March 15, 1968 were not signed by John Q. Quinn.

Date	Amount	Signed By	Purchase
Feb. 16, 1968	$ 18.54	John Q. Quinn	Slacks
Feb. 16, 1968	25.70	John Q. Quinn	Shoes
Feb. 16, 1968	15.40	John Q. Quinn	Sweater
Feb. 16, 1968	52.50	John Q. Quinn	Instant Money
Feb. 16, 1968	121.00	John Q. Quinn	Airline to San Fran.

Deponent further swears that he did not authorize any other person to sign the name of John Q. Quinn to said Sales Tickets and he received no benefit whatsoever from the proceeds of said Sales Tickets. Deponent further swears that the signature appearing on said Sale Tickets purporting to be John Q. Quinn is a forgery and that he has no knowledge as to the person who forged the signature.

(Signed) John Q. Quinn

Sworn to and subscribed
before me this _____
day of _____, 19___

_____
Notary Public

E-1677

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE
SUBJECT COLLECTIONS
TOPIC CREDIT CARD - LOST OR STOLEN

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - COLLECTIONS - CREDIT CARD - LOST OR STOLEN" Dated 12-15-62

LOST OR STOLEN CREDIT CARD REPORT

Date _____
Time _____
Res. Tel. _____
Bus. Tel. _____

Customer's Name _____
Charge Account No. _____
Other C & S Accounts _____
_____

Reported by: _____
Reported to: _____

Number of Cards Lost ( ) or Stolen ( ) _____ Date and Time First Known _____

Details of Loss or Theft _____

Other Loss (ask if lost billfold, money, driver's license, or other credit cards -------- if so, get specific details.) _____

(__) Asked customer to notify local law authorities.

Ask if reported to other creditors. If so, ask which ones. _____

(__) Notified customer to cut in half and return additional cards in his possession pending release. Return to: CREDIT MANAGER.

Yes (__) No (__) Advised customer of his liability in event any charges were made before he notified us.

(__) If the customer is eligible, explain that a new card will be issued and that no charges will be authorized on the old card. AUTHORIZATION PERSONNEL MUST NOT APPROVE CHARGES ON THE OLD CARD UNDER ANY CIRCUMSTANCES.

(__) Requested customer to send written confirmation to: CREDIT MANAGER.

	Date	Initials
CIF	_____	_____
Account flashed	_____	_____
Copy to Police	_____	_____
* On Stop Charge list dated	_____	_____
Issued New Card	_____	_____
Other Copies to _____		

*all stolen cc's should be listed

29-4090

E- 1678

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT CREDIT - APPROVAL

TOPIC APPLICANTS UNDER TWENTY ONE YEARS OF AGE

 Date 12-15-62

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - APPLICANTS UNDER TWENTY ONE YEARS OF AGE" Dated 11-3-61

Underage applications deserve special handling for two primary reasons. First, they represent future customers of the Bank. Some of them have never used credit before, and we will have a part in the formation of their attitude toward their credit standing. Secondly, many of our merchants have numerous customers in this age group; therefore, we must learn how to establish and control this type of account. While there are inherent dangers, we know the intelligent selection of applicants can advance our program to permit the servicing of those accounts that are desirable. Through the servicing of selected underage applicants, we are not only training them in the wise usage of credit, but we are also developing a Bank relationship for the future.

This bulletin covers applications from minors who are employed and have a source of income. Many students are underage and there are credit problems peculiar to the handling of student accounts. A separate bulletin will be issued on this subject at a later date.

TELEPHONE APPLICATIONS We must be prepared to handle "point of sale" applications which are called in by merchants seeking approval on initial sales to minors who do not have an established CAS account. Therefore, we must have basic "ground rules" so that approvals may be made quickly while still giving adequate consideration to the special credit factors involved. The following minimum standards are designed to permit the selectivity of risk for approval of initial sales only. The sale may be accepted if --

1. The merchant calling in the application is a Converted Merchant or a Quality Merchant.

2. The sale is for a reasonable amount.

3. Income is sufficient. Does the applicant appear to be sufficiently self-sustaining to pay for the item?

4. The parents are known to be reliable, or the address of the applicant is recognizable as being in a reasonably good neighborhood.

5. The merchant is familiar with the applicant or his family. This recommendation should be considered in the decision.

After approving the initial sale, we should request the merchant to send us the completed, signed application in the usual manner. Since this approval of the initial sales does not necessarily mean that we will have sufficient information or background to establish a line of credit, we should complete the investigation with emphasis on the credit factors peculiar to underage approvals.

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - APPLICANTS UNDER TWENTY ONE YEARS OF AGE" Dated 11-3-61

CREDIT FACTORS TO BE EMPHASIZED When approving underage applications, it will be necessary to obtain more complete information than is normally required. Certain credit factors will have greater significance in light of the applicant's age and should be evaluated accordingly.

1. The names, addresses, and employment of the parents or guardian. This information will assist us in evaluating the applicant. The environment and the credit atmosphere prevalent in the applicant's home will have a decided effect on what attitude he will develop in relation to his credit.

2. Income. Do the parents contribute to any part of his support? If so, to what extent is the applicant self-sufficient?

3. What type of employment has the applicant chosen? What future does it offer?

4. What is his educational background, and what future plans does he have to continue his education?

5. Military status. If the applicant is a male, this factor must be given consideration.

These factors are more thoroughly covered in Bulletin: CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - NEW APPLICATIONS, and it should be used as a guide.

LOGGING APPLICATIONS FROM MINORS All telephone applications on minors from our merchants must be coded so that we may watch the trend of the quality being received from any given merchant. Insert and circle the letter "M" (for minor) in the left-hand side of the "Date Received" column on the NEW APPLICATION CONTROL LOG (29-4072). We must be careful that the applications being received from any non-converted merchant do not include a large percentage of exceptions which can be approved only by the senior CAS officer.

CREDIT LINES As a general rule, a $200 maximum line will be sufficient for the majority of all underage applications. Recognizing that minor applicants, as a whole, are in a lower income level, an arbitrary $200 line may often be too high. Each line must be set consistent with the individual applicant's income and ability to pay.

ISSUANCE OF CREDIT CARD If the applicant is deemed worthy of credit by all standards except age, he should be issued a card. The same credit factors should be used to determine whether a permanent or temporary card is issued as in the case of applicants over 21 years of age. If a charge card would have been issued in the past then, generally, a permanent card should be issued. If, in the judgment of the senior CAS officer, the applicant would previously have been given a No Card Account then the temporary card should be issued so that every purchase will be

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - APPLICANTS UNDER TWENTY-ONE YEARS OF AGE" Dated 11-3-61

authorized. Each underage application must be carefully reviewed and an individual decision made as to the type of charge card to be issued. We do not want to issue temporary cards to all underage applicants, just because they are underage, if credit factors justify issuing a permanent card. (See Bulletin: CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - NEW APPLICATIONS, and CHARGE ACCOUNT SERVICE - CREDIT - RE-EVALUATION.)

Normally, minors with reasonable income, job permanency, and previous credit experience will treat their indebtedness with the same respect as a person over 21. However, we must remember that a minor is protected by law and under certain conditions may rescind his indebtedness. Lack of experience and/or restraint in personal financial management on the part of the minor can result in an over-obligated condition which can lead to the rescinding of indebtedness.

PERSONAL INTERVIEW While it may not be possible to have every underage applicant visit the Bank prior to the approval of the account, we want to emphasize that interviews are to be encouraged and conducted if at all practical. This will give the CAS officer an opportunity to better estimate the responsibility of the applicant and to obtain more complete information than we normally obtain on a routine application. Certainly, we should interview underage individuals if there is any question as to the adequacy of background or credit information. This will be the case in a substantial percentage of such applications. During this personal contact the opportunity to create a favorable "image" of the Bank is unlimited. A few moments of your time given then, in explaining the other Bank services that are available and the future advantages of a good credit rating, may very well lead to many years of sound, profitable business. Most of the minors who are applicants will not have a checking account and this should be solicited.

INSTANT MONEY Instant Money privileges should be restricted on all underage accounts except on a personal-request basis whereby the officer in CAS may discuss the situation with the customer before the loan is granted. This information will be shown on the history card so that the authorizers will react accordingly.

The approval of an application from a person under twenty one years of age must be the sole responsibility of a senior CAS officer; his judgment will determine our later experience with this type of account. Review the Bulletin: CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - NEW APPLICATIONS. The credit factors outlined in the bulletin will generally apply to an underage applicant; however, additional factors will have to be considered. Applications from persons under twenty one years of age are to be treated as an exception. They must be referred to the senior CAS officer in each city for handling.

RELATED BULLETIN CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - NEW APPLICATIONS

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT CREDIT APPROVAL

TOPIC FLOOR LIMITS

 Date 12-9-68

NEW BULLETIN

This bulletin sets forth maximum CAS floor limits. It does not include Interbank floor limits. A floor limit, or release limit, is the maximum amount of goods a merchant can charge to a CAS customer without getting specific telephone authorization.

	Temporary (Green) Card	Permanent (White) Card
Standard Merchant	$ 15	$ 50
"Better" Restaurants	75	75
Travel (Airlines, Car rentals)	250	250
Hotels, Motels	100	100
Interchange between CAS cities	50	100
Employee Card (any CAS location)	N/A	100
Instant Money	0	55
"Paying" checks (on us)	0	100

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT CREDIT - RE-EVALUATION

TOPIC

 Date 11-3-67

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - RE-EVALUATION" Dated 11-16-62

The majority of our personal credit approval in the Installment Loan and other departments of the bank is related to the handling of an individual transaction for a set amount of indebtedness to be repaid over a predetermined period of time. Additional indebtedness or substantial changes in the time for repayment takes place only through a new loan which automatically provides an opportunity to re-evaluate credit and, when necessary, to update investigation. On the other hand, a "line of credit" type of account such as Charge Account Service, establishes a CONTINUING indebtedness without these predetermined factors of liquidation. Because the financial status of the CAS customer is also subject to change, we cannot automatically continue to extend credit indefinitely without some reappraisal. Thus, a primary objective of a re-evaluation program is to insure that credit is extended on open CAS accounts, consistent with current credit policies. (See Bulletin: CHARGE ACCOUNT SERVICE - CREDIT-APPROVAL - NEW APPLICATIONS.)

In developing a re-evaluation program for CAS customers, it is obvious that too frequent review, or review not related to the amount of credit extended, will unnecessarily increase our costs of operation. Taking into consideration the factors of costs and loss exposure, it is impractical to review every account. Consequently, based on past experience, TWELVE SPECIFIC FACTORS have been established which will determine when an account should be re-evaluated. These factors essentially cover: (1) a request by a customer or a merchant that will alter the original line of credit, (2) a change in the status of the cardholder, or (3) any activity or information that may indicate a change in the credit-worthiness of the customer.

Under no condition do any of these factors call for automatic suspension or curtailment of a credit line; they do, however, indicate that an account should be reviewed to determine that it meets current credit standards. When an account evidences weak or poor credit, prompt action is essential. Through effective attention in the early stages of difficulty, an account can often be salvaged and sound customer relationship maintained. The action to be taken can only be determined by re-evaluation of the customer's credit.

Re-evaluation does not necessarily mean that a complete up-to-date credit investigation be made. Rather, it assures that the account is brought to the attention of senior personnel and reviewed in a systematic manner. Many times this will require only a brief review of the customer's record with nothing further necessary. It does, however, encompass making a credit decision, based on sufficient facts to warrant the approval, modification, or termination of a line of credit. This bulletin deals with the factors which call for re-evaluation and the procedure to be followed in making re-evaluation of an account.

FACTORS REQUIRING RE-EVALUATION

The factors which automatically call for the re-evaluation of an account are discussed in detail in the paragraphs which follow. An account should be re-evaluated immediately if any of these factors is detected. Since these factors may appear at differ-

ent points in the day-to-day servicing of CAS accounts, a Re-evaluation Worksheet must be initiated by the individual recognizing the danger signal. The worksheet insures that re-evaluation will be handled systematically and that danger signals will not be "lost in the shuffle."

1. REQUEST FOR INCREASE IN LINE OF CREDIT A request for line increase will normally originate as a direct customer request or as a request from a member merchant. Many such requests will occur on accounts of customers who have not previously designated that a particular line be established. Such accounts will include those opened as the result of:

   (a) a specific sale by the merchant
   (b) an application completed by a merchant on behalf of a prospective cardholder
   (c) the conversion of a merchant's receivables
   (d) an application on which the customer did not indicate a desired line.

   Since a line must be set for each account opened, in most of the above cases we have arbitrarily assigned what we think is an appropriate line, even though the customer may have qualified for a higher limit. When requests for line increases are received for these accounts, it is usually possible to authorize the amount of a specific sale based on the credit information on hand. However, lacking sufficient information, a re-evaluation should be made as soon as possible and notification given to the customer.

   Some requests for increased lines will be received from customers who fail to recognize the type of credit best suited to their immediate needs. It should be kept in mind that there are times when installment loan credit better serves the customer than an increased CAS line.

   Requests for increased lines usually involve customers who have an active balance or who contemplate activating their lines; they represent accounts which will, in the majority, maintain active, profitable balances. The proper servicing of those requests is important and the handling of declinations, especially, calls for the use of good judgment by senior personnel.

   The responsibility for originating a Re-evaluation Worksheet rests with the person handling the request, whether it be by telephone or mail.

   OVER CREDIT LINE IN EXCESS OF 30 PER CENT An immediate review should be made of each account that exceeds the assigned line by 30% or more (see Bulletin: CHARGE ACCOUNT SERVICE - COLLECTIONS - OVER-LIMIT ACCOUNTS). Although the line of credit is basically a guide for control purposes and may or may not represent the maximum amount that the customer can handle satisfactorily, over-limit accounts have contributed significantly to our losses. Each over-limit account must be re-evaluated and prompt followup executed in order to ascertain the action required to minimize any possible loss. Re-evaluation of over-limit delinquent accounts must be especially expedited.

The responsibility for initiating the Re-evaluation Worksheet must be placed on the person detecting the over-limit condition. This condition will be primarily detected as sales ticket media are filed or an authorization call is received on an account which is for an amount that will cause the account to exceed the established credit line by more than 30%.

3. PAST-DUE ACCOUNTS An effective, sound approach to re-evaluation of lines of credit on past-due accounts in early stages of delinquency can prevent a build-up of indebtedness and reduce the probability of a serious collection problem. This, more than any other single factor, can help to reduce subsequent losses.

Increased losses on "marginal credit" customers indicate the need for careful consideration of basic credit factors during re-evaluation. This is particularly true on those customers in lower income brackets and/or unstable occupations, those who have a history of short-time employment, the non-home owner who resides in a below-average residential area, the frequent mover, and the habitual loan company borrower or those who persistently trade with so-called "high rate" companies. These are frequently the customers who become past-due without likelihood of recovery.

While the past-due status of an account is one of the most significant indicators that a customer may be in trouble, and without immediate attention may represent a loss, the fact that an account is past-due is not in itself necessarily an indication of the paying ability or potential of the customer. The precedence established by many retail stores of being lenient in their schedule should not be over looked. Often such poor repayment habits have been condoned for the customer who possesses above average means. Intelligent evaluation is necessary if these customers are to be recognized and collection effort handled tactfully.

A substantial number of accounts fluctuate between a current and five-day past-due status without ever becoming a collection problem. Also a considerable number of accounts become 35 days past due but pay shortly after receiving their statement. The greatest risk, of course, are accounts with balances over $100. Because of the number involved, these accounts need not be re-evaluated simply because they are past-due unless other factors apply. Re-evaluation of past due accounts must, because of the large number involved, be limited to those representing the greatest risk. Re-evaluate all past-due accounts that:

(a) become 65 days or more past due.
(b) have been rescheduled regardless of the reason.

In addition to the above automatic demands for re-evaluation, collection personnel should be trained to recognize marginal or unsatisfactory credits, involving balances of less than $100. These should be considered for re-evaluation on the basis of the judgment of the collection personnel.

The responsibility for originating a Re-evaluation Worksheet on past-due accounts should rest with the collectors or other designated personnel, depending on the size and make-up of each office.

4. IMPROPER USE OF INSTANT MONEY While the average amount of our Instant Money transactions is appreciably larger than the average amount of merchant sales transactions, past experience does not indicate that Instant Money contributes to losses to any greater degree than do merchant sales. We do know that some cardholders have abused Instant Money privileges; others have used Instant Money unrealistically, thus contributing to our over-all loss picture. Therefore, accounts which make use of Instant Money in the categories below must be re-evaluated. The person making authorization should initiate a Re-evaluation Worksheet at the time a request is received. Good customer relations dictate that the request which initiates the re-evaluation be granted whenever possible; however, if factors such as an over-limit in excess of 30%, past-due, etc. exist, a re-evaluation should be made before the request is granted.

Accounts using Instant Money in any of the following categories must be re-evaluated.

(a) Any account being used for Instant Money advances which is consistently at or near the credit line.

(b) Two Instant Money loans totaling more than $200 during one billing period if the second advance causes an over limit situation.

(c) An account that shows the customer is possibly borrowing Instant Money to pay his monthly payment.

NOTE ALL OFFICES USING NCR EQUIPMENT SHOULD INDICATE THE DATE AND AMOUNT OF ANY INSTANT MONEY ADVANCE IN THE REMARKS SECTION OF THE LEDGER CARD AT THE TIME OF AUTHORIZATION.

5. UNUSUAL ACTIVITY Any major deviation in the buying habits of a customer can be a danger signal, indicating an unwarranted buildup of indebtedness and a potential over-limit situation. This can also indicate that a card is being used by an unauthorized person. A considerable number of amount of charges in a relatively short time should be a signal for re-evaluation with previous CAS activity being taken into consideration. Unusual activity will vary from one account to another; therefore, individual judgment must be exercised. Any person detecting questionable activity, whether at the time of authorization or as sales tickets are filed, is responsible for initiating the Re-evaluation Worksheet or bringing the account to the attention of their supervisor.

Review of accounts with excessive activity may contribute to the early detection of abusers or "wild" card users who are deliberately building up an indebtedness with no intent to repay. Review should be made of the type of merchandise and the nature of purchases charged to these accounts. Luxury items of unusually large amounts, if these items exceed the assigned line, several

purchases of a specific item, an unusual number of purchases for items having a high resale value, repetitive purchases on the same day or on consecutive days, numerous purchases at or near the floor limit - all indicate the possible abuse of an account. These danger signals should be related to previous activity on the account to determine if they are out-of-character with the cardholder's previously established buying patterns.

6. CREDIT INQUIRIES The number and type of businesses making inquiry on an account are important factors in determining whether the credit line is realistically based on current debt load and payment performance. A Re-evaluation Worksheet should be initiated by the person giving credit information on accounts having the following history of credit inquiries:

   (a) two or more loan companies inquiring within a 6 month period
   (b) three or more credit inquiries in a 12 month period
   (c) request for a pay-off by a lending agency.

7. PAYMENT BY A LENDING AGENCY Payment by a lending agency can indicate a perfectly normal change of the CAS balance to an installment account, freeing up the CAS line for other purchases, or it can indicate a change of credit status and the building up of excessive debt.

   Persons opening mail or otherwise reviewing remittances should initiate a Re-evaluation Worksheet whenever:

   (a) payment is received as a result of a finance company loan (check from loan company will be indication)
   (b) payments received from banks or other lending institutions.

8. LARGE CUSTOMER PAY-OFFS In many instances customers will pay off their CAS accounts with their personal checks, possibly from savings or proceeds of a loan. This may indicate that the customer has become over obligated or is in a less solvent condition than before. These possible changes in the customer's financial status should require a close appraisal of the assigned credit line, particularly on "higher line" accounts. Re-evaluation should be made with particular consideration given to the customer's established payment pattern. (He may consistently pay more than the minimum payment and frequently the entire balance.) Sometimes this re-evaluation will result in an increased limit.

   A review should be made of accounts on which pay-offs of $200 or more are received from the customer by any person noticing such pay-offs during authorizing, filing, or collecting if such payments do not conform to past paying habits.

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - RE-EVALUATION" Dated 11-16-62

9. FORMER EMPLOYEES A new account number must be assigned to the account of a former employee upon his leaving the bank. Prior to the issuance of a new credit card, a re-evaluation must be made. Since both employment and income factors will be changing, a complete credit investigation will be required.

Arrangements should be made so that Personnel Departments and Personnel Officers will notify the local CAS Department when an employee is leaving the bank and such departments and officers will secure all employee CAS charge cards. Re-evaluation should be initiated by the CAS credit manager.

10. CHANGE IN NAME If an account is to be changed in name only, due to a change in marital status of the cardholder, re-evaluation and up-dating of the credit information are required. There are possible employment changes as well as change in the person legally responsible for the indebtedness.

This re-evaluation should be initiated by the perons receiving the request for the new card in the new name. Should the request simply be the result of an error in the spelling of the name when the card was originally issued, no re-evaluation will be necessary provided a credit statement has been secured in the correct name.

11. TEMPORARY CARD ACCOUNTS Accounts are opened on a temporary card basis for credit control purposes. Closer control is achieved since the merchant must obtain authorization for each purchase exceeding $15. Otherwise the amount of the purchase can be charged back to the merchant's account, except in the case of airlines, motels and restaurants. Temporary card accounts originate as the result of --

(a) lack of sufficient credit information at the time of application
(b) desire on our part to control charge activity on an account for various reasons.

Temporary card accounts will have nine month expiry dates. Ordinarily a permanent card can be issued at the time of reissue; however, it is necessary that a re-evaluation take place. (See bulletin: CHARGE ACCOUNT SERVICE - CREDIT CARD - REISSUE.)

12. NO CARD ACCOUNTS Even with the use of our permanent and temporary charge cards it is necessary to open some accounts on a No Card basis. These accounts will usually originate as the result of --

(a) requests by a merchant that we handle limited charges for a customer to whom we would not otherwise extend credit. These accounts will be accepted with recourse upon the merchant making the request.
(b) accounts acquired through merchant conversions where the customer is not credit worthy or there is not sufficient information for approval.
(c) older people who pay merchant satisfactorily but lack enough information for regular approval.

Many times these customers will request charge cards after billing and in a lot of cases it will be possible to issue one. Re-evaluation on these accounts should be initiated by the person receiving the request when a customer applies.

No Card accounts originating from conversions should be reviewed by senior credit personnel to initiate re-evaluation on these accounts which appear to be eligible for credit cards.

OTHER REASONS FOR REVIEW Together with Cycle Review (discussed below), the preceding 12 factors cover the principal situations which will require re-evaluation. There will be other factors or combinations of factors which will indicate the need for re-evaluation of the account. It is the responsibility of all personnel concerned with the day-to-day servicing of CAS accounts to initiate the re-evaluation of an account whenever good judgment dictates.

CYCLE REVIEW In addition to the 12 factors which automatically require re-evaluation, all accounts should be reviewed periodically. The best time for this is immediately prior to the billing of each cycle since the charge media can then be analyzed without referral to film. The cycle review also furnishes credit management an opportunity to determine that the 12 basic factors requiring re-evaluation are being detected and that subsequent re-evaluation is being made.

The credit manager of offices using NCR equipment should thumb the ledgers prior to the billing of a cycle to ascertain any questionable activity on accounts. In Atlanta and Macon a review of the Aged Trial Balance and/or History Card will serve the same purpose. Accounts showing questionable activity should be separated and reviewed with reference to the individual history cards and credit files as needed. This procedure should be a part of credit management's regular routine in each office.

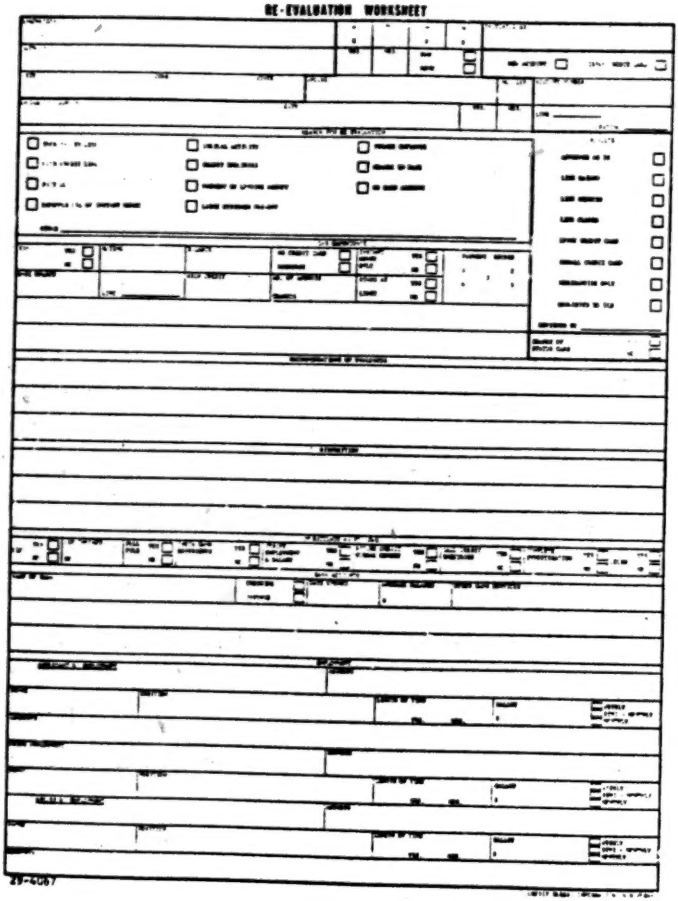
PROCEDURE FOR RE-EVALUATION

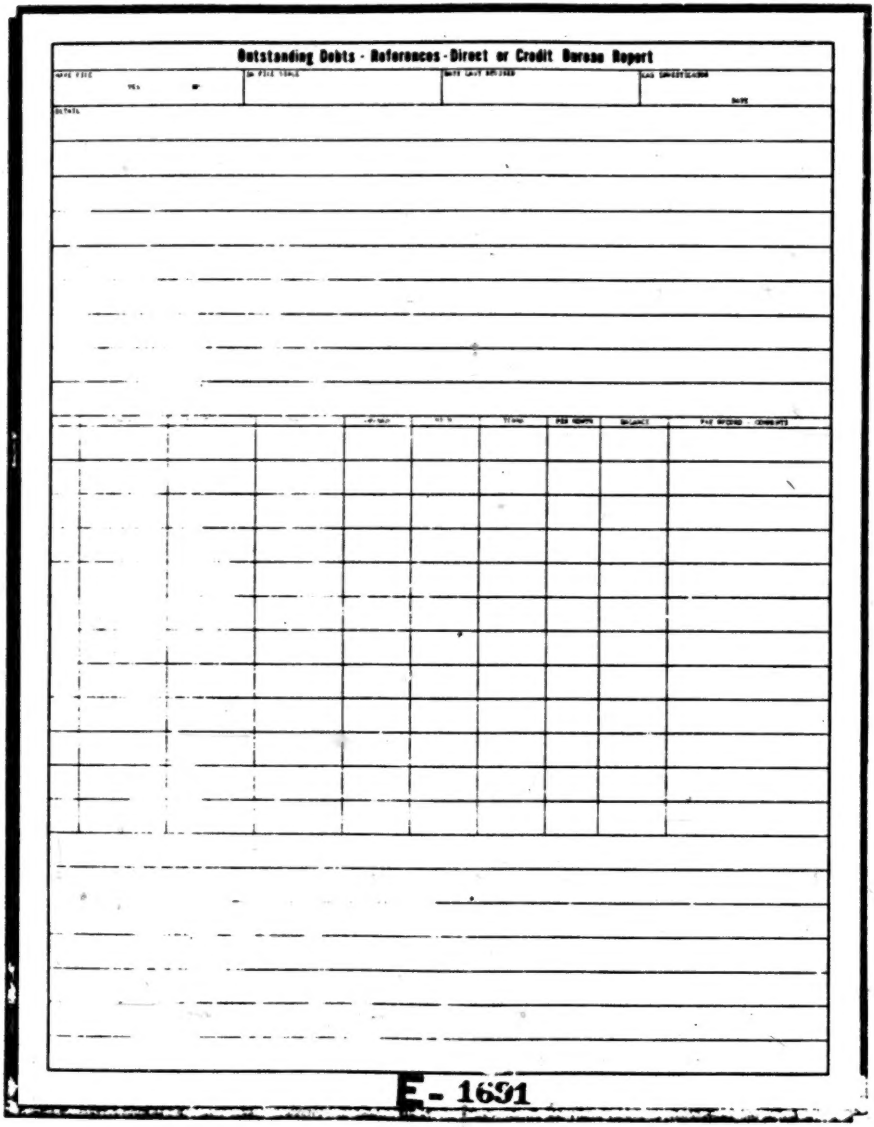
RE-EVALUATION WORKSHEET The Re-evaluation Worksheet, illustrated on pages 8 and 9, has been designed to provide a systematic method of re-evaluating CAS accounts. In most instances, a worksheet will be used and should be completed as each step is taken, whether it be a brief and simple evaluation or one requiring complete credit investigation. Procedures for the use and completion of this form are discussed below.

INITIATION OF RE-EVALUATION The following sections of the worksheet should be completed before being referred to the CAS credit man, along with the customer's credit file.

(a) Customer's personal identification information
(b) Reason for re-evaluation
(c) CAS experience
(d) Person initiating and date

RE-EVALUATION WORKSHEET





Outstanding Debts - References - Direct or Credit Bureau Report

E - 1691

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - RE-EVALUATION" Dated 11-16-62

Anyone detecting any factor(s) requiring re-evaluation should initiate the procedure by filling out that portion of the above information applicable to his phase of CAS work. If necessary the worksheet should then be checked against the ledger or history card to complete the above information before referral to the credit man.

REVIEW OF ACCOUNT The CAS credit man will review the account from the Re-evaluation Worksheet and the customer's credit file. A study of the credit information already in file and the previous CAS experience in relation to the new information which has called for re-evaluation will determine if further investigation is needed. If such is the case, the "Investigate as Follows" section of the Re-evaluation Worksheet should be completed. If specific calls are necessary, they should be so indicated on the reverse side of the worksheet.

CREDIT RE-INVESTIGATION In re-investigating credit of a CAS customer, it is necessary to make full use of the information in the file and in other departments of the bank. Additional investigation should be limited to that which is required to complete the re-evaluation. Use of Credit Bureau reports should be as limited as practicable in order to minimize unnecessary costs and work loads. Many times a direct contact with the customer will produce leads to additional information which will assist in making a decision.

It is essential that investigation cease as soon as the necessary amount of information has been accumulated to allow a decision to be made.

RECOMMENDATIONS OF EVALUATOR The worksheet should show clearly the decisions reached as a result of re-evaluation and the instructions for future handling. While no set rules can be established, direct customer contact, preferably by interview in the bank or by telephone, has proved to be the most satisfactory and successful means of handling negative changes in credit lines. The following procedures will apply to the handling of many accounts on which limitational changes are required.

(a) All past-due accounts should be referred back to collection personnel with the recommended method for handling clearly indicated.
(b) Current accounts requiring immediate revocation or suspension of credit card privileges should be referred to collection personnel (card pickup, etc.).
(c) Restrictions on use of Instant Money require immediate direct customer contact by telephone or by letter.

DISPOSITION OF RE-EVALUATION WORKSHEET All action taken as a result of the recommendations of the evaluator must be clearly shown in the Disposition Section of the worksheet. If subsequent developments require arrangements other than those recommended, it is particularly important that they be clearly indicated. When all appropriate action has been completed, the worksheet is filed in the customer's credit file

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT CREDIT - RE-EVALUATION

TOPIC

 Date 11-3-67

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - RE-EVALUATION" Dated 11-16-62

NOTATIONS ON LEDGER OR HISTORY CARDS At the time the Re-evaluation Worksheet is filed in the customer credit folder, the ledger or history card must be stamped:

RE-EVALUATED

DATE _____ BY _____

Account changes should then be clearly posted to the ledger or history card, i.e., line of credit, income and credit rating code, and special instructions or information (no Instant Money without prior approval - no credit card - credit card repossessed with date of repossession - etc.).

RE-EVALUATION ACTIVITY LOG Each account re-evaluated should be entered in the Re-evaluation Activity Log, illustrated on reverse side. At the end of the month this information is used to complete the "Card Accounts" and "No Card Accounts" portions of the customer Activity section of the Statistical Summary Report (except Atlanta and this information is gotten elsewhere) and the Re-evaluation Activity section of the Collection Summary Report.

IMPORTANT: When Posting the "Card Issued" and "Card Cancelled" collumns of the log, indicate the type of card issued or cancelled (permanent or temporary) by using the letters "P" or "T" instead of a check mark.

CHANGE IN STATUS CARD In Atlanta and Macon a Change in Status Card (29-4168) is to be completed on each account re-evaluated, then forwarded to Data Processing Department to be used in changing the status on the Aged Trial Balance and Past-Due Report.

ORDERING FORMS The Re-evaluation Worksheet, Re-evaluation Activity Log, and Change in Status Card may be requisitioned from the Purchasing Department, Atlanta. Two stamps for marking ledger or history cards have been sent to each CAS office. Additional Stamps may be ordered from the Purchasing Department, Atlanta.

RELATED BULLETINS
- CHARGE ACCOUNT SERVICE - ACCOUNTING - ACCOUNT CHANGES
- CHARGE ACCOUNT SERVICE - ACCOUNTING - NEW ACCOUNT PROCEDURE
- CHARGE ACCOUNT SERVICE - COLLECTIONS - OVER-LIMIT ACCOUNTS
- CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - APPLICANTS UNDER TWENTY ONE YEARS OF AGE
- CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - NEW APPLICATIONS
- CHARGE ACCOUNT SERVICE - CREDIT CARD - REISSUE
- CHARGE ACCOUNT SERVICE - REPORTS

RE-EVALUATION ACTIVITY LOG

NAME	LINE INCREASED	LINE REDUCED	LINE REMOVED	LINE ADDED	CARD ISSUED	CARD CANCELLED	NO CARD A/C CLOSED
Tony Q. Customer							
Frank A. Doe			2		P		
Robert Q. Chambers		1					
Sarah C. Hanson				1		P	
Mark F. Henderson							1
William D. Rawlins				1		P	
Thomas S. Hopper		1					
R.V. Wright			1		T		
Imogene H. Smiley	1						

OFFICE Albany

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT CREDIT REQUIREMENTS

TOPIC

 Date 4-1-70

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - NEW APPLICATIONS", Dated 11-16-62

The issuance of a credit card involves setting a permanent line of credit that is subject to nominal control as long as it is used properly -- a line of credit that can be used to borrow money without question as to purpose -- a line of credit that can be used for multiple purchases at many stores. Such usage must be supported by above-average individual credit to maintain an allowable loss ratio. On the other hand, the sales needs and sales approaches of our merchants who are essential to the operation and long-range development of CAS dictate a more liberal approach under many circumstances.

To cover the full range of customer needs, we now have two types of credit cards plus a provision for handling "no card" accounts(see page 5) under some circumstances:

1. The new Interbank card which is good any place in the world where Interbank facilities are available.

2. A local card for customers that will require closer control than the Interbank cardholders.

These cards will carry an expiry date. The use of the temporary (green) cards will be discontinued as those cards now in use expire.

All applications should be reviewed in relation to basic credit factors that apply to all extensions of unsecured credit, keeping in mind that in traditional unsecured credit, we update our credit information in relation to each new request - with a continuing revolving line of credit, reevaluation of the line depends upon recognizable changes that take place in our customer's credit capacity.

CREDIT FACTORS

1. The applicant should be a stable resident. Be extremely careful in approving applications that indicate --

   a. Frequent changes of address.

   b. Transient types of residence, such as hotels, furnished apartments, trailer parks.

   c. Below average sections of town.

   d. Newcomers to the community. They should be thoroughly investigated at their previous address.

2. He should be over 21 years of age. Exceptions to this age limitation will be subject to special considerations and are covered in Operating Guide Bulletin: CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - APPLICANTS UNDER TWENTY-ONE YEARS OF AGE.

3. Income must be sufficient to pay the minimum payment after paying basic living costs and known fixed obligations. Other credit factors being equal, the amount of income is the major guideline in setting a line of credit. Obviously the lower income families must allocate the major portion of their income to basic living costs and have less available for discretionary spending. In the lower income brackets, special attention should be given to the number of dependents and other fixed obligations.

4. Income should be reliable.

   a. It should come from an established employer or other stable source.

   b. If employed, he should have been on his present job at least two years unless one of the following is applicable:

      (1) He has had at least two years of continuous employment with his previous employer.

      (2) He has made changes that increased his earnings or stability, he has the ability to pay, and his other credit factors are satisfactory.

      (3) He has a satisfactory payment record and other income or substantial assets.

      (4) He is on his first job and has a good educational background.

   c. Persons in the groups listed below are as a general rule unpredictable credit risks. If the applicant is in one of these occupations, extra care should be used in verifying stability and amount of income, extent of indebtedness, and paying habits.

      (1) Employees in hazardous or unstable occupations, such as taxi drivers, farm laborers, musicians, dance instructors, models, dance hall hostesses, seasonal workers, outside workers, and employees who are paid daily for their work.

      (2) Business people who only rent desk space or telephone service, and individuals in business for themselves in their homes who cannot furnish bank references and evidence of the reliability of their businesses or incomes.

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - NEW APPLICATIONS", Dated 11-16-62

(3) Persons, such as tutors, masseurs, fortune tellers, and music teachers, whose income consists exclusively of fees earned at home.

(4) Salesmen who work exclusively on a commission basis for an unknown firm, a relative or an employer who is questionable or unreliable.

(5) Transient employees, construction workers temporarily employed for a specific job or by an out-of-town company, demonstrators, campaign fund workers, and solicitors.

5. Payment record should give no indication of unusual collection problems for us.

a. 30-day retail store accounts, doctors, dentists, etc., should be paid within the limits normally permitted by the creditors involved.

b. Contract, loan, and installment payments should be paid with the promptness that we normally expect of our own installment customers.

c. Any suits, judgments, bankruptcies, collection accounts, or repossessions can be excused only if this is warranted by the facts or probable circumstances surrounding those actions.

d. Any deficiency in payment record should be more than offset by above average stability of income and other credit factors.

6. Application and the investigation should show no evidence that his total debt might be in excess of normal ability to repay. A more complete application, further investigation, personal interview, or rejection is necessary if --

a. Loan companies (not sales finance companies) are listed as references or are detected during the investigation as present or prior creditors of the applicant.

b. High-markup credit jewelers or similar merchandisers show up predominantly in his credit background.

c. The Credit Bureau has received a number of inquiries pertaining to the applicant within the past 12 months.

d. Credit lines and borrowings indicate the possibility of debt pyramiding.

7. Applicants already using one or more C&S services should be given special consideration. The fact that your applicant has a C&S checking or savings account does not necessarily make him a good credit risk, BUT let's be real sure that a present banking customer is not rejected without a complete investigation and careful consideration of the credit factors involved.

AMOUNT OF CREDIT LINE

The credit line of a CAS account serves as a guide in the day-to-day approval of purchases and cash advances. The initial line is subject to periodic review and may be raised or lowered based on our experience, customer requirements, and current credit factors.

From a beginning as a local shopping card with the convenience of small amounts of instant money, the use of CAS has grown to include more major purchases and to replace other forms of unsecured cash credit. Today we need to set a realistic line of credit to cover these expanded needs and depend on our various controls to stay within the limits set.

Ideally, we would like to sit down with each customer and discuss the amount of line that would be adequate to level out purchases and to do away with the need for other small unsecured loans. This can be done as applications are approved in our various banking locations, along with selling the concept of one flexible payment account to replace a multitude of small accounts.

Applications received through the mail from merchants, as part of converting a merchant's receivables or in sending out unsolicited cards, do not provide the best base for setting a realistic line. In the absence of direct customer contact, the credit man must set the maximum line that is possible based on available data. Assuming that credit factors of stability of income, amount of debt and paying habits are acceptable, the amount of income will generally determine the amount of the credit line. As a guideline, consider your customer's probable ability to pay a specified minimum payment.

As a further checkpoint, it is generally possible to set a credit line equal to one month's income. All lines should be set in multiples of $100.

In today's economy, with more than 40% of the wives working, a realistic credit line should take total family income into consideration unless uncertainty as to the permanence of the second income exists.

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - NEW APPLICATIONS", Dated 11-16-62

C&S INTERBANK CARD

Wherever credit factors permit, the Interbank card should be issued. The Interbank card is the most useful to our customer, but by the same token, authorization procedures and the expanded area of usage make it possible to charge substantially over limit or ability to repay. All credit factors by the above criteria should be favorable and income factors should be sufficient so that a credit line of at least $500 can be authorized.

The Interbank card carries an automatic expiry date of five years and should be restricted to those customers that can reasonably be predicted to maintain their credit rating through prompt payment.

C&S LOCAL CARD

The credit criteria for the local card is generally the same as for the Interbank card except that because more control is possible through local authorization procedures, we can be somewhat more flexible in credit and income requirements. This card should be used for line of $400 or less or for larger lines where some credit weakness might preclude the issuance of an Interbank card. The local card with an expiry date of 12 months should fit most of the following circumstances:

1. Credit history may be limited, but no evidence of derogatory information.

2. Applicants (usually young) with limited employment history.

3. Applicants with some credit weakness that may or may not develop to the degree of withdrawing credit privileges.

Where amount of income is the only reason for not issuing an "i" card and other factors meet our requirements, the local card will be issued for 5 years. (This takes the place of our present permanent non-Interbank card).

The local card, issued intelligently, will enable us to extend credit to the maximum number of people with the assurance that the account will automatically come up for review at a specified date and normal re-evaluation procedure should be followed at that time.

NO CARD ACCOUNTS

The "no card" account is expensive to handle in relation to potential income and can become a crutch, substituting for insufficient credit information and an unwillingness to act upon the available facts. The "no card" account is an adjunct to our merchant conversion program and should be restricted to those accounts which do not qualify, credit-wise, as CAS accounts but which the merchant requests that

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - NEW APPLICATIONS", Dated 11-16-62

we open so that the customer may continue to charge with him only. Such accounts are usually accepted on a recourse basis and no charge card is issued.

There may also be a small number of accounts acquired at the time of conversion where the customer's credit is satisfactory but where the customer does not want a CAS card. These accounts must be opened so that the merchant can continue to do a credit business with the customer. Such accounts will, for the present, still have to be opened on a No Card Account basis. In rare instances, a telephone application from a converted merchant might be approved on a recourse-no card basis; however, every effort should be made to issue a card of some kind or reject the application.

RELATED BULLETINS CHARGE ACCOUNT SERVICE - CREDIT - APPROVAL - APPLICANTS UNDER TWENTY-ONE YEARS OF AGE
CHARGE ACCOUNT SERVICE - CREDIT - RE-EVALUATION
CHARGE ACCOUNT SERVICE - CREDIT CARD - REISSUE
CHARGE ACCOUNT SERVICE - CARDHOLDER DEVELOPMENT

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT EMPLOYEE ACCOUNTS

TOPIC

 Date 6/24/70

Replaces Bulletin: CHARGE ACCOUNT SERVICE-EMPLOYEE ACCOUNTS-Dated 3-19-68

Employee accounts through Charge Account Service are another very fine fringe benefit offered by C&S. This is a family account for family needs. Certainly we should utilize this to the fullest extent necessary in the joint interests of the bank and ourselves. Generally, we have the same money needs as our customers, and the same fundamentals of credit that we expect of our customers should apply to us.

INSTANT MONEY

Instant Money loans are available to officers and employees under the same general conditions enjoyed by other CAS customers. There is one main difference-there is no fee, UNLESS the cash is obtained from an Instant Money Machine. In that case, the amount of each fee is $1 for each advance $25 or less, and $2 for each advance of more than $25. Of course, it is subject to the 1/2% billing charge immediately.

Money is obtained by presenting the C&S charge card to any Instant Money teller. If within the line of credit, the amount requested will be paid in cash, or if preferred may be deposited to the employee's checking account. Amounts of $50 or less will be handled automatically. Larger amounts will require a phone call, as on any other CAS customer for authorization. Without the card, an employee can still obtain Instant Money just as other CAS customers sometimes do. In such instances, proper identification must be shown, and telephone authorization must be obtained from CAS, regardless of amount requested.

LINES FOR OFFICERS AND EMPLOYEES

NEW EMPLOYEES

1. CAS will make the credit investigation for the Personnel Department on all new employees. Personnel will furnish a work sheet with certain, pertinent information including salary, position, and department. The spouse's income, if any, is taken into consideration here. These work sheets should be given only to authorized CAS personnel in order to assure the proper confidentiality.

2. After the investigation is completed, the worksheet will be photostated and reviewed for credit. The CAS credit line will be assigned and the original with the line shown on it will be returned to Personnel. Normally, these should be back on the same day or not later than the following day.

3. In the event the credit report does not give sufficient information on which to base judgment or if there is any question, CAS will refer to the applicant's application and/or Retail Credit report in the Personnel Department.

4. Those applications will be reviewed exactly as any application for credit in CAS in line with all aspects of proper credit usage. As a base, one month's salary will be used for line of credit dependent on other credit factors. (As a general rule, a $200 maximum line will be sufficient for minors or first time employment until they demonstrate ability to handle credit.)

5. CAS will prepare a "dummy" work sheet for credit card processing and hold these in a pending file until new employee reports to work. Personnel will furnish each new employee with an application form, have them signed and return them to CAS. These will be matched off against the pending work sheets and they will then be released for issuing the credit card. This will eliminate the possibility of CAS issuing credit cards should the applicant not be employed. Personnel will counsel the employee about his line of credit and
N then a charge card will be sent to the employee. A disclosure form with special employee rate information must accompany the card.

INCREASE IN LINES

1. CAS will refer to the Personnel Files of any employee who requests increase in line. If the credit information is reasonably current, CAS will make a copy of this report If the credit information is not up to date, CAS will draw a new credit report.

2. CAS will also check for any existing Emplcyee Loans and if such exists, will make a photostatic copy of the application. This is to review complete debt picture. When needed, employee will be talked to and counseled with by CAS personnel.

3. The spouse's income, if any, will be taken into consideration.

4. After the decision is made, a copy of the work sheet will be returned.

OFFICERS LINES

1. In order to maintain privacy concerning officer salary, CAS will automatically assign a new officer a line of $700 unless there already exists a higher line.

2. Any request for increase in line will be judged against guides of $1,000 for A.V.P. and $1,500 for V.P. If necessary to secure additional information, the Manager of CAS will check with the Personnel Officer and if appropriate, the personal financial statement will be reviewed. The officer will be contacted directly where needed for proper decision.

3. The spouse's income, if any, will be taken into consideration.

COLLECTIONS

1. The CAS Collection Manager will personally handle all contacts with employees concerning past due payments and over-limit situations. Any of these matters should be referred to him. These accounts will be handled in the same manner as the regular accounts.

2. Collection efforts on officer accounts will be handled through an officer of this department.

3. When an officer or employee leaves the bank, the account should be re-evaluated. General circumstances will determine whether the account should be terminated or reassigned a regular account number and placed in the regular customer's billing cycle.

4. Officers and employees will be contacted on past dues and temporary overlimits in the same manner as regular customers. However, if they allow their accounts to become 65 days past due - or overlimit more than normally accepted (after being informed that the line cannot be increased by CAS) - the Personnel Department will be informed of this adverse information.

5. Rescheduling of an employee's account should be approved by the Collection Manager, with an information copy sent to the CAS Manager.

   Rescheduling of an officer's account should be referred to the CAS Manager.

GENERAL

1. All officers and employees should be made aware of the CAS Employee Representative within the CAS Department. These are the people to contact concerning these accounts. They are the only ones who should have access to the Personnel Files.

2. All credit and other confidential information maintained in CAS will be kept in locked files under close security at all times.

3. The Personnel Department should inform CAS on any of the following:

a. Any derogatory information received from the Retail Credit Report or reference after the account is established.

b. Photostat copies of any employee loans.

c. Any excessive over-draft situations.

d. Any derogatory progress reports, memorandums, etc., which indicate the possibility of the employees job stability being affected.

4. CAS will tell the Personnel Department of any adverse information such as listed above.

5. Part-time employees will be handled specially because of excessive turnover, etc., during early part of employment.

a. No account will be established during first four months of employment.

b. After four months a temporary card will be issued with $100 line of credit.

c. At expiration of temporary card (12 months), a regular employee account will be established based on normal credit factors, if temporary account handled satisfactorily.

BENEFITS TO THE EMPLOYEE

The Employee gets:

1. A revolving line of credit that covers both purchases and cash.

2. A line that will probably accommodate all of his family's normal needs, based on his ability to pay the minimum payment each month.

3. If the balance is not liquidated monthly, a service charge of only ½% of the balance, which is only 1/3 as much as a regular CAS customer is charged.

4. An opportunity to cut expenses of service charges on other revolving credit, PBA, and similar accounts by paying them off with Instant Money.

5. Because of Instant Money availability, an opportunity to start or increase his savings programs.

BENEFITS TO THE BANK

The Bank gets:

1. Better employment relationships from having served the employees' needs better.

2. Reduction of paperwork and counseling when salary advances are required.

3. Reduction of paperwork on small L&D or small Installment Loans for employees - Instant Money should almost eliminate these.

AFFILIATE AND ASSOCIATE BANKS

The Executive Officers and Presidents of Affiliate and Associate Banks should have their officers and employees submit applications and requests for increase in lines directly to CAS. This will require that CAS secure information from Associate and Affiliate Banks on their officers and employees the same as outlined herein for C&S Bank Personnel. The exact same procedure will then be followed. C&S Affiliates and Correspondent Associates in non-CAS cities may work with the nearest CAS office in extending the newly added Instant Money feature to their employees.

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT INSTANT MONEY

TOPIC

 Date 4-1-70

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - INSTANT MONEY (SMALL L&D & ILD NOTES)" Dated 12-13-65

Changes have been made in our CAS and L&D rate structure to make it easier to sell our customers on the advantages of a flexible revolving credit plan for unsecured cash advances instead of the traditional time or installment note. From our standpoint, cost and income factors make it almost mandatory that advances of $500 or less be handled through CAS rather than on an installment or time note.

Without being arbitrary, it should be possible to sell the majority of our small borrowers and many of the larger borrowers on the convenience and flexibility of a revolving credit line.

1. Once a line of credit has been established, cash advances may be obtained without delay. It is not necessary to spend valuable time negotiating each advance.

2. Funds may be obtained through any teller or by mail - in cash or by deposit to your customer's checking account.

3. Payments are as low as 5% of the balance each month or any larger amount that your customer wishes to pay. Service charges are made only for the time the money is being used.

4. Both money credit and charge account purchases appear on the same statement - an excellent help to the monthly budget.

5. Balances in excess of $600.00 carry a preferred rate of 1% on the amount over $600. This is a plus feature for the larger borrower.

In the process of substituting the use of Instant Money for other types of loans, we have a number of possible situations that need to be defined in order to have a uniform approach in our internal and customer relationships.

CUSTOMER HAS A CREDIT CARD AND AMOUNT OF LINE IS ADEQUATE

Obtain authorization from the CAS authorization center and complete the transaction as outlined in CHARGE ACCOUNT SERVICE - INSTANT MONEY - PROCEDURES.

CUSTOMER HAS A CREDIT CARD BUT AN INCREASE IN LINE IS NEEDED

The account should be discussed with a CAS credit manager to obtain the benefit of CAS file information and past experience. If information is adequate to approve an increase in line, the CAS credit manager will record the increase in line that is agreed upon. If further customer information and/or investigation is required, whatever is necessary will be handled at the banking location having the customer contact. Upon approval of the increase, an authorization number should be secured and disbursement made in the usual manner.

Photo copies of any additional credit data should be forwarded to CAS to support the increase in line.

Replaces Bulletin: "CHARGE ACCOUNT SERVICE - INSTANT MONEY (SMALL L&D & ILD NOTES)" Dated 12-13-65

NEW ACCOUNTS

New accounts should be opened in accordance with Charge Account bulletins: CHARGE ACCOUNT SERVICE - CARDHOLDER DEVELOPMENT and CHARGE ACCOUNT SERVICE - CREDIT REQUIREMENTS.

Instant Money may be disbursed as soon as a favorable credit decision has been reached by the following steps:

1. Call the New Accounts section of CAS and advise them that we have made an Instant Money loan to a new account. Give them the customer's name, street address, city and state, your office and your name. They will give you an account number immediately.

2. Manually complete the Instant Money ticket including the following information in the appropriate position:

   a. Account Number
   b. Name
   c. Street Address
   d. City and State
   e. Your Initials (under approved by)
   f. New Account (in authorization block)

3. On the CAS application form, enter the new account number, the amount of the advance and your initials. Attach this to your discount sheet or other supporting credit data and forward to the New Accounts section of CAS that day. Since the account must be entered in the computer file before a charge can be accepted it is particularly important that there be no delay in CAS receiving these supporting papers.

RENEWAL OF L&D NOTES

L&D notes should not be transferred to CAS by way of Instant Money unless a CAS card can be issued conforming to CAS credit requirements. If installment terms are needed for collection purposes, Installment Loan Department collection procedures are better designed for this purpose.

"NO CARD" ACCOUNTS

CAS should not be intentionally used for Instant Money unless a CAS card can be issued conforming to CAS credit requirements. In rare instances, an Instant Money advance might be made before an investigation is complete and it later develops that a card is not warranted. In those instances only, CAS will mark the account for liquidation and handle as a collection item. These accounts are called "no card" accounts.

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT INSTANT MONEY

TOPIC PROCEDURES

 Date 7/23/70

NEW BULLETIN

When a customer requests an Instant Money loan, the lender should follow this procedure:

1. Ask for the customer's C&S Card.
2. Imprint the Instant Money ticket on the Charge Account Service Imprinter using the customer's card if he has it.

   If he does not have his card, ask customer for identification. Then phone CAS to get the customer's CAS account number. In Atlanta, call the extension given in "Credit Information" listed under Charge Account Service in the Inter-Office Phonebook according to the customer's last name.

3. Fill in the Instant Money ticket. You will need authorization on:
   a. On all requests over $50.
   b. On all requests when the customer does not have a card.
   c. When the customer has the green, temporary card.

   You need no authorization on amounts $50 and under on a regular card as long as it is not listed on the "Stop Charge" list.

4. Atlanta branches will call the computer by using this procedure on the touch-tone equipment:
   a. Dial "4" on rotary dial.
   b. Wait for signal to begin inquiry - a "beep". (For busy signal or on third ring without response, hang up and dial again).
   c. Key in your identification number (caller code).
   d. Key in Inquiry Code (301 for authorization).
   e. Key in Bank number.
   f. Key in CAS Account Number.
   g. Key in Branch Merchant Number.
   h. Key in dollar amount.
   i. Key in "End of Inquiry" (#).
   j. Double-check the account number as the computer answers.

   NOTE: A special situation arises when a cardholder from another CAS city visits Atlanta and requests Instant Money. Procedure is the same if authorization is not required. If authorization is required, and the computer is called, the computer will respond "Account Number Not On File". This is because the account number is in a series assigned to another city, and the computer can not locate the account unless it is preceded by the proper bank code. When this occurs, phone CAS and they will give an authorization number.

NEW BULLETIN

5. Complete the Instant Money ticket by putting your initials in the approval box and writing the authorization number you took from the computer in the authorization box. Then enter the amount advanced to the customer.

6. Inform the customer of the Instant Money fee ($1.00 on $25.00 or less, $2.00 on amounts over $25.).

7. Get your customer to sign the Instant Money ticket, then give him his money and C&S card.

8. Place the Instant Money ticket in the Draft/Deposit Envelope. (Wherever possible, use just one envelope for all Instant Money tickets issued for the day).

9. Fill out the CAS Draft/Deposit Envelope - listing as "net sales" the number of tickets and total dollar amount. The same dollar amount is then entered as "net amount". The Draft Envelope is then put through with other teller's work.

OTHER INTERBANK CARDS (NOT C&S)

Cash advances (Instant Money loans) made on an Interbank card other than a C&S card must be at least $50, and all must be authorized.

Instant Money requests from customers using an Interbank card issued by a bank other than C&S will be handled as follows:

1. Ask for identification. (Be reasonably certain - if in doubt, refer to an officer).
2. Phone CAS and give: (a) customer's name, (b) bank where customer's card issued, and (c) customer's account number.
3. CAS will obtain authorization from issuing bank and will phone teller immediately. Because this will take a few minutes, invite the customer to be seated and briefly explain that we are calling the other city.
4. From this point on, use normal Instant Money routines.

INSTANT MONEY BY MAIL

A procedure has been established for mail requests for Instant Money. If you receive a mail request, refer it to Charge Account Service.

RELATED BULLETIN:

CHARGE ACCOUNT SERVICE - INSTANT MONEY E-1709

OPERATING BULLETIN

SECTION CHARGE ACCOUNT SERVICE

SUBJECT INSTANT SAVINGS

TOPIC PROCEDURE

 Date 11-28-61

New Bulletin

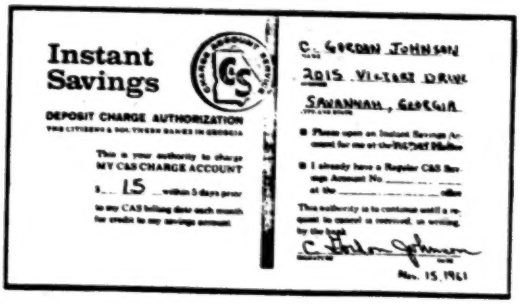
The full potential of Charge Account Service as a Tool for Family Money Management became a reality several months ago with the inauguration of Instant Savings, the companion of Instant Money.

The main problem in family money management is the difficulty of "sticking with" a plan month after month. CAS solves this problem. Merchandise and services can be purchased and, through the flexible payment feature, paid for in a manner that best suits the family budget. Instant Money is available to meet temporary cash needs, and Instant Savings provides for regular savings.

With Instant Savings, CAS customers can buy a savings account through systematic and regular monthly deposits to their savings accounts which are, in turn, charged to their CAS accounts. The automatic aspect of saving while paying, even during periods of heavy purchasing (Christmas, Easter, back-to-school, etc.) makes this CAS feature very important to CAS customers.

This bulletin describes the procedure used by the CAS Department and the Savings Department in processing Instant Savings applications.

CAS DEPARTMENT PROCEDURE Instant Savings Deposit Charge Authorizations are routed to the CAS Department for processing to determine whether the authorization can be approved.



Instant Savings

DEPOSIT CHARGE AUTHORIZATION

This is your authority to charge MY CAS CHARGE ACCOUNT

$ 15 within 5 days prior to my CAS billing date each month for credit to my savings account.

C. Gordon Johnson
3015 Victory Drive
Savannah, Georgia

Please open an Instant Savings Account for me at the [illegible] Office

I already have a Regular CAS Savings Account No. _____ at the _____ office

This authority is to continue until a request to cancel is received, in writing, by the bank.

C. Gordon Johnson
(Signature)

Nov. 15, 1961

The following procedure should be used in processing authorization:

1. Log in the authorization in the New Application Control Log (29-4072). In the column labeled MERCHANT'S NAME, write in Instant Savings and indicate whether the customer already has a CAS account. In the column labeled REMARKS, indicate whether a new savings account is to be opened.

With this, complete information will be readily available on all authorizations resulting from Instant Savings.

2. Determine whether the customer has a CAS account. If he does, find out if the account qualifies credit-wise for Instant Savings. An account should qualify for Instant Savings if it meets the standards for normal charge privileges. In addition, compare information in his credit folder with that on the Instant Savings application and make additions or corrections in the credit folder where necessary. If he does not have a CAS account, make a credit investigation to see if a CAS account should be approved (see BULLETIN: CHARGE ACCOUNT SERVICE - CREDIT-APPROVAL - NEW APPLICATIONS).

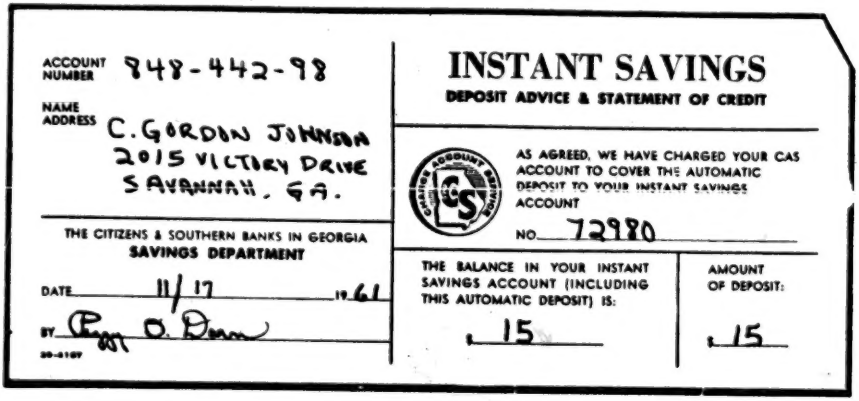
3. If the CAS account qualifies, or if a new CAS account is approved, indicate this approval on the New Application Control Log. Stamp APPROVED and enter the initials of the person making the approval on the Instant Savings authorization. Check the customer's cycle billing date and record it in the lower left corner of the Instant Savings authorization. On the customer's ledger card, stamp INSTANT SAVINGS, enter the amount to be deposited, indicate the office that has the savings account, and enter the initials of the person approving the Instant Savings account. If a new CAS account is opened as a result of the Instant Savings authorization, also enter the words NEW ACCOUNT under the words INSTANT SAVINGS on the ledger card, and also indicate this on the CAS application when it is received. Be sure to show in the customer's credit folder the amount authorized to be deposited, the office that has the savings account, the savings account number, the date of approval, and the initials of the person approving the authorization. Forward the Instant Savings authorization to the Savings Department at the branch or office which has the account. They will notify the customer of this approval.

4. If the CAS account does not qualify, or if a new CAS account cannot be approved, indicate the rejection on the New Application Control Log. On the Instant Savings authorization, stamp DECLINED, show the specific reason for the rejection in the lower left portion of the authorization form, show the date of rejection, and enter the initials of the person rejecting it. Then, make a note on a scratch sheet (25-1255) of the customer's name, address, CAS account number (if appropriate), savings account number (if appropriate), Savings Department designated, date of rejection, initials of the person rejecting it, and the specific reasons for the rejection. Send this note to the Savings Department concerned.

Throughout the month, the CAS Department will receive from Savings Departments in deposit envelopes (29-4012) the Instant Savings Deposit Advice and Statement of Credit tickets (29-4167), shown on page 3, for the automatic charges to customers' CAS accounts. These tickets should be processed through the merchant proof operation, and the total amount of the tickets enclosed in each envelope should be posted to the Instant Savings Control (which is set up in order to compile information for month-end

New Topic

reports). Then, the tickets should be processed just as sales tickets and Instant Money tickets are handled.



ACCOUNT NUMBER 848-442-98

NAME ADDRESS C. GORDON JOHNSON
2015 VICTORY DRIVE
SAVANNAH, GA.

THE CITIZENS & SOUTHERN BANKS IN GEORGIA
SAVINGS DEPARTMENT

DATE 11/17 19 61

BY Ruth O. Dean

INSTANT SAVINGS
DEPOSIT ADVICE & STATEMENT OF CREDIT

AS AGREED, WE HAVE CHARGED YOUR CAS ACCOUNT TO COVER THE AUTOMATIC DEPOSIT TO YOUR INSTANT SAVINGS ACCOUNT

NO. 72980

THE BALANCE IN YOUR INSTANT SAVINGS ACCOUNT (INCLUDING THIS AUTOMATIC DEPOSIT) IS: $ 15

AMOUNT OF DEPOSIT: $ 15

In the event normal charge privileges are revoked or restricted on a CAS account that has Instant Savings in effect, immediately notify the Savings Department that handles the savings account so that they can suspend the deposits to the customer's savings account. Later, if normal charge privileges are reinstated, notify the Savings Department concerned to resume deposits, as appropriate.

SAVINGS DEPARTMENT PROCEDURE The branch or office Savings Department designated to handle the account and/or contact the customer should be the one most convenient for the customer. If he already has a savings account with us, the office servicing that account should be designated. If the customer requests a specific office, his wishes should be honored. In the event the customer fails to designate an office, the one nearest his neighborhood should be disignated.

The Savings Department will receive complete information on each Instant Savings authorization request from the CAS Department. These requests (both approved and rejected) should be processed as rapidly as possible.

Approved Authorization.

1. If the customer already has a CAS account and a savings account, verify

New Topic

both account numbers, write a personal "thank you" letter to the customer, and file the application in a permanent tickler file by cycle billing date. (The form "thank you" letters shown in this bulletin are suggested as guides for your use; if you wish to add a more personal touch, please do so.)

> Your first Instant Savings deposit is an important step toward the steady growth of your savings account. Even in months of unusual expense, your savings program can continue regularly without interruption by using the flexible payment feature of your C&S Charge Account.
>
> It will not be necessary for you to bring your passbook to the Bank. For your convenience, your future automatic deposits will appear on a separate monthly Instant Savings statement showing your new savings balance. This new statement, plus your regular CAS statement, enables you to review both purchases and savings at a glance.
>
> We appreciate this opportunity of working with you in reaching your savings goal through this unique feature of Charge Account Service. Thank you for your account.
>
> Sincerely yours,

2. If the customer has a CAS account but no savings account, verify his CAS account number; follow the standard procedure for opening a new savings account and prepare a savings passbook (as appropriate); write a personal "thank you" letter (top of page 5), enclosing the passbook, signature cards (single and joint), and a return envelope addressed to the Savings Department; and file the authorization in a permanent tickler file by cycle billing date. To avoid sending the customer a new passbook with a zero balance, the initial Instant Savings charge and deposit should be made immediately to open the account. The first automatic charge should not be made until the following month so that the customer will not receive two Instant Savings charges in one month on his CAS statement.

New Topic

> Your first Instant Savings deposit is the initial step toward a steadily growing savings account. Even in months of unusual expense, your savings program can continue regularly without interruption by using the flexible payment feature of your C&S Charge Account.
>
> Your Instant Savings passbook is enclosed. For your convenience, however, your future automatic deposits will appear on a separate monthly Instant Savings statement showing your new savings balance. It will not be necessary for you to bring your passbook to the Bank.
>
> Your signature is requested on the enclosed card. You may return it to us in the self-addressed, stamped envelope.
>
> We appreciate this opportunity of working with you in reaching your savings goal. Thank you for your Instant Savings account.
>
> Sincerely yours

3. If the customer has a savings account but no CAS account, verify the savings account number; write a <u>personal</u> "thank you" letter to the customer (below), enclosing a CAS agreement for him to sign and a return envelope addressed to the CAS Department (provided a signed CAS agreement was not received with the Instant Savings Authorization); and file the authorization in a permanent tickler file by cycle billing date.

> **Your first Instant Savings deposit is an important step toward the steady growth of your C&S savings account. Even in months of unusual expense, your savings program can continue regularly without interruption by using the flexible payment feature of CAS.**
>
> **Since Instant Savings is a feature of Charge Account Service, we have enclosed a CAS application and agreement for you to complete and sign. This form is self-addressed and postage-paid. Just detach, seal, and drop it in the mail.**
>
> **For your convenience, your future automatic deposits will appear on a separate monthly Instant Savings statement showing your new savings balance. It will not be necessary for you to bring your passbook to the Bank.**
>
> **We appreciate this opportunity of working with you in reaching your savings goal through this unique feature of Charge Account Service. Combining savings convenience with the regular shopping, borrowing, and paying features, makes CAS an even better tool for family money management. Your C&S Charge Card will arrive in a short time.**
>
> **Thank you for your account.**
>
> **Sincerely yours,**

New Topic

4. If the customer has neither a CAS account nor a savings account, follow the standard procedure for opening a new savings account and prepare a savings passbook (as appropriate); write a personal "thank you" letter to the customer (below), enclosing a CAS application for the customer to sign (if a signed CAS agreement was not received with the Instant Savings Authorization), his savings passbook, signature cards (single and joint), and a return envelope addressed to the Savings Department; and file the Instant Savings authorization in a permanent tickler file by cycle billing date. To avoid sending the customer a new passbook with a zero balance, the initial Instant Savings charge and deposit should be made immediately to open the account. The first automatic charge should not be made until the following month so that the customer will not receive two Instant Savings charges in one month on his CAS statement. When the customer returns the signed CAS agreement, it should be routed to the CAS Department.

> Your first Instant Savings deposit is the initial step toward a steadily growing savings account. Even in months of unusual expense, your savings program can continue regularly without interruption by using the flexible payment feature of your C&S Charge Account
>
> Since Instant Savings is a feature of Charge Account Service, we have enclosed a CAS application as well as the savings account signature card. Please complete, sign, and mail both of them in the self-addressed, postage-paid envelope.
>
> Combining savings convenience with the regular shopping, borrowing, and paying features, makes Charge Account Service an even better tool for family money management.
>
> We hope to establish your account as soon as possible.
>
> Sincerely yours,

Rejected Authorization. All rejections must be handled with extreme care, exercising tact and diplomacy. To achieve maximum benefit and preserve customer good will, all rejections should be handled immediately by direct contact (in person or by telephone) with the customer. It should be explained as carefully as possible why we cannot approve a CAS account or permit the expanded usage of an existing CAS account. As an alternative, the customer should be presented with another method of savings, perhaps by automatic deductions from his checking account.

New Topic

Rather than have the customer feel that he is being turned down "cold" with no rebuttal, he should be encouraged to come into the Bank so that his request can be discussed more completely. We must convey to the customer our desire to do business with him in a manner satisfactory to him and the Bank.

Deposit Charges to Customer's Account. In some of the larger Savings Departments, a year's supply of Instant Saving Deposit Advices are prepared when the authorization is received. These deposit advices are placed in the tickler file and are used monthly in charging the deposit to the customer's CAS account. In other cities, the Instant Savings Authorization is placed in the tickler file and is pulled each month in order to prepare the deposit advice. Either of these procedures may be used at the discretion of the Saving Department.

Within five days prior to the customer's cycle billing date, pull the deposit advice from the tickler file (or prepare a deposit advice), and post the current deposit to the customer's savings ledger card. Then, indicate on the deposit advice the new ledger balance.

Batch the deposit advices in a deposit envelope (draft envelope (29-4022) for Affiliates) and enter the total number and amount of the deposit advices enclosed. The deposit envelope will be processed by the Proof Department and routed to the CAS Department.

Closing of Savings Account. If a CAS customer with an Instant Savings account contacts the Savings Department to close his savings account, they should immediately notify the CAS Department of this action.

ORDERS FOR FORMS The forms and envelopes referred to in this bulletin may be ordered from the Purchasing Department in Atlanta.

RELATED BULLETIN CHARGE ACCOUNT SERVICE - CREDIT-APPROVAL - NEW APPLICATIONS

DX-313

ANALYSIS OF COMPARABLE LOANS

KEY TO CODES

LOANS

01 - Business Loans

07 - Personal Loans

51 - Regulation U Loans
(Stock Purchase Loans)

BANKS

Bank No. 103 - C&S National
Branch No. 09 - Roswell-Wieuca

Bank No. 050 - C&S Sandy Springs

Bank No. 046 - C&S North Fulton

Bank No. 086 - C&S Chamblee

Bank No. 430 - C&S DeKalb
Branch No. 02 - Belvedere

Bank No. 525 - C&S South DeKalb

Bank No. 460 - C&S Emory
Branch No. 02 - Toco Hills

Bank No. 045 - C&S Park National

Bank No. 460 - C&S Emory
Branch No. 03 - North DeKalb

Bank No. 058 - C&S Tucker

Roswell Wisconsin
CS 4-2

NO.	NO.	DATE	FED. CLASS	OUTSTANDING
102	00	7.2500	01	6[illegible]5.00
102	00	8.[illegible]00	01	73[illegible].00
103	00	8.[illegible]00	01	2,0[illegible]5.00
103	00	8.[illegible]00	01	3,[illegible]0.00
103	00	8.0000	01	5,010.00
103	00	8.[illegible]00	01	6,[illegible]0.00
103	00	8.[illegible]00	01	9,5[illegible].00
103	00	7.75[illegible]	01	10,[illegible]0.00
103	00	8.[illegible]00	01	10,[illegible]1.00
103	00	8.[illegible]00	01	10,[illegible]0.00
103	00	8.[illegible]00	01	15,000.00
103	00	7.[illegible]00	01	15,000.00
103	00	8.[illegible]00	01	16,500.00
103	00	8.[illegible]00	01	20,[illegible]0.00
103	00	8.[illegible]00	01	20,0[illegible]0.00
103	00	8.[illegible]00	01	20,[illegible]0.00
103	00	8.[illegible]00	01	23,3[illegible]6.97
103	00	8.[illegible]00	01	30,0[illegible]0.00
103	00	8.0000	01	48,705.12
103	00	8.[illegible]00	01	5[illegible],000.00

E-1718

[illegible]	[illegible]	LOAN RATE	FED. CLASS	[illegible] OUTSTANDING
103	00	8.0000	07	108.00
103	00	8.0000	07	250.72
103	00	8.0000	07	260.68
103	00	5.0000	07	300.00
103	00	8.0000	07	310.92
103	00	8.0000	07	361.00
103	00	8.0000	07	411.08
103	00	8.0000	07	411.23
103	00	8.0000	07	412.47
103	00	8.0000	07	500.00
103	00	8.0000	07	500.00
103	00	7.7500	07	501.36
103	00	8.0000	07	501.37
103	00	8.0000	07	501.37
103	00	8.0000	07	501.38
103	00	8.0000	07	501.36
103	00	8.0000	07	510.00
103	00	8.0000	07	510.72
103	00	8.0000	07	511.36
103	00	8.0000	07	515.30
103	00	8.0000	07	561.00
103	00	8.0000	07	601.25
103	00	8.0000	07	610.56
103	00	8.0000	07	611.63
103	00	8.0000	07	611.85
103	00	8.0000	07	660.00
103	00	8.0000	07	661.00
103	00	8.0000	07	700.00
103	00	8.0000	07	701.90
103	00	8.0000	07	710.00
103	00	8.0000	07	711.90
103	00	8.0000	07	712.16
103	00	8.0000	07	712.16
103	00	5.0000	07	756.32
103	00	8.0000	07	810.00
103	00	8.0000	07	812.47
103	00	8.0000	07	812.47
103	00	8.0000	07	873.00
103	00	7.1000	07	910.56
103	00	8.0000	07	911.63
103	00	8.0000	07	912.44
103	00	8.0000	07	913.55
103	00	5.0000	07	1,000.00
103	00	8.0000	07	1,000.00
103	00	5.0000	07	1,000.00
103	00	8.0000	07	1,000.00
103	00	8.0000	07	1,000.00
103	00	8.0000	07	1,000.00
103	00	8.0000	07	1,003.00
103	00	8.0000	07	1,010.00
103	00	8.0000	07	1,010.00
103	00	8.0000	07	1,011.00
103	00	8.0000	07	1,011.36
103	00	8.0000	07	1,012.72
103	00	8.0000	07	1,012.75

CAP.	CO.	LOAD DATE	FED. CLASS	CONTRACTOR
102	00	8.0000	07	1,912.75
102	00	8.0000	07	1,913.02
102	00	8.0000	07	1,913.02
102	00	8.0000	07	1,913.12
102	00	8.0000	07	1,913.18
102	00	7.0000	07	1,906.00
102	00	8.0000	07	1,114.93
102	00	8.0000	07	1,200.00
102	00	8.0000	07	1,213.26
102	00	8.0000	07	1,203.01
102	00	8.0000	07	1,404.74
102	00	8.0000	07	1,806.47
102	00	8.0000	07	1,514.38
102	00	8.0000	07	1,514.42
102	00	8.0000	07	1,514.42
102	00	8.0000	07	1,714.47
102	00	8.0000	07	1,810.20
102	00	8.0000	07	1,844.00
102	00	8.0000	07	1,704.00
102	00	8.0000	07	1,732.70
102	00	8.0000	07	1,955.03
102	00	8.0000	07	1,968.70
102	00	8.0000	07	2,000.00
102	00	8.0000	07	2,000.00
102	00	8.0000	07	2,005.44
102	00	8.0000	07	2,005.44
102	00	8.0000	07	2,005.50
102	00	8.0000	07	2,006.16
102	00	8.0000	07	2,010.00
102	00	8.0000	07	2,010.00
102	00	8.0000	07	2,010.00
102	00	8.0000	07	2,010.00
102	00	7.5000	07	2,015.44
102	00	8.0000	07	2,016.44
102	00	8.0000	07	2,016.16
102	00	8.0000	07	2,014.14
102	00	8.0000	07	2,214.05
102	00	8.0000	07	2,250.00
102	00	7.5000	07	2,250.18
102	00	8.000	07	2,264.10
102	00	8.0000	07	2,300.00
102	00	8.0000	07	2,300.00
102	00	8.0000	07	2,310.00
102	00	8.0000	07	2,310.00
102	00	8.0000	07	2,314.00
102	00	8.0000	07	2,314.00
102	00	8.0000	07	2,315.00
102	00	8.0000	07	2,317.71
102	00	8.0000	07	2,317.71
102	00	8.0000	07	2,410.00
102	00	8.0000	07	2,417.54
102	00	8.0000	07	2,487.42
102	00	8.0000	07	2,487.70
102	00	8.0000	07	2,270.00
102	00	8.0000	07	2,300.00

LAND DC.	NO.	RATE	FED. CLASS	OUTSTANDING
103	00	8.0000	07	3,000.00
103	00	8.0000	07	3,000.00
103	00	8.0000	07	3,000.00
103	00	8.0000	07	3,010.00
103	00	8.0000	07	3,010.00
103	00	8.0000	07	3,010.00
103	00	8.0000	07	3,018.36
103	00	8.0000	07	3,019.25
103	00	8.0000	07	3,020.00
103	00	8.0000	07	3,208.71
103	00	8.0000	07	3,409.35
103	00	8.0000	07	3,425.00
103	00	8.0000	07	3,507.05
103	00	8.0000	07	3,510.63
103	00	8.0000	07	3,511.00
103	00	8.0000	07	3,521.10
103	00	8.0000	07	3,967.77
103	00	8.0000	07	4,000.00
103	00	8.0000	07	4,000.00
103	00	8.0000	07	4,000.00
103	00	7.2500	07	4,000.00
103	00	8.0000	07	4,010.00
103	00	8.0000	07	4,010.00
103	00	8.0000	07	4,011.25
103	00	8.0000	07	4,050.00
103	00	8.0000	07	4,410.00
103	00	7.2500	07	4,500.00
103	00	8.0000	07	4,500.00
103	00	8.0000	07	4,500.00
103	00	8.0000	07	4,510.00
103	00	8.0000	07	4,510.00
103	00	8.0000	07	4,523.37
103	00	8.0000	07	4,635.00
103	00	8.0000	07	5,000.00
103	00	8.0000	07	5,000.00
103	00	8.0000	07	5,000.00
103	00	8.0000	07	5,000.00
103	00	7.0000	07	5,000.00
103	00	8.0000	07	5,000.00
103	00	8.0000	07	5,010.00
103	00	8.0000	07	5,013.31
103	00	8.0000	07	5,023.47
103	00	8.0000	07	5,500.00
103	00	8.0000	07	5,510.00
103	00	8.0000	07	6,000.00
103	00	8.0000	07	6,000.00
103	00	7.0000	07	6,031.11
103	00	8.0000	07	6,374.00
103	00	8.0000	07	6,500.00
103	00	8.0000	07	6,500.00
103	00	8.0000	07	6,525.00
103	00	7.0000	07	7,000.00
103	00	8.0000	07	7,000.00
103	00	8.0000	07	7,116.43
103	00	8.0000	07	7,500.00
103	00	8.0000	07	8,000.00

BANK NO.	RF. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
103	00	7.5000	07	8,000.00
103	00	8.0000	07	9,000.00
103	00	7.7500	07	9,000.00
103	00	8.0000	07	9,000.00
103	00	7.7500	07	10,000.00
103	00	7.5000	07	10,000.00
103	00	8.0000	07	10,000.00
103	00	7.7500	07	10,000.00
103	00	7.7500	07	10,000.00
103	00	7.7500	07	10,000.00
103	00	8.0000	07	10,000.00
103	00	7.5000	07	10,000.00
103	00	8.0000	07	10,000.00
103	00	8.0000	07	10,000.00
103	00	7.7500	07	11,000.00
103	00	7.7500	07	11,412.30
103	00	8.0000	07	11,479.06
103	00	8.0000	07	12,000.00
103	00	7.5000	07	12,000.00
103	00	7.5000	07	13,000.00
103	00	8.0000	07	14,500.00
103	00	8.0000	07	14,527.33
103	00	7.0000	07	14,852.74
103	00	8.0000	07	15,000.00
103	00	8.0000	07	17,000.00
103	00	8.0000	07	17,018.41
103	00	7.5000	07	18,000.00
103	00	8.0000	07	20,000.00
103	00	8.0000	07	20,000.00
103	00	8.0000	07	23,000.00
103	00	8.0000	07	25,000.00
103	00	8.0000	07	30,000.00
103	00	7.7500	07	32,752.14
103	00	7.5000	07	35,500.00
103	00	7.7500	07	38,551.02
103	00	8.0000	07	46,441.44
103	00	6.0000	07	55,000.00
103	00	7.0000	07	47,000.00
103	00	7.5000	07	137,500.00

E. 1722

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	01	280.42
050	00	8.0000	01	919.97
050	00	8.0000	01	734.40
050	00	8.0000	01	893.20
050	00	7.7500	01	1,029.32
050	00	8.0000	01	1,350.00
050	00	8.0000	01	1,522.35
050	00	8.0000	01	1,539.91
050	00	8.0000	01	2,036.30
050	00	8.0000	01	2,049.85
050	00	8.0000	01	2,155.27
050	00	8.0000	01	2,253.54
050	00	8.0000	01	2,352.78
050	00	8.0000	01	2,534.65
050	00	8.0000	01	2,604.00
050	00	8.0000	01	2,763.26
050	00	8.0000	01	2,891.38
050	00	8.0000	01	3,016.57
050	00	8.0000	01	3,050.76
050	00	8.0000	01	3,069.17
050	00	8.0000	01	3,069.83
050	00	8.0000	01	3,069.83
050	00	8.0000	01	3,533.01
050	00	8.0000	01	3,544.52
050	00	8.0000	01	3,586.20
050	00	11.0000	01	3,979.34
050	00	8.0000	01	4,049.45
050	00	8.0000	01	4,700.73
050	00	8.0000	01	4,954.00
050	00	9.0000	01	5,000.00
050	00	6.0000	01	5,000.00
050	00	7.5000	01	5,053.49
050	00	8.0000	01	5,364.71
050	00	8.0000	01	5,515.52
050	00	8.0000	01	5,721.69
050	00	8.0000	01	6,049.45
050	00	8.0000	01	6,638.21
050	00	8.0000	01	6,639.64
050	00	8.0000	01	6,859.42
050	00	8.0000	01	7,317.10
050	00	8.0000	01	7,659.59
050	00	8.0000	01	8,088.90
050	00	8.0000	01	8,621.78
050	00	8.0000	01	9,574.54
050	00	6.0000	01	10,000.00
050	00	7.2500	01	10,000.00
050	00	7.5000	01	10,186.98
050	00	8.0000	01	10,207.26
050	00	8.0000	01	10,207.26
050	00	8.0000	01	10,207.26
050	00	8.0000	01	12,389.17
050	00	8.0000	01	13,779.26
050	00	8.0000	01	14,286.16
050	00	8.0000	01	14,651.20
050	00	7.5000	01	15,277.35
050	00	7.5000	01	15,280.47

BANK NO.	BR. NO.	LOAN RATE	CURRENT OUTSTANDING
050	00	7.5000	
050	00	7.7500	10,259.17
050	00	9.0000	20,000.00
050	00	7.0000	21,476.02
050	00	7.5000	22,569.55
050	00	8.0000	22,935.61
050	00	8.0000	23,468.73
050	00	6.0000	26,522.87
050	00	7.7500	27,000.00
050	00	8.0000	27,431.21
050	00	8.0000	29,705.60
050	00	7.5000	30,000.00
050	00	7.5000	30,191.09
050	00	7.5000	30,560.95
050	00	8.0000	30,560.95
050	00	8.0000	31,881.26
050	00	8.0000	33,961.25
050	00	8.0000	37,706.50
050	00	8.0000	40,797.80
050	00	5.5000	45,857.67
050	00	7.0000	47,505.60
050	00	7.2500	49,583.00
050	00	7.5000	50,308.21
050	00	7.5000	50,934.93
050	00	9.0000	61,121.91
050	00	6.5000	70,000.00
050	00	8.5000	76,215.41
050	00	8.0000	100,000.00
050	00	8.0000	153,011.78
050	00	8.5000	160,000.00
			291,566.88

E- 1724

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	19.25
050	00	8.0000	07	37.72
050	00	8.0000	07	48.07
050	00	5.0000	07	60.42
050	00	8.0000	07	61.72
050	00	9.1000	07	105.50
050	00	8.0000	07	111.00
050	00	8.0000	07	162.96
050	00	8.0000	07	163.46
050	00	8.0000	07	163.46
050	00	8.0000	07	173.15
050	00	5.0000	07	201.67
050	00	9.1000	07	203.57
050	00	8.0000	07	214.56
050	00	8.0000	07	214.56
050	00	8.0000	07	214.56
050	00	9.1000	07	214.62
050	00	8.0000	07	214.62
050	00	8.0000	07	214.67
050	00	9.1000	07	232.03
050	00	8.0000	07	236.28
050	00	5.0000	07	237.44
050	00	8.0000	07	238.41
050	00	8.0000	07	238.46
050	00	9.1000	07	240.14
050	00	5.0000	07	252.26
050	00	8.0000	07	252.35
050	00	9.1000	07	255.71
050	00	8.0000	07	264.53
050	00	8.0000	07	265.71
050	00	8.0000	07	265.71
050	00	8.0000	07	274.79
050	00	8.0000	07	291.28
050	00	8.0000	07	291.55
050	00	8.0000	07	296.12
050	00	8.0000	07	297.85
050	00	8.0000	07	300.00
050	00	5.0000	07	302.26
050	00	8.0000	07	310.81
050	00	9.1000	07	314.45
050	00	8.0000	07	314.56
050	00	8.0000	07	315.51
050	00	8.0000	07	315.51
050	00	8.0000	07	315.51
050	00	8.0000	07	316.85
050	00	8.0000	07	316.85
050	00	8.0000	07	316.85
050	00	8.0000	07	316.85
050	00	8.0000	07	316.85
050	00	8.0000	07	316.93
050	00	8.0000	07	316.93
050	00	5.0000	07	352.88
050	00	9.1000	07	360.36
050	00	8.0000	07	367.95
050	00	9.1000	07	367.95
050	00	9.1000	07	395.42

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	5.0000	07	403.34
050	00	8.0000	07	409.75
050	00	8.0000	07	413.13
050	00	9.1000	07	415.98
050	00	8.0000	07	417.85
050	00	8.0000	07	419.14
050	00	9.1000	07	419.14
050	00	8.0000	07	419.14
050	00	8.0000	07	419.14
050	00	8.0000	07	419.14
050	00	8.0000	07	419.14
050	00	8.0000	07	419.24
050	00	8.0000	07	419.24
050	00	8.0000	07	419.24
050	00	9.1000	07	438.48
050	00	8.0000	07	470.28
050	00	8.0000	07	470.40
050	00	8.0000	07	480.58
050	00	8.0000	07	500.00
050	00	9.1000	07	511.68
050	00	9.1000	07	513.80
050	00	8.0000	07	515.15
050	00	7.0000	07	517.26
050	00	5.0000	07	517.46
050	00	8.0000	07	517.60
050	00	8.0000	07	517.73
050	00	8.0000	07	519.86
050	00	8.0000	07	519.86
050	00	8.0000	07	519.97
050	00	8.0000	07	521.24
050	00	9.1000	07	521.36
050	00	9.1000	07	521.43
050	00	8.0000	07	521.43
050	00	8.0000	07	521.43
050	00	8.0000	07	521.43
050	00	9.2500	07	521.43
050	00	9.2500	07	521.43
050	00	8.0000	07	521.55
050	00	8.0000	07	521.55
050	00	8.0000	07	521.55
050	00	8.0000	07	521.55
050	00	8.0000	07	521.68
050	00	8.0000	07	555.04
050	00	8.0000	07	560.96
050	00	4.5000	07	562.20
050	00	8.0000	07	567.55
050	00	8.0000	07	568.50
050	00	8.0000	07	577.15
050	00	7.7500	07	613.12
050	00	8.0000	07	618.02
050	00	8.0000	07	621.83
050	00	8.0000	07	621.83
050	00	8.0000	07	621.97
050	00	8.0000	07	623.49
050	00	8.0000	07	623.87
050	00	8.0000	07	672.96

E-1726

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	5.2500	07	673.38
050	00	7.7500	07	682.70
050	00	8.0000	07	708.08
050	00	8.0000	07	720.84
050	00	8.0000	07	723.96
050	00	8.0000	07	726.18
050	00	9.1000	07	726.18
050	00	8.0000	07	726.82
050	00	9.1000	07	761.37
050	00	8.0000	07	790.44
050	00	6.0000	07	811.83
050	00	8.0000	07	822.38
050	00	8.0000	07	823.78
050	00	8.0000	07	825.78
050	00	9.1000	07	823.20
050	00	8.0000	07	828.28
050	00	8.0000	07	828.28
050	00	8.0000	07	828.55
050	00	8.0000	07	828.70
050	00	8.0000	07	831.04
050	00	8.0000	07	834.40
050	00	7.0000	07	915.70
050	00	8.0000	07	917.95
050	00	9.1000	07	930.57
050	00	9.1000	07	930.30
050	00	7.7500	07	942.35
050	00	5.0000	07	1,005.51
050	00	8.0000	07	1,011.31
050	00	8.0000	07	1,016.57
050	00	8.0000	07	1,016.57
050	00	7.0000	07	1,017.45
050	00	8.0000	07	1,017.45
050	00	8.0000	07	1,017.60
050	00	8.0000	07	1,025.22
050	00	8.0000	07	1,025.47
050	00	8.0000	07	1,025.47
050	00	8.0000	07	1,025.72
050	00	8.0000	07	1,029.72
050	00	8.0000	07	1,029.72
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,032.75
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,033.11

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	1,033.11
050	00	8.0000	07	1,033.11
050	00	8.0000	07	1,033.11
050	00	8.0000	07	1,033.11
050	00	8.0000	07	1,033.37
050	00	9.1000	07	1,033.37
050	00	7.0000	07	1,034.52
050	00	8.0000	07	1,082.32
050	00	9.1000	07	1,084.27
050	00	9.1000	07	1,087.46
050	00	8.0000	07	1,090.43
050	00	8.0000	07	1,090.78
050	00	8.0000	07	1,102.48
050	00	7.5000	07	1,120.56
050	00	8.0000	07	1,131.93
050	00	8.0000	07	1,135.15
050	00	8.2500	07	1,155.82
050	00	8.0000	07	1,174.17
050	00	8.0000	07	1,185.29
050	00	8.0000	07	1,196.90
050	00	8.0000	07	1,217.65
050	00	8.0000	07	1,229.26
050	00	8.0000	07	1,233.67
050	00	8.0000	07	1,233.67
050	00	8.0000	07	1,233.93
050	00	8.0000	07	1,236.99
050	00	9.1000	07	1,237.43
050	00	8.0000	07	1,237.73
050	00	8.0000	07	1,237.73
050	00	8.0000	07	1,288.58
050	00	8.0000	07	1,288.58
050	00	9.1000	07	1,319.72
050	00	8.0000	07	1,321.56
050	00	8.0000	07	1,335.64
050	00	8.0000	07	1,339.72
050	00	8.0000	07	1,340.05
050	00	7.0000	07	1,525.65
050	00	8.0000	07	1,529.72
050	00	9.1000	07	1,532.48
050	00	8.0000	07	1,532.84
050	00	7.5000	07	1,537.73
050	00	8.0000	07	1,539.58
050	00	8.0000	07	1,539.58
050	00	8.0000	07	1,539.91
050	00	8.0000	07	1,543.74
050	00	9.1000	07	1,543.74
050	00	9.1000	07	1,544.11
050	00	8.0000	07	1,544.30
050	00	8.0000	07	1,544.30
050	00	8.0000	07	1,544.30
050	00	9.1000	07	1,544.67
050	00	8.0000	07	1,549.85
050	00	8.5000	07	1,550.00
050	00	8.0000	07	1,573.18
050	00	8.0000	07	1,589.60
050	00	8.0000	07	1,589.82

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	1,550.91
050	00	8.0000	07	1,558.39
050	00	8.0000	07	1,668.76
050	00	8.0000	07	1,719.24
050	00	7.5000	07	1,833.28
050	00	8.0000	07	1,837.40
050	00	8.0000	07	1,851.15
050	00	8.0000	07	1,851.61
050	00	8.0000	07	1,852.08
050	00	7.7500	07	2,022.73
050	00	7.0000	07	2,023.01
050	00	5.0000	07	2,026.84
050	00	9.1000	07	2,028.76
050	00	7.0000	07	2,034.52
050	00	7.7500	07	2,048.21
050	00	7.7500	07	2,048.64
050	00	8.0000	07	2,049.45
050	00	8.0000	07	2,049.45
050	00	8.0000	07	2,049.45
050	00	8.0000	07	2,049.45
050	00	8.0000	07	2,049.45
050	00	8.0000	07	2,049.89
050	00	8.0000	07	2,049.89
050	00	8.0000	07	2,049.89
050	00	8.0000	07	2,054.55
050	00	8.0000	07	2,055.73
050	00	8.0000	07	2,055.73
050	00	8.0000	07	2,055.73
050	00	9.2500	07	2,055.73
050	00	8.0000	07	2,056.24
050	00	8.0000	07	2,056.24
050	00	8.0000	07	2,056.24
050	00	8.0000	07	2,056.24
050	00	9.1000	07	2,056.24
050	00	7.0000	07	2,069.80
050	00	8.0000	07	2,158.55
050	00	9.1000	07	2,166.10
050	00	8.0000	07	2,175.08
050	00	9.1000	07	2,226.74
050	00	8.0000	07	2,252.45
050	00	8.0000	07	2,312.02
050	00	8.0000	07	2,350.63
050	00	8.0000	07	2,355.36
050	00	8.0000	07	2,355.87
050	00	8.0000	07	2,421.57
050	00	9.1000	07	2,464.87
050	00	8.0000	07	2,472.71
050	00	8.0000	07	2,475.85
050	00	9.1000	07	2,519.35
050	00	8.0000	07	2,524.65
050	00	5.0000	07	2,530.82
050	00	7.0000	07	2,543.15
050	00	8.0000	07	2,559.31
050	00	8.0000	07	2,559.31
050	00	8.0000	07	2,560.41
050	00	7.7500	07	2,565.62

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	7.7500	07	2,566.24
050	00	9.1000	07	2,566.24
050	00	8.0000	07	2,567.16
050	00	9.1000	07	2,567.16
050	00	8.0000	07	2,567.80
050	00	9.1000	07	2,567.80
050	00	8.0000	07	2,609.63
050	00	8.0000	07	2,661.28
050	00	8.0000	07	2,661.85
050	00	8.5000	07	2,764.44
050	00	8.0000	07	2,776.09
050	00	7.5000	07	2,801.42
050	00	8.0000	07	2,917.33
050	00	8.0000	07	2,951.90
050	00	8.0000	07	2,985.06
050	00	8.0000	07	2,995.60
050	00	9.1000	07	3,038.45
050	00	6.5000	07	3,057.32
050	00	8.0000	07	3,059.83
050	00	7.7500	07	3,063.76
050	00	8.0000	07	3,069.83
050	00	8.0000	07	3,069.83
050	00	8.0000	07	3,069.83
050	00	8.0000	07	3,069.83
050	00	8.0000	07	3,078.60
050	00	8.0000	07	3,078.90
050	00	8.0000	07	3,079.36
050	00	7.7500	07	3,086.43
050	00	7.5000	07	3,111.57
050	00	8.0000	07	3,112.57
050	00	7.5000	07	3,114.79
050	00	8.0000	07	3,153.30
050	00	9.1000	07	3,166.55
050	00	8.0000	07	3,222.82
050	00	8.0000	07	3,262.72
050	00	8.0000	07	3,273.12
050	00	8.0000	07	3,283.17
050	00	8.0000	07	3,334.31
050	00	8.0000	07	3,385.46
050	00	8.0000	07	3,427.22
050	00	8.0000	07	3,477.06
050	00	8.0000	07	3,518.61
050	00	8.0000	07	3,528.05
050	00	8.0000	07	3,549.96
050	00	7.7500	07	3,567.62
050	00	8.0000	07	3,579.04
050	00	8.0000	07	3,579.04
050	00	8.0000	07	3,579.04
050	00	8.0000	07	3,579.80
050	00	9.1000	07	3,589.63
050	00	8.0000	07	3,590.03
050	00	9.1000	07	3,590.03
050	00	4.5000	07	3,628.78
050	00	5.0000	07	3,675.00
050	00	8.0000	07	3,692.32
050	00	8.0000	07	3,693.23

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	3,693.23
050	00	8.0000	07	3,757.18
050	00	8.0000	07	3,921.75
050	00	7.5000	07	4,073.57
050	00	8.0000	07	4,088.90
050	00	8.0000	07	4,088.90
050	00	8.0000	07	4,089.78
050	00	8.0000	07	4,089.78
050	00	8.0000	07	4,089.78
050	00	9.1000	07	4,089.99
050	00	9.1000	07	4,101.46
050	00	8.0000	07	4,101.46
050	00	8.0000	07	4,123.90
050	00	8.0000	07	4,203.75
050	00	8.0000	07	4,304.72
050	00	8.0000	07	4,533.90
050	00	9.1000	07	4,537.32
050	00	8.0000	07	4,541.56
050	00	9.1000	07	4,570.55
050	00	8.0000	07	4,598.76
050	00	7.7500	07	4,608.46
050	00	9.1000	07	4,612.90
050	00	8.0000	07	4,612.90
050	00	8.0000	07	4,616.71
050	00	8.0000	07	4,765.23
050	00	8.5000	07	4,988.45
050	00	8.0000	07	5,020.25
050	00	8.0000	07	5,070.75
050	00	8.0000	07	5,075.75
050	00	8.0000	07	5,086.15
050	00	7.0000	07	5,086.30
050	00	7.5000	07	5,094.75
050	00	7.7500	07	5,095.54
050	00	7.0000	07	5,096.30
050	00	7.7500	07	5,099.38
050	00	7.7500	07	5,107.67
050	00	7.7500	07	5,107.67
050	00	8.0000	07	5,108.63
050	00	8.0000	07	5,108.63
050	00	8.0000	07	5,108.63
050	00	8.0000	07	5,108.63
050	00	7.7500	07	5,108.63
050	00	8.0000	07	5,109.72
050	00	8.0000	07	5,109.72
050	00	8.0000	07	5,109.72
050	00	8.0000	07	5,109.72
050	00	7.7500	07	5,121.25
050	00	9.2500	07	5,124.34
050	00	8.0000	07	5,125.61
050	00	7.0000	07	5,300.75
050	00	5.0000	07	5,513.56
050	00	8.0000	07	5,793.08
050	00	7.0000	07	5,808.38
050	00	8.0000	07	5,823.68
050	00	8.0000	07	5,897.54
050	00	8.0000	07	5,925.68

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	5,925.68
050	00	8.0000	07	5,940.00
050	00	8.5000	07	5,941.31
050	00	8.0000	07	6,026.38
050	00	8.0000	07	6,088.90
050	00	8.0000	07	6,118.35
050	00	8.0000	07	6,128.35
050	00	8.0000	07	6,128.35
050	00	8.0000	07	6,129.67
050	00	8.0000	07	6,170.43
050	00	7.7500	07	6,329.79
050	00	8.0000	07	6,340.70
050	00	8.0000	07	6,536.24
050	00	8.5000	07	6,544.50
050	00	7.5000	07	6,630.20
050	00	8.0000	07	6,700.00
050	00	8.0000	07	6,842.16
050	00	8.5000	07	6,942.54
050	00	8.0000	07	7,052.73
050	00	8.0000	07	7,086.30
050	00	8.0000	07	7,114.11
050	00	8.0000	07	7,148.08
050	00	8.0000	07	7,148.08
050	00	8.0000	07	7,148.08
050	00	8.0000	07	7,149.61
050	00	7.7500	07	7,165.79
050	00	5.0000	07	7,172.80
050	00	7.7500	07	7,303.12
050	00	8.0000	07	7,555.57
050	00	8.0000	07	7,559.31
050	00	8.0000	07	7,583.97
050	00	8.0000	07	7,657.54
050	00	8.0000	07	7,657.54
050	00	8.0000	07	7,661.23
050	00	4.5000	07	7,938.07
050	00	8.0000	07	7,965.57
050	00	7.5000	07	8,157.54
050	00	8.0000	07	8,159.56
050	00	8.0000	07	8,167.80
050	00	8.0000	07	8,167.80
050	00	5.0000	07	8,196.16
050	00	8.0000	07	8,221.47
050	00	8.0000	07	8,271.55
050	00	7.7500	07	8,317.45
050	00	8.0000	07	8,679.53
050	00	7.5000	07	8,870.85
050	00	8.0000	07	8,919.34
050	00	8.0000	07	9,134.63
050	00	8.0000	07	9,148.08
050	00	8.0000	07	9,187.53
050	00	8.0000	07	9,189.50
050	00	8.0000	07	9,189.50
050	00	8.0000	07	9,189.50
050	00	8.5000	07	9,300.00
050	00	8.0000	07	9,361.47
050	00	8.0000	07	9,446.52

E-1732

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	10,143.20
050	00	8.0000	07	10,145.85
050	00	7.0000	07	10,174.52
050	00	7.0000	07	10,184.52
050	00	7.5000	07	10,194.93
050	00	7.5000	07	10,196.58
050	00	7.7500	07	10,201.09
050	00	7.7500	07	10,201.09
050	00	7.7500	07	10,201.09
050	00	7.7500	07	10,201.09
050	00	8.0000	07	10,207.26
050	00	8.0000	07	10,207.26
050	00	8.0000	07	10,209.45
050	00	8.0000	07	10,302.40
050	00	8.0000	07	10,309.23
050	00	8.0000	07	10,455.00
050	00	7.0000	07	10,704.79
050	00	8.0000	07	10,744.73
050	00	8.0000	07	11,154.65
050	00	8.0000	07	11,154.65
050	00	8.0000	07	11,173.40
050	00	7.7500	07	11,220.20
050	00	8.0000	07	11,226.58
050	00	8.0000	07	11,228.35
050	00	7.5000	07	11,377.68
050	00	8.0000	07	11,740.13
050	00	8.5000	07	11,857.52
050	00	8.0000	07	11,940.56
050	00	5.0000	07	12,149.58
050	00	7.0000	07	12,164.66
050	00	8.0000	07	12,167.80
050	00	7.7500	07	12,209.07
050	00	8.0000	07	12,239.34
050	00	8.0000	07	12,240.71
050	00	8.0000	07	12,246.71
050	00	8.0000	07	12,246.71
050	00	8.0000	07	12,249.34
050	00	8.0000	07	12,970.00
050	00	8.0000	07	13,256.75
050	00	8.0000	07	13,269.28
050	00	8.0000	07	14,103.33
050	00	8.0000	07	14,187.24
050	00	5.0000	07	14,700.00
050	00	8.0000	07	14,799.20
050	00	7.0000	07	15,264.65
050	00	7.5000	07	15,277.39
050	00	7.7500	07	15,278.15
050	00	8.0000	07	15,278.15
050	00	7.5000	07	15,280.47
050	00	7.5000	07	15,287.39
050	00	8.0000	07	15,305.85
050	00	8.0000	07	15,309.17
050	00	8.0000	07	15,309.17
050	00	8.0000	07	15,787.20
050	00	7.5000	07	16,259.17
050	00	8.0000	07	17,335.34

E-1733

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	18,191.47
050	00	7.0000	07	18,310.68
050	00	7.0000	07	18,314.13
050	00	8.0000	07	18,378.00
050	00	7.7500	07	18,863.52
050	00	9.0000	07	20,000.00
050	00	7.0000	07	20,345.20
050	00	7.2500	07	20,357.53
050	00	7.7500	07	20,386.43
050	00	6.5000	07	20,392.15
050	00	8.0000	07	20,404.52
050	00	8.0000	07	21,424.24
050	00	7.5700	07	21,555.75
050	00	7.5700	07	21,555.75
050	00	7.0000	07	22,896.98
050	00	7.5000	07	22,920.71
050	00	8.0000	07	22,943.83
050	00	8.0000	07	24,189.23
050	00	7.0000	07	24,828.49
050	00	7.0000	07	25,431.50
050	00	7.2500	07	25,446.91
050	00	8.0000	07	25,508.63
050	00	8.5000	07	26,247.14
050	00	7.5000	07	26,496.16
050	00	8.0000	07	27,365.06
050	00	7.5000	07	27,514.66
050	00	7.7500	07	27,525.95
050	00	8.0000	07	27,838.52
050	00	8.0000	07	28,395.42
050	00	8.0000	07	28,767.72
050	00	7.7500	07	30,191.09
050	00	7.5000	07	30,554.79
050	00	8.0000	07	30,555.50
050	00	8.0000	07	30,601.78
050	00	7.7500	07	31,602.39
050	00	9.0000	07	34,200.00
050	00	8.0000	07	34,665.50
050	00	9.7500	07	35,127.05
050	00	8.0000	07	35,450.00
050	00	7.0000	07	35,610.82
050	00	7.5000	07	35,664.45
050	00	8.0000	07	36,887.09
050	00	8.7500	07	37,192.00
050	00	7.5000	07	44,000.00
050	00	8.0000	07	44,536.42
050	00	8.0000	07	45,897.67
050	00	8.0000	07	46,661.00
050	00	7.2500	07	47,849.54
050	00	6.7500	07	50,851.44
050	00	7.0000	07	50,872.60
050	00	5.5000	07	51,919.12
050	00	9.0000	07	53,000.00
050	00	7.0000	07	53,543.69
050	00	7.0000	07	56,005.88
050	00	7.2500	07	62,145.20
050	00	7.2500	07	77,866.43

E-1734

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	7.3000	07	81,580.62
050	00	7.7500	07	84,489.76
050	00	7.5000	07	90,000.00
050	00	9.1000	07	95,572.71
050	00	6.3750	07	101,632.32
050	00	7.7500	07	120,000.00
050	00	8.0000	07	146,694.03
050	00	8.0000	07	259,337.44

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	5.0000	51	23,436.00
050	00	5.0000	51	23,451.74

E-1736

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	01	280.42
050	00	8.0000	01	519.97
050	00	8.0000	01	734.40
050	00	8.0000	01	853.20
050	00	7.7500	01	1,029.32
050	00	8.0000	01	1,350.00
050	00	8.0000	01	1,522.35
050	00	8.0000	01	1,539.51
050	00	8.0000	01	2,036.30
050	00	8.0000	01	2,049.85
050	00	8.0000	01	2,155.27
050	00	8.0000	01	2,253.54
050	00	8.0000	01	2,352.78
050	00	8.0000	01	2,534.65
050	00	8.0000	01	2,654.00
050	00	8.0000	01	2,763.25
050	00	8.0000	01	2,891.38
050	00	8.0000	01	3,016.57
050	00	8.0000	01	3,050.76
050	00	8.0000	01	3,069.17
050	00	8.0000	01	3,069.83
050	00	8.0000	01	3,069.83
050	00	8.0000	01	3,533.01
050	00	8.0000	01	3,544.52
050	00	8.0000	01	3,586.20
050	00	11.0000	01	3,979.34
050	00	8.0000	01	4,049.45
050	00	8.0000	01	4,700.73
050	00	8.0000	01	4,954.00
050	00	9.0000	01	5,000.00
050	00	6.0000	01	5,000.00
050	00	7.5000	01	5,093.49
050	00	8.0000	01	5,364.71
050	00	8.0000	01	5,516.52
050	00	8.0000	01	5,721.69
050	00	8.0000	01	6,049.45
050	00	8.0000	01	6,638.21
050	00	8.0000	01	6,639.64
050	00	8.0000	01	6,859.42
050	00	8.0000	01	7,317.10
050	00	8.0000	01	7,659.58
050	00	8.0000	01	8,083.90
050	00	8.0000	01	8,621.78
050	00	8.0000	01	9,574.54
050	00	6.0000	01	10,000.00
050	00	7.2500	01	10,000.00
050	00	7.5000	01	10,186.98
050	00	8.0000	01	10,207.26
050	00	8.0000	01	10,207.26
050	00	8.0000	01	10,207.26
050	00	8.0000	01	12,389.17
050	00	8.0000	01	13,779.26
050	00	8.0000	01	14,286.16
050	00	8.0000	01	14,651.20
050	00	7.5000	01	15,277.35
050	00	7.5000	01	15,280.47

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	7.5000	01	16,259.17
050	00	7.7500	01	20,000.00
050	00	9.0000	01	21,476.62
050	00	7.0000	01	22,569.55
050	00	7.5000	01	22,835.61
050	00	8.0000	01	23,468.73
050	00	8.0000	01	26,522.87
050	00	6.0000	01	27,000.00
050	00	7.7500	01	27,431.21
050	00	8.0000	01	28,765.60
050	00	8.0000	01	30,000.00
050	00	7.5000	01	30,191.09
050	00	7.5000	01	30,560.95
050	00	7.5000	01	30,560.95
050	00	6.0000	01	31,581.26
050	00	8.0000	01	33,981.25
050	00	8.0000	01	37,766.50
050	00	8.0000	01	40,757.80
050	00	8.0000	01	45,857.67
050	00	5.5000	01	47,505.60
050	00	7.0000	01	49,585.00
050	00	7.2500	01	50,508.21
050	00	7.5000	01	50,934.93
050	00	7.5000	01	61,121.51
050	00	9.0000	01	70,000.00
050	00	6.5000	01	76,215.41
050	00	5.5000	01	100,000.00
050	00	8.0000	01	153,011.78
050	00	8.0000	01	160,000.00
050	00	8.5000	01	291,566.88

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	19.25
050	00	8.0000	07	37.72
050	00	8.0000	07	48.07
050	00	5.0000	07	60.42
050	00	8.0000	07	61.72
050	00	9.1000	07	105.50
050	00	8.0000	07	111.00
050	00	8.0000	07	162.96
050	00	8.0000	07	163.46
050	00	8.0000	07	163.46
050	00	8.0000	07	173.15
050	00	5.0000	07	201.67
050	00	9.1000	07	203.57
050	00	8.0000	07	214.56
050	00	8.0000	07	214.56
050	00	8.0000	07	214.56
050	00	9.1000	07	214.62
050	00	8.0000	07	214.62
050	00	8.0000	07	214.67
050	00	9.1000	07	232.03
050	00	8.0000	07	236.28
050	00	5.0000	07	237.44
050	00	8.0000	07	238.41
050	00	8.0000	07	238.46
050	00	9.1000	07	240.14
050	00	5.0000	07	252.26
050	00	8.0000	07	252.35
050	00	9.1000	07	255.71
050	00	8.0000	07	264.53
050	00	8.0000	07	265.71
050	00	8.0000	07	265.71
050	00	8.0000	07	274.79
050	00	8.0000	07	291.28
050	00	8.0000	07	291.95
050	00	8.0000	07	296.12
050	00	8.0000	07	297.85
050	00	8.0000	07	300.00
050	00	5.0000	07	302.26
050	00	8.0000	07	310.81
050	00	9.1000	07	314.49
050	00	8.0000	07	314.56
050	00	8.0000	07	315.51
050	00	8.0000	07	315.51
050	00	8.0000	07	315.51
050	00	8.0000	07	316.85
050	00	8.0000	07	316.85
050	00	8.0000	07	316.85
050	00	8.0000	07	316.85
050	00	8.0000	07	316.93
050	00	8.0000	07	316.93
050	00	5.0000	07	352.88
050	00	9.1000	07	360.36
050	00	8.0000	07	367.95
050	00	9.1000	07	367.95
050	00	9.1000	07	395.42

E-1739

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	5.0000	07	405.34
050	00	8.0000	07	409.75
050	00	8.0000	07	413.13
050	00	9.1000	07	415.98
050	00	8.0000	07	417.89
050	00	8.0000	07	419.14
050	00	9.1000	07	419.14
050	00	8.0000	07	419.14
050	00	8.0000	07	419.14
050	00	8.0000	07	419.14
050	00	8.0000	07	419.14
050	00	8.0000	07	419.24
050	00	8.0000	07	419.24
050	00	8.0000	07	419.24
050	00	9.1000	07	438.48
050	00	8.0000	07	470.28
050	00	8.0000	07	470.40
050	00	8.0000	07	480.58
050	00	8.0000	07	500.00
050	00	9.1000	07	511.68
050	00	9.1000	07	513.80
050	00	8.0000	07	515.15
050	00	7.0000	07	517.26
050	00	5.0000	07	517.46
050	00	8.0000	07	517.60
050	00	8.0000	07	517.73
050	00	8.0000	07	519.86
050	00	8.0000	07	519.86
050	00	8.0000	07	519.97
050	00	8.0000	07	521.24
050	00	9.1000	07	521.36
050	00	9.1000	07	521.43
050	00	8.0000	07	521.43
050	00	8.0000	07	521.43
050	00	8.0000	07	521.43
050	00	9.2500	07	521.43
050	00	9.2500	07	521.43
050	00	8.0000	07	521.55
050	00	8.0000	07	521.55
050	00	8.0000	07	521.55
050	00	8.0000	07	521.55
050	00	8.0000	07	521.68
050	00	8.0000	07	555.04
050	00	8.0000	07	560.96
050	00	4.5000	07	562.20
050	00	8.0000	07	567.95
050	00	8.0000	07	568.50
050	00	8.0000	07	577.15
050	00	7.7500	07	613.12
050	00	8.0000	07	618.02
050	00	8.0000	07	621.83
050	00	8.0000	07	621.83
050	00	8.0000	07	621.97
050	00	8.0000	07	623.49
050	00	8.0000	07	623.87
050	00	8.0000	07	672.96

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	5.2500	07	673.38
050	00	7.7500	07	682.70
050	00	8.0000	07	709.08
050	00	8.0000	07	720.84
050	00	8.0000	07	723.96
050	00	8.0000	07	726.18
050	00	9.1000	07	726.18
050	00	8.0000	07	726.82
050	00	9.1000	07	761.37
050	00	8.0000	07	790.44
050	00	6.0000	07	811.83
050	00	8.0000	07	822.18
050	00	8.0000	07	825.78
050	00	8.0000	07	825.78
050	00	9.1000	07	823.20
050	00	8.0000	07	828.28
050	00	8.0000	07	828.28
050	00	8.0000	07	828.55
050	00	8.0000	07	828.70
050	00	8.0000	07	831.04
050	00	8.0000	07	834.40
050	00	7.0000	07	915.70
050	00	8.0000	07	917.55
050	00	9.1000	07	930.57
050	00	9.1000	07	930.80
050	00	7.7500	07	948.55
050	00	5.0000	07	1,005.91
050	00	8.0000	07	1,011.31
050	00	8.0000	07	1,016.57
050	00	8.0000	07	1,016.57
050	00	7.0000	07	1,017.45
050	00	8.0000	07	1,017.45
050	00	8.0000	07	1,017.60
050	00	8.0000	07	1,025.22
050	00	8.0000	07	1,025.47
050	00	8.0000	07	1,025.47
050	00	8.0000	07	1,029.72
050	00	8.0000	07	1,029.72
050	00	8.0000	07	1,029.72
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,029.94
050	00	8.0000	07	1,032.75
050	00	8.0000	07	1,032.75
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,032.86
050	00	8.0000	07	1,033.11

E- 1741

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	1,033.11
050	00	8.0000	07	1,033.11
050	00	8.0000	07	1,033.11
050	00	8.0000	07	1,033.11
050	00	8.0000	07	1,033.37
050	00	8.1000	07	1,033.37
050	00	7.0000	07	1,034.52
050	00	8.0000	07	1,082.32
050	00	8.1000	07	1,084.27
050	00	8.1000	07	1,087.46
050	00	8.0000	07	1,090.43
050	00	8.0000	07	1,090.78
050	00	8.0000	07	1,102.48
050	00	7.5000	07	1,120.56
050	00	8.0000	07	1,131.93
050	00	8.0000	07	1,135.15
050	00	6.2500	07	1,153.82
050	00	8.0000	07	1,174.17
050	00	8.0000	07	1,185.29
050	00	8.0000	07	1,196.90
050	00	8.0000	07	1,217.65
050	00	8.0000	07	1,229.26
050	00	8.0000	07	1,233.67
050	00	8.0000	07	1,233.67
050	00	8.0000	07	1,233.93
050	00	8.0000	07	1,236.99
050	00	9.1000	07	1,237.43
050	00	8.0000	07	1,237.73
050	00	8.0000	07	1,237.73
050	00	8.0000	07	1,288.58
050	00	8.0000	07	1,288.58
050	00	9.1000	07	1,319.72
050	00	8.0000	07	1,321.56
050	00	8.0000	07	1,335.64
050	00	8.0000	07	1,339.72
050	00	8.0000	07	1,340.05
050	00	7.0000	07	1,525.85
050	00	8.0000	07	1,529.72
050	00	9.1000	07	1,532.48
050	00	8.0000	07	1,532.84
050	00	7.5000	07	1,537.73
050	00	8.0000	07	1,539.58
050	00	8.0000	07	1,539.58
050	00	8.0000	07	1,539.91
050	00	8.0000	07	1,543.74
050	00	9.1000	07	1,543.74
050	00	9.1000	07	1,544.11
050	00	8.0000	07	1,544.30
050	00	8.0000	07	1,544.30
050	00	8.0000	07	1,544.30
050	00	9.1000	07	1,544.67
050	00	8.0000	07	1,545.85
050	00	8.5000	07	1,550.00
050	00	8.0000	07	1,573.18
050	00	8.0000	07	1,585.60
050	00	8.0000	07	1,589.82

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	1,590.91
050	00	8.0000	07	1,598.39
050	00	8.0000	07	1,668.76
050	00	8.0000	07	1,719.24
050	00	7.5000	07	1,833.28
050	00	8.0000	07	1,837.40
050	00	8.0000	07	1,851.15
050	00	8.0000	07	1,851.61
050	00	8.0000	07	1,852.08
050	00	7.7500	07	2,022.73
050	00	7.0000	07	2,023.01
050	00	5.0000	07	2,026.84
050	00	9.1000	07	2,028.76
050	00	7.0000	07	2,034.52
050	00	7.7500	07	2,048.21
050	00	7.7500	07	2,048.64
050	00	8.0000	07	2,049.45
050	00	8.0000	07	2,049.45
050	00	8.0000	07	2,049.45
050	00	8.0000	07	2,049.45
050	00	8.0000	07	2,049.45
050	00	8.0000	07	2,049.85
050	00	8.0000	07	2,049.85
050	00	8.0000	07	2,049.85
050	00	8.0000	07	2,054.99
050	00	8.0000	07	2,055.73
050	00	8.0000	07	2,055.73
050	00	8.0000	07	2,055.73
050	00	9.2500	07	2,055.73
050	00	8.0000	07	2,056.24
050	00	8.0000	07	2,056.24
050	00	8.0000	07	2,056.24
050	00	8.0000	07	2,056.24
050	00	9.1000	07	2,056.24
050	00	7.0000	07	2,069.80
050	00	8.0000	07	2,158.55
050	00	9.1000	07	2,166.10
050	00	8.0000	07	2,175.08
050	00	9.1000	07	2,226.74
050	00	8.0000	07	2,252.45
050	00	8.0000	07	2,312.02
050	00	8.0000	07	2,350.63
050	00	8.0000	07	2,355.36
050	00	8.0000	07	2,355.87
050	00	8.0000	07	2,421.57
050	00	9.1000	07	2,464.87
050	00	8.0000	07	2,472.71
050	00	8.0000	07	2,475.85
050	00	9.1000	07	2,519.35
050	00	8.0000	07	2,524.65
050	00	5.0000	07	2,530.82
050	00	7.0000	07	2,543.15
050	00	8.0000	07	2,559.31
050	00	8.0000	07	2,559.31
050	00	8.0000	07	2,560.41
050	00	7.7500	07	2,565.62

E-1743

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	7.7500	07	2,566.24
050	00	9.1000	07	2,566.24
050	00	8.0000	07	2,567.16
050	00	9.1000	07	2,567.16
050	00	8.0000	07	2,567.80
050	00	9.1000	07	2,567.80
050	00	8.0000	07	2,609.63
050	00	8.0000	07	2,661.28
050	00	8.0000	07	2,661.85
050	00	8.0000	07	2,764.44
050	00	8.0000	07	2,776.09
050	00	7.5000	07	2,801.42
050	00	8.0000	07	2,917.33
050	00	8.0000	07	2,951.90
050	00	8.0000	07	2,983.06
050	00	8.0000	07	2,995.60
050	00	9.1000	07	3,030.45
050	00	8.5000	07	3,057.32
050	00	8.0000	07	3,059.83
050	00	7.7500	07	3,063.76
050	00	8.0000	07	3,069.83
050	00	8.0000	07	3,069.83
050	00	8.0000	07	3,069.83
050	00	8.0000	07	3,069.83
050	00	8.0000	07	3,078.60
050	00	8.0000	07	3,078.90
050	00	8.0000	07	3,079.36
050	00	7.7500	07	3,086.43
050	00	7.5000	07	3,111.57
050	00	8.0000	07	3,112.57
050	00	7.5000	07	3,114.75
050	00	8.0000	07	3,153.30
050	00	9.1000	07	3,166.55
050	00	8.0000	07	3,222.82
050	00	8.0000	07	3,262.72
050	00	8.0000	07	3,273.12
050	00	8.0000	07	3,283.17
050	00	8.0000	07	3,334.31
050	00	8.0000	07	3,385.46
050	00	8.0000	07	3,427.22
050	00	8.0000	07	3,477.06
050	00	8.0000	07	3,518.61
050	00	8.0000	07	3,528.05
050	00	8.0000	07	3,549.96
050	00	7.7500	07	3,567.62
050	00	8.0000	07	3,579.04
050	00	8.0000	07	3,579.04
050	00	8.0000	07	3,579.04
050	00	8.0000	07	3,579.80
050	00	9.1000	07	3,589.63
050	00	8.0000	07	3,590.03
050	00	9.1000	07	3,590.03
050	00	4.5000	07	3,628.78
050	00	5.0000	07	3,675.00
050	00	8.0000	07	3,692.32
050	00	8.0000	07	3,693.23

E- 1744

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	3,693.23
050	00	8.0000	07	3,757.18
050	00	8.0000	07	3,921.75
050	00	7.5000	07	4,073.97
050	00	8.0000	07	4,088.90
050	00	8.0000	07	4,088.90
050	00	8.0000	07	4,089.78
050	00	8.0000	07	4,089.78
050	00	8.0000	07	4,089.78
050	00	9.1000	07	4,099.99
050	00	9.1000	07	4,101.46
050	00	8.0000	07	4,101.46
050	00	8.0000	07	4,123.90
050	00	8.0000	07	4,203.75
050	00	8.0000	07	4,304.72
050	00	5.0000	07	4,533.90
050	00	9.1000	07	4,537.32
050	00	8.0000	07	4,541.56
050	00	9.1000	07	4,573.55
050	00	8.0000	07	4,598.76
050	00	7.7500	07	4,608.46
050	00	9.1000	07	4,612.90
050	00	8.0000	07	4,612.90
050	00	8.0000	07	4,616.71
050	00	5.0000	07	4,765.23
050	00	8.5000	07	4,988.45
050	00	8.0000	07	5,020.25
050	00	8.0000	07	5,075.75
050	00	8.0000	07	5,075.75
050	00	8.0000	07	5,086.15
050	00	7.0000	07	5,086.30
050	00	7.5000	07	5,094.75
050	00	7.7500	07	5,095.54
050	00	7.0000	07	5,096.30
050	00	7.7500	07	5,099.38
050	00	7.7500	07	5,107.67
050	00	7.7500	07	5,107.67
050	00	8.0000	07	5,108.63
050	00	8.0000	07	5,108.63
050	00	8.0000	07	5,108.63
050	00	8.0000	07	5,108.63
050	00	7.7500	07	5,108.63
050	00	8.0000	07	5,109.72
050	00	8.0000	07	5,109.72
050	00	8.0000	07	5,109.72
050	00	8.0000	07	5,109.72
050	00	7.7500	07	5,121.25
050	00	9.2500	07	5,124.34
050	00	8.0000	07	5,125.61
050	00	7.0000	07	5,300.75
050	00	5.0000	07	5,513.56
050	00	8.0000	07	5,793.08
050	00	7.0000	07	5,808.38
050	00	8.0000	07	5,823.68
050	00	8.0000	07	5,887.54
050	00	8.0000	07	5,923.68

E- 1745

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	5,925.68
050	00	8.0000	07	5,940.00
050	00	8.5000	07	5,941.31
050	00	8.0000	07	6,026.38
050	00	8.0000	07	6,088.90
050	00	8.0000	07	6,118.35
050	00	8.0000	07	6,128.35
050	00	8.0000	07	6,128.35
050	00	8.0000	07	6,129.67
050	00	8.0000	07	6,170.43
050	00	7.7500	07	6,329.75
050	00	8.0000	07	6,340.70
050	00	8.0000	07	6,536.24
050	00	8.5000	07	6,544.50
050	00	7.5000	07	6,630.20
050	00	8.0000	07	6,700.00
050	00	8.0000	07	6,842.16
050	00	8.5000	07	6,942.54
050	00	5.0000	07	7,052.73
050	00	5.0000	07	7,086.30
050	00	8.0000	07	7,114.11
050	00	8.0000	07	7,148.08
050	00	8.0000	07	7,148.08
050	00	8.0000	07	7,148.08
050	00	8.0000	07	7,149.61
050	00	7.7500	07	7,165.75
050	00	5.0000	07	7,172.60
050	00	7.7500	07	7,303.12
050	00	8.0000	07	7,555.57
050	00	8.0000	07	7,559.31
050	00	8.0000	07	7,583.97
050	00	8.0000	07	7,657.54
050	00	8.0000	07	7,657.54
050	00	8.0000	07	7,661.23
050	00	4.5000	07	7,938.07
050	00	8.0000	07	7,965.57
050	00	7.5000	07	8,157.64
050	00	8.0000	07	8,159.56
050	00	8.0000	07	8,167.80
050	00	8.0000	07	8,167.80
050	00	5.0000	07	8,196.16
050	00	8.0000	07	8,221.47
050	00	8.0000	07	8,271.55
050	00	7.7500	07	8,317.45
050	00	8.0000	07	8,679.53
050	00	7.5000	07	8,370.85
050	00	8.0000	07	8,919.34
050	00	8.0000	07	9,134.63
050	00	8.0000	07	9,148.68
050	00	8.0000	07	9,187.53
050	00	8.0000	07	9,189.50
050	00	8.0000	07	9,189.50
050	00	8.0000	07	9,189.50
050	00	8.5000	07	9,300.00
050	00	8.0000	07	9,341.47
050	00	8.0000	07	9,446.52

E- 1746

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	10,142.20
050	00	8.0000	07	10,145.89
050	00	7.0000	07	10,174.52
050	00	7.0000	07	10,184.52
050	00	7.5000	07	10,194.93
050	00	7.5000	07	10,196.98
050	00	7.7500	07	10,201.09
050	00	7.7500	07	10,201.09
050	00	7.7500	07	10,201.09
050	00	7.7500	07	10,201.09
050	00	8.0000	07	10,207.26
050	00	8.0000	07	10,207.26
050	00	8.0000	07	10,209.45
050	00	8.0000	07	10,302.40
050	00	8.0000	07	10,309.23
050	00	8.0000	07	10,455.00
050	00	7.0000	07	10,704.79
050	00	8.0000	07	10,744.73
050	00	8.0000	07	11,154.65
050	00	8.0000	07	11,154.65
050	00	8.0000	07	11,173.40
050	00	7.7500	07	11,220.20
050	00	8.0000	07	11,224.98
050	00	8.0000	07	11,229.39
050	00	7.5000	07	11,377.68
050	00	8.0000	07	11,740.13
050	00	8.5000	07	11,857.52
050	00	8.0000	07	11,940.56
050	00	5.0000	07	12,149.58
050	00	7.0000	07	12,164.66
050	00	8.0000	07	12,167.80
050	00	7.7500	07	12,209.07
050	00	8.0000	07	12,239.34
050	00	8.0000	07	12,246.71
050	00	8.0000	07	12,246.71
050	00	8.0000	07	12,246.71
050	00	8.0000	07	12,249.34
050	00	8.0000	07	12,970.00
050	00	8.0000	07	13,256.75
050	00	8.0000	07	13,269.28
050	00	8.0000	07	14,103.33
050	00	8.0000	07	14,187.24
050	00	5.0000	07	14,700.00
050	00	8.0000	07	14,799.20
050	00	7.0000	07	15,264.65
050	00	7.5000	07	15,277.39
050	00	7.7500	07	15,278.15
050	00	8.0000	07	15,279.15
050	00	7.5000	07	15,280.47
050	00	7.5000	07	15,287.39
050	00	8.0000	07	15,305.85
050	00	8.0000	07	15,309.17
050	00	8.0000	07	15,309.17
050	00	8.0000	07	15,787.20
050	00	7.5000	07	16,259.17
050	00	8.0000	07	17,235.34

E- 1747

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	8.0000	07	18,191.47
050	00	7.0000	07	18,310.68
050	00	7.0000	07	18,314.13
050	00	8.0000	07	18,378.00
050	00	7.7500	07	18,863.52
050	00	9.0000	07	20,000.00
050	00	7.0000	07	20,345.20
050	00	7.2500	07	20,357.53
050	00	7.7500	07	20,386.43
050	00	6.5000	07	20,392.19
050	00	8.0000	07	20,404.52
050	00	8.0000	07	21,424.24
050	00	7.5700	07	21,555.75
050	00	7.5700	07	21,555.75
050	00	7.0000	07	22,896.98
050	00	7.5000	07	22,920.71
050	00	8.0000	07	22,943.83
050	00	8.0000	07	24,189.23
050	00	7.0000	07	24,828.45
050	00	7.0000	07	25,431.50
050	00	7.2500	07	25,446.91
050	00	8.0000	07	25,508.63
050	00	8.5000	07	26,247.14
050	00	7.5000	07	26,496.16
050	00	8.0000	07	27,365.06
050	00	7.5000	07	27,514.88
050	00	7.7500	07	27,525.95
050	00	8.0000	07	27,838.52
050	00	8.0000	07	28,395.42
050	00	8.0000	07	28,767.72
050	00	7.7500	07	30,191.05
050	00	7.5000	07	30,554.79
050	00	8.0000	07	30,555.50
050	00	8.0000	07	30,601.78
050	00	7.7500	07	31,602.35
050	00	9.0000	07	34,200.00
050	00	8.0000	07	34,665.50
050	00	9.7500	07	35,127.05
050	00	8.0000	07	35,450.00
050	00	7.0000	07	35,610.82
050	00	7.5000	07	35,664.45
050	00	8.0000	07	36,887.05
050	00	8.7500	07	37,192.00
050	00	7.5000	07	44,000.00
050	00	8.0000	07	44,536.42
050	00	8.0000	07	45,897.57
050	00	8.0000	07	46,661.00
050	00	7.2500	07	47,849.54
050	00	6.7500	07	50,851.44
050	00	7.0000	07	50,872.60
050	00	5.5000	07	51,910.12
050	00	9.0000	07	53,000.00
050	00	7.0000	07	53,543.69
050	00	7.0000	07	56,005.88
050	00	7.2500	07	62,145.20
050	00	7.2500	07	77,866.43

E- 1748

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	7.0000	07	81,580.62
050	00	7.7500	07	84,469.76
050	00	7.5000	07	90,000.00
050	00	9.1000	07	95,572.71
050	00	6.3700	07	101,632.32
050	00	7.7500	07	120,000.00
050	00	8.0000	07	146,694.03
050	00	8.0000	07	259,337.44

E- 1749

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
050	00	5.0000	51	23,436.00
050	00	5.0000	51	23,451.74

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
046	00	7.0000	01	201.96
046	00	9.1000	01	1,024.58
046	00	8.0000	01	1,225.78
046	00	9.1000	01	1,850.55
046	00	8.0000	01	2,115.22
046	00	8.0000	01	6,123.38
046	00	9.0000	01	16,000.00
046	00	8.0000	01	20,141.52
046	00	8.5000	01	22,198.50
046	00	8.5000	01	36,700.00
046	00	8.5000	01	60,000.00

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
046	00	8.0000	07	14.00
046	00	9.1000	07	37.98
046	00	8.0000	07	50.83
046	00	8.0000	07	100.00
046	00	8.0000	07	101.97
046	00	8.0000	07	111.97
046	00	8.0000	07	135.73
046	00	8.0000	07	162.25
046	00	8.0000	07	163.36
046	00	8.0000	07	163.40
046	00	8.0000	07	163.47
046	00	9.1000	07	204.55
046	00	8.0000	07	213.95
046	00	8.0000	07	214.49
046	00	9.1000	07	214.49
046	00	8.0000	07	214.58
046	00	8.0000	07	214.58
046	00	8.0000	07	214.58
046	00	8.0000	07	214.59
046	00	8.0000	07	216.10
046	00	8.0000	07	240.06
046	00	8.0000	07	260.61
046	00	9.0000	07	263.80
046	00	8.0000	07	265.72
046	00	8.0000	07	265.72
046	00	5.0000	07	307.44
046	00	9.1000	07	312.24
046	00	8.0000	07	315.98
046	00	8.0000	07	315.98
046	00	9.1000	07	316.74
046	00	8.0000	07	316.74
046	00	9.1000	07	316.81
046	00	8.0000	07	316.86
046	00	8.0000	07	316.86
046	00	8.0000	07	316.86
046	00	8.0000	07	323.72
046	00	8.0000	07	367.87
046	00	8.0000	07	416.09
046	00	8.0000	07	419.14
046	00	8.0000	07	419.14
046	00	8.0000	07	419.15
046	00	8.0000	07	419.15
046	00	8.0000	07	419.15
046	00	8.0000	07	426.01
046	00	8.0000	07	439.71
046	00	9.1000	07	487.15
046	00	8.0000	07	517.62
046	00	8.0000	07	519.86
046	00	9.1000	07	521.24
046	00	9.1000	07	521.36
046	00	9.1000	07	521.36
046	00	8.0000	07	521.43
046	00	8.0000	07	521.43
046	00	8.0000	07	521.43
046	00	8.0000	07	521.56
046	00	8.0000	07	521.56

E- 1752

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
046	00	8.0000	07	521.56
046	00	8.0000	07	572.36
046	00	8.0000	07	572.58
046	00	8.0000	07	621.57
046	00	8.0000	07	622.68
046	00	8.0000	07	623.72
046	00	8.0000	07	623.72
046	00	8.0000	07	623.76
046	00	8.0000	07	623.86
046	00	8.0000	07	633.67
046	00	8.0000	07	662.82
046	00	8.0000	07	680.06
046	00	8.0000	07	726.15
046	00	8.0000	07	777.15
046	00	8.0000	07	828.20
046	00	8.0000	07	828.30
046	00	8.0000	07	828.30
046	00	9.1000	07	831.06
046	00	9.1000	07	832.18
046	00	8.0000	07	879.44
046	00	8.0000	07	925.48
046	00	9.1000	07	930.58
046	00	9.1000	07	1,017.61
046	00	9.1000	07	1,017.73
046	00	8.0000	07	1,020.22
046	00	8.0000	07	1,032.49
046	00	8.0000	07	1,032.87
046	00	8.0000	07	1,032.87
046	00	8.0000	07	1,032.87
046	00	8.0000	07	1,032.87
046	00	8.0000	07	1,032.87
046	00	8.0000	07	1,032.87
046	00	8.0000	07	1,033.13
046	00	8.0000	07	1,033.13
046	00	8.0000	07	1,033.38
046	00	8.0000	07	1,033.38
046	00	8.0000	07	1,051.87
046	00	8.0000	07	1,055.86
046	00	8.0000	07	1,135.44
046	00	8.0000	07	1,160.46
046	00	9.1000	07	1,219.13
046	00	8.0000	07	1,238.06
046	00	9.1000	07	1,283.44
046	00	8.0000	07	1,339.73
046	00	8.0000	07	1,442.01
046	00	8.0000	07	1,532.85
046	00	8.0000	07	1,539.52
046	00	8.0000	07	1,539.52
046	00	8.0000	07	1,543.74
046	00	8.0000	07	1,544.30
046	00	8.0000	07	1,544.68
046	00	8.0000	07	1,590.50
046	00	8.0000	07	1,646.59
046	00	8.0000	07	1,650.11
046	00	8.0000	07	1,736.25

E-1753

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
046	00	8.0000	07	1,845.51
046	00	8.0000	07	1,850.52
046	00	8.0000	07	1,894.86
046	00	9.1000	07	1,952.75
046	00	8.0000	07	2,023.15
046	00	8.0000	07	2,032.84
046	00	7.0000	07	2,034.52
046	00	7.0000	07	2,045.25
046	00	9.1000	07	2,054.55
046	00	9.1000	07	2,056.25
046	00	8.0000	07	2,073.85
046	00	8.0000	07	2,100.52
046	00	9.1000	07	2,344.47
046	00	8.0000	07	2,356.38
046	00	8.0000	07	2,420.17
046	00	8.0000	07	2,437.54
046	00	8.0000	07	2,457.35
046	00	8.0000	07	2,526.44
046	00	9.0000	07	2,539.31
046	00	8.0000	07	2,559.32
046	00	9.1000	07	2,566.24
046	00	8.0000	07	2,567.18
046	00	8.0000	07	2,586.30
046	00	8.0000	07	2,627.10
046	00	8.0000	07	2,741.56
046	00	8.0000	07	2,752.50
046	00	8.0000	07	2,822.50
046	00	9.1000	07	2,865.24
046	00	8.5000	07	2,875.00
046	00	8.0000	07	2,884.05
046	00	8.0000	07	3,054.56
046	00	8.0000	07	3,069.17
046	00	8.0000	07	3,069.17
046	00	8.0000	07	3,069.18
046	00	9.1000	07	3,077.45
046	00	8.0000	07	3,077.45
046	00	8.0000	07	3,077.45
046	00	8.0000	07	3,078.62
046	00	8.0000	07	3,079.56
046	00	8.0000	07	3,156.06
046	00	8.0000	07	3,159.43
046	00	8.0000	07	3,273.13
046	00	8.0000	07	3,283.18
046	00	8.0000	07	3,296.37
046	00	9.1000	07	3,477.82
046	00	9.1000	07	3,497.55
046	00	8.0000	07	3,579.04
046	00	8.0000	07	3,579.05
046	00	8.0000	07	3,579.82
046	00	8.0000	07	3,580.57
046	00	8.0000	07	3,580.58
046	00	8.0000	07	3,590.05
046	00	9.1000	07	3,590.05
046	00	8.5000	07	3,622.20
046	00	9.1000	07	3,652.32
046	00	8.0000	07	3,691.50

E-1754

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
046	00	8.0000	07	3,747.47
046	00	8.0000	07	3,827.62
046	00	8.0000	07	3,959.20
046	00	8.0000	07	4,079.52
046	00	8.0000	07	4,089.90
046	00	8.0000	07	4,088.90
046	00	8.0000	07	4,088.91
046	00	8.0000	07	4,088.91
046	00	8.0000	07	4,089.78
046	00	8.0000	07	4,089.79
046	00	8.0000	07	4,101.48
046	00	8.0000	07	4,101.48
046	00	8.0000	07	4,111.00
046	00	9.1000	07	4,123.13
046	00	8.0000	07	4,167.80
046	00	8.0000	07	4,173.07
046	00	8.0000	07	4,193.46
046	00	8.0000	07	4,237.91
046	00	9.1000	07	4,304.50
046	00	8.0000	07	4,475.94
046	00	8.0000	07	4,598.77
046	00	8.0000	07	4,598.78
046	00	8.0000	07	4,641.99
046	00	8.0000	07	4,724.03
046	00	8.0000	07	4,815.75
046	00	8.0000	07	4,868.64
046	00	8.0000	07	5,042.88
046	00	8.0000	07	5,108.63
046	00	8.0000	07	5,108.64
046	00	8.0000	07	5,108.64
046	00	8.0000	07	5,108.64
046	00	8.0000	07	5,108.64
046	00	8.0000	07	5,109.73
046	00	8.0000	07	5,124.34
046	00	7.0000	07	5,175.03
046	00	8.0000	07	5,188.94
046	00	8.0000	07	5,199.06
046	00	9.1000	07	5,239.32
046	00	8.0000	07	5,303.57
046	00	8.0000	07	5,450.90
046	00	9.1000	07	5,567.29
046	00	6.0000	07	5,582.28
046	00	7.0000	07	5,555.95
046	00	8.0000	07	5,597.08
046	00	8.0000	07	6,039.24
046	00	8.0000	07	6,091.40
046	00	8.0000	07	6,121.33
046	00	8.0000	07	6,128.37
046	00	8.0000	07	6,129.87
046	00	4.5000	07	6,133.15
046	00	10.2500	07	6,160.47
046	00	9.0000	07	6,511.60
046	00	8.0000	07	6,595.47
046	00	8.0000	07	6,766.47
046	00	8.0000	07	7,148.10
046	00	8.0000	07	7,148.10

E- 1755

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
046	00	8.0000	07	7,193.08
046	00	8.0000	07	7,286.15
046	00	8.0000	07	7,286.15
046	00	8.0000	07	7,352.04
046	00	8.0000	07	7,352.04
046	00	8.0000	07	7,647.54
046	00	7.7500	07	7,653.32
046	00	8.0000	07	7,659.59
046	00	8.0000	07	7,681.52
046	00	8.0000	07	7,701.58
046	00	8.0000	07	8,167.81
046	00	9.1000	07	8,167.83
046	00	8.0000	07	8,182.55
046	00	8.0000	07	8,197.24
046	00	8.0000	07	8,197.26
046	00	9.1000	07	8,806.68
046	00	8.0000	07	9,189.52
046	00	12.0000	07	9,276.36
046	00	8.0000	07	9,367.04
046	00	8.0000	07	10,141.52
046	00	8.0000	07	10,207.28
046	00	8.0000	07	10,225.01
046	00	6.0000	07	10,300.00
046	00	8.0000	07	10,719.45
046	00	12.0000	07	10,733.33
046	00	8.0000	07	10,810.09
046	00	8.0000	07	11,229.42
046	00	8.0000	07	11,736.87
046	00	8.0000	07	12,249.37
046	00	8.0000	07	12,970.11
046	00	8.0000	07	13,272.09
046	00	6.5000	07	13,426.74
046	00	7.0000	07	13,458.79
046	00	9.1000	07	15,157.96
046	00	7.0000	07	15,258.90
046	00	8.0000	07	15,309.17
046	00	8.0000	07	15,342.87
046	00	7.0000	07	15,517.84
046	00	8.0000	07	16,332.67
046	00	8.0000	07	17,194.48
046	00	8.0000	07	17,349.11
046	00	7.0000	07	18,819.33
046	00	8.0000	07	18,869.03
046	00	8.0000	07	20,404.56
046	00	8.0000	07	20,759.04
046	00	8.0000	07	20,759.15
046	00	6.0000	07	21,550.55
046	00	7.0000	07	24,610.00
046	00	8.0000	07	25,313.34
046	00	6.0000	07	25,503.20
046	00	9.0000	07	25,564.87
046	00	8.0000	07	25,667.61
046	00	12.0000	07	25,749.73
046	00	7.0000	07	30,345.22
046	00	8.0000	07	30,681.79
046	00	6.5000	07	31,583.90

E-1756

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
046	00	8.0000	07	32,641.30
046	00	8.0000	07	35,700.49
046	00	8.0000	07	44,033.56
046	00	7.5000	07	47,559.40
046	00	8.0000	07	50,996.41
046	00	8.0000	07	65,272.60
046	00	8.0000	07	77,969.23
046	00	8.5000	07	141,966.22

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	01	.40
086	00	5.0000	01	20.50
086	00	8.0000	01	40.00
086	00	5.0000	01	179.53
086	00	9.1000	01	212.99
086	00	8.0000	01	218.25
086	00	8.0000	01	280.00
086	00	8.0000	01	500.00
086	00	8.0000	01	500.00
086	00	8.5000	01	510.00
086	00	8.0000	01	613.14
086	00	8.0000	01	1,000.00
086	00	8.0000	01	1,058.37
086	00	13.0000	01	1,328.16
086	00	8.0000	01	2,000.00
086	00	14.0000	01	2,010.68
086	00	8.0000	01	2,049.45
086	00	8.0000	01	2,081.33
086	00	8.0000	01	2,280.00
086	00	8.0000	01	2,500.00
086	00	8.0000	01	2,600.00
086	00	8.0000	01	3,324.82
086	00	8.0000	01	3,450.00
086	00	8.0000	01	3,451.00
086	00	8.0000	01	3,650.00
086	00	8.0000	01	3,655.43
086	00	9.0000	01	3,679.85
086	00	8.0000	01	3,960.00
086	00	8.0000	01	3,978.00
086	00	8.0000	01	4,027.50
086	00	8.0000	01	4,045.00
086	00	8.0000	01	4,104.00
086	00	8.0000	01	4,115.57
086	00	8.5000	01	4,140.00
086	00	8.5000	01	4,250.00
086	00	13.0000	01	4,275.56
086	00	8.5000	01	4,280.00
086	00	8.0000	01	4,280.00
086	00	8.0000	01	4,280.00
086	00	8.0000	01	4,330.05
086	00	8.0000	01	4,330.05
086	00	8.0000	01	4,370.05
086	00	8.0000	01	4,370.05
086	00	8.0000	01	4,370.05
086	00	8.0000	01	4,495.00
086	00	8.5000	01	4,500.00
086	00	8.0000	01	4,591.00
086	00	1.3000	01	4,698.33
086	00	8.0000	01	4,860.00
086	00	8.0000	01	5,000.00
086	00	8.0000	01	5,200.55
086	00	8.0000	01	5,280.00
086	00	8.0000	01	5,289.16
086	00	8.0000	01	5,919.50
086	00	8.0000	01	5,918.50
086	00	8.0000	01	5,921.50

E-1758

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	01	5,926.00
086	00	8.0000	01	6,000.00
086	00	7.7500	01	6,116.25
086	00	8.5000	01	6,350.00
086	00	8.0000	01	6,380.00
086	00	8.0000	01	6,380.00
086	00	8.0000	01	6,380.00
086	00	8.0000	01	6,380.00
086	00	8.0000	01	6,405.00
086	00	8.0000	01	6,500.00
086	00	9.0000	01	6,645.24
086	00	8.0000	01	6,896.22
086	00	8.0000	01	6,900.00
086	00	8.0000	01	7,000.00
086	00	9.0000	01	7,157.50
086	00	8.0000	01	7,325.00
086	00	8.0000	01	7,325.00
086	00	8.0000	01	7,515.54
086	00	8.0000	01	7,861.50
086	00	8.0000	01	7,861.50
086	00	8.0000	01	7,861.50
086	00	8.0000	01	7,861.50
086	00	8.0000	01	7,861.50
086	00	8.0000	01	8,000.00
086	00	8.0000	01	8,000.00
086	00	8.0000	01	8,120.00
086	00	8.0000	01	8,120.00
086	00	8.0000	01	8,120.00
086	00	8.0000	01	8,120.00
086	00	8.0000	01	8,120.00
086	00	8.0000	01	8,120.00
086	00	8.0000	01	8,120.00
086	00	8.0000	01	8,120.00
086	00	8.0000	01	8,120.00
086	00	8.0000	01	8,550.00
086	00	8.0000	01	8,920.00
086	00	8.0000	01	9,079.58
086	00	14.0000	01	9,686.16
086	00	8.0000	01	10,000.00
086	00	8.0000	01	10,000.00
086	00	9.0000	01	10,227.50
086	00	14.0000	01	10,865.14
086	00	8.0000	01	10,793.25
086	00	8.0000	01	11,222.44
086	00	8.5000	01	11,280.00
086	00	13.0000	01	11,407.66
086	00	8.0000	01	12,650.00
086	00	8.0000	01	12,746.57
086	00	8.0000	01	13,150.00
086	00	9.0000	01	13,790.00
086	00	8.0000	01	13,361.50
086	00	8.0000	01	13,361.50
086	00	8.0000	01	13,361.50
086	00	8.5000	01	14,280.00
086	00	8.5000	01	14,280.00

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	01	15,000.00
086	00	8.0000	01	15,025.00
086	00	8.0000	01	15,061.50
086	00	8.0000	01	15,225.00
086	00	7.5000	01	15,281.25
086	00	8.0000	01	15,299.99
086	00	8.0000	01	15,325.00
086	00	8.0000	01	15,394.52
086	00	9.0000	01	15,434.70
086	00	8.0000	01	15,609.89
086	00	8.0000	01	16,000.00
086	00	8.0000	01	16,360.00
086	00	8.0000	01	16,600.00
086	00	8.0000	01	18,609.89
086	00	8.0000	01	20,061.50
086	00	8.0000	01	20,399.99
086	00	8.0000	01	20,400.00
086	00	8.0000	01	21,280.71
086	00	8.0000	01	21,900.00
086	00	8.0000	01	21,900.00
086	00	8.0000	01	21,900.00
086	00	8.0000	01	22,325.00
086	00	8.0000	01	22,405.00
086	00	8.0000	01	22,900.00
086	00	8.0000	01	23,000.00
086	00	8.5000	01	23,250.00
086	00	8.0000	01	23,795.20
086	00	8.0000	01	24,218.44
086	00	8.0000	01	24,412.08
086	00	9.0000	01	24,532.60
086	00	8.0000	01	24,847.03
086	00	8.0000	01	25,400.00
086	00	8.0000	01	25,592.32
086	00	8.0000	01	25,860.00
086	00	8.0000	01	26,325.00
086	00	8.0000	01	26,325.00
086	00	8.0000	01	26,495.00
086	00	8.0000	01	27,743.00
086	00	8.0000	01	28,405.00
086	00	8.0000	01	28,860.00
086	00	8.0000	01	28,860.00
086	00	8.0000	01	29,635.24
086	00	8.0000	01	30,000.00
086	00	8.0000	01	30,599.98
086	00	8.0000	01	31,900.00
086	00	8.0000	01	31,900.00
086	00	8.0000	01	32,860.00
086	00	8.0000	01	33,250.00
086	00	8.0000	01	33,510.00
086	00	8.0000	01	34,900.00
086	00	8.0000	01	34,900.00
086	00	8.0000	01	35,800.00
086	00	9.0000	01	35,787.50
086	00	8.0000	01	36,389.00
086	00	8.0000	01	39,900.00
086	00	13.0000	01	40,402.22

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	10.0000	01	42,303.63
086	00	8.0000	01	42,520.00
086	00	8.0000	01	43,600.00
086	00	9.0000	01	51,125.00
086	00	7.5000	01	54,125.00
086	00	8.0000	01	56,620.50
086	00	8.0000	01	56,620.50
086	00	8.0000	01	65,450.00
086	00	8.5000	01	73,350.00
086	00	5.7500	01	75,033.37
086	00	5.5000	01	80,000.00
086	00	8.0000	01	103,035.00
086	00	5.2500	01	131,137.50
086	00	8.5000	01	180,105.00
086	00	9.0000	01	265,140.66

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	07	6.55
086	00	8.0000	07	10.05
086	00	8.0000	07	25.16
086	00	8.0000	07	65.65
086	00	8.0000	07	75.52
086	00	8.0000	07	87.74
086	00	8.0000	07	100.07
086	00	8.0000	07	100.91
086	00	8.0000	07	101.23
086	00	9.1000	07	110.26
086	00	8.0000	07	110.26
086	00	8.0000	07	112.96
086	00	8.0000	07	125.92
086	00	8.0000	07	127.52
086	00	8.0000	07	136.18
086	00	8.0000	07	136.86
086	00	8.0000	07	156.97
086	00	8.0000	07	162.96
086	00	8.0000	07	163.31
086	00	8.0000	07	176.43
086	00	8.0000	07	195.04
086	00	8.0000	07	201.72
086	00	8.0000	07	201.86
086	00	8.0000	07	207.53
086	00	9.1000	07	210.18
086	00	9.1000	07	213.14
086	00	8.0000	07	214.49
086	00	8.0000	07	214.49
086	00	8.0000	07	214.49
086	00	8.0000	07	214.55
086	00	8.0000	07	214.58
086	00	8.0000	07	214.58
086	00	6.2500	07	235.64
086	00	8.0000	07	248.02
086	00	8.0000	07	251.78
086	00	8.0000	07	258.62
086	00	8.0000	07	263.67
086	00	8.0000	07	265.72
086	00	8.0000	07	265.72
086	00	8.0000	07	286.06
086	00	8.0000	07	303.28
086	00	8.0000	07	303.66
086	00	8.0000	07	304.55
086	00	8.0000	07	309.22
086	00	8.0000	07	311.57
086	00	9.1000	07	314.57
086	00	8.0000	07	315.51
086	00	8.0000	07	316.74
086	00	8.0000	07	316.74
086	00	8.0000	07	316.74
086	00	7.1000	07	316.74
086	00	8.0000	07	316.86
086	00	8.0000	07	316.86
086	00	8.0000	07	316.86
086	00	8.0000	07	316.86
086	00	8.0000	07	316.55

E-1762

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	07	321.56
086	00	7.0000	07	357.22
086	00	8.0000	07	359.14
086	00	5.0000	07	360.97
086	00	9.1000	07	365.24
086	00	8.0000	07	367.87
086	00	8.0000	07	368.01
086	00	8.0000	07	368.05
086	00	5.0000	07	372.54
086	00	5.0000	07	393.25
086	00	5.0000	07	393.38
086	00	8.0000	07	402.62
086	00	5.0000	07	404.05
086	00	5.0000	07	404.93
086	00	8.0000	07	407.85
086	00	8.0000	07	415.98
086	00	8.0000	07	417.97
086	00	8.0000	07	417.98
086	00	8.0000	07	418.00
086	00	9.1000	07	418.99
086	00	8.0000	07	418.99
086	00	8.0000	07	419.10
086	00	9.2500	07	419.14
086	00	8.0000	07	419.14
086	00	8.0000	07	419.14
086	00	8.0000	07	419.25
086	00	8.0000	07	420.12
086	00	8.0000	07	421.14
086	00	8.0000	07	428.45
086	00	8.0000	07	428.70
086	00	5.0000	07	439.45
086	00	8.0000	07	444.72
086	00	5.0000	07	445.48
086	00	5.0000	07	459.36
086	00	9.1000	07	470.12
086	00	9.1000	07	470.40
086	00	5.0000	07	487.45
086	00	8.0000	07	495.85
086	00	5.0000	07	503.65
086	00	5.0000	07	503.83
086	00	8.0000	07	509.86
086	00	8.0000	07	511.56
086	00	8.0000	07	513.74
086	00	8.0000	07	513.86
086	00	5.0000	07	514.35
086	00	8.1000	07	520.01
086	00	8.0000	07	521.24
086	00	8.0000	07	521.24
086	00	8.0000	07	521.24
086	00	8.0000	07	521.24
086	00	8.0000	07	521.24
086	00	9.1000	07	521.24
086	00	8.0000	07	521.36
086	00	9.1000	07	521.36
086	00	8.0000	07	521.43
086	00	8.0000	07	521.43

E-1763

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	5.0000	07	521.43
086	00	8.0000	07	521.43
086	00	8.0000	07	521.43
086	00	9.2500	07	521.43
086	00	6.0000	07	521.43
086	00	6.0000	07	521.56
086	00	8.0000	07	521.56
086	00	8.0000	07	521.56
086	00	8.0000	07	521.65
086	00	8.0000	07	576.75
086	00	5.0000	07	557.51
086	00	5.0000	07	605.17
086	00	8.0000	07	611.00
086	00	9.1000	07	614.48
086	00	9.1000	07	619.14
086	00	8.0000	07	619.35
086	00	9.1000	07	623.45
086	00	8.0000	07	623.45
086	00	8.0000	07	623.45
086	00	8.0000	07	623.65
086	00	8.0000	07	623.65
086	00	8.0000	07	623.72
086	00	8.0000	07	623.72
086	00	8.0000	07	623.87
086	00	8.0000	07	623.87
086	00	8.0000	07	624.03
086	00	5.0000	07	627.97
086	00	5.0000	07	633.78
086	00	8.0000	07	675.20
086	00	5.0000	07	704.79
086	00	8.0000	07	725.74
086	00	9.1000	07	725.91
086	00	8.0000	07	726.01
086	00	8.0000	07	726.01
086	00	8.0000	07	726.15
086	00	8.0000	07	726.19
086	00	8.0000	07	726.15
086	00	8.0000	07	726.37
086	00	9.2500	07	741.10
086	00	8.0000	07	758.68
086	00	8.0000	07	770.43
086	00	8.0000	07	783.25
086	00	7.7500	07	817.80
086	00	4.5000	07	818.00
086	00	9.1000	07	819.91
086	00	7.0000	07	820.71
086	00	8.0000	07	828.01
086	00	8.0000	07	828.30
086	00	8.0000	07	828.30
086	00	9.1000	07	835.81
086	00	8.0000	07	857.58
086	00	9.1000	07	879.12
086	00	8.0000	07	907.75
086	00	8.0000	07	927.75
086	00	9.1000	07	950.24
086	00	7.0000	07	999.46

E-1764

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	07	1,000.00
086	00	8.0000	07	1,005.16
086	00	8.0000	07	1,006.84
086	00	8.0000	07	1,007.36
086	00	8.0000	07	1,008.33
086	00	8.0000	07	1,009.58
086	00	8.0000	07	1,011.52
086	00	8.0000	07	1,016.16
086	00	8.0000	07	1,019.73
086	00	8.0000	07	1,019.73
086	00	8.0000	07	1,019.95
086	00	8.0000	07	1,020.16
086	00	8.1000	07	1,022.75
086	00	8.1000	07	1,022.87
086	00	8.0000	07	1,022.87
086	00	8.0000	07	1,022.87
086	00	8.0000	07	1,024.58
086	00	8.0000	07	1,027.48
086	00	8.0000	07	1,029.72
086	00	8.0000	07	1,032.45
086	00	8.1000	07	1,032.75
086	00	8.0000	07	1,032.75
086	00	8.1000	07	1,032.75
086	00	8.0000	07	1,032.87
086	00	8.0000	07	1,032.87
086	00	8.0000	07	1,032.87
086	00	8.0000	07	1,032.87
086	00	8.2500	07	1,032.87
086	00	8.0000	07	1,032.87
086	00	7.9500	07	1,032.87
086	00	8.0000	07	1,032.87
086	00	8.2500	07	1,032.87
086	00	8.0000	07	1,032.87
086	00	8.1000	07	1,033.13
086	00	8.1000	07	1,033.13
086	00	8.0000	07	1,033.13
086	00	8.0000	07	1,033.13
086	00	8.0000	07	1,040.11
086	00	8.0000	07	1,040.27
086	00	8.2500	07	1,040.85
086	00	8.0000	07	1,042.48
086	00	5.0000	07	1,050.00
086	00	8.1000	07	1,050.35
086	00	8.0000	07	1,091.68
086	00	5.0000	07	1,111.60
086	00	8.0000	07	1,134.54
086	00	8.0000	07	1,134.74
086	00	8.0000	07	1,135.16
086	00	8.0000	07	1,135.16
086	00	8.0000	07	1,182.68
086	00	8.0000	07	1,191.71
086	00	5.0000	07	1,216.60
086	00	8.1000	07	1,218.57
086	00	5.0000	07	1,219.65
086	00	8.1000	07	1,227.30
086	00	8.0000	07	1,233.67

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	07	1,236.99
086	00	9.1000	07	1,237.30
086	00	8.0000	07	1,237.44
086	00	8.0000	07	1,237.44
086	00	8.0000	07	1,237.85
086	00	9.1000	07	1,237.75
086	00	9.1000	07	1,264.13
086	00	8.0000	07	1,307.17
086	00	5.0000	07	1,327.28
086	00	8.0000	07	1,330.41
086	00	9.1000	07	1,339.24
086	00	9.1000	07	1,339.56
086	00	8.0000	07	1,368.63
086	00	8.0000	07	1,370.28
086	00	8.0000	07	1,500.00
086	00	8.1000	07	1,509.99
086	00	5.0000	07	1,511.09
086	00	5.0000	07	1,519.52
086	00	5.0000	07	1,528.33
086	00	8.0000	07	1,529.58
086	00	8.0000	07	1,529.91
086	00	8.0000	07	1,532.85
086	00	8.0000	07	1,539.58
086	00	8.0000	07	1,543.74
086	00	8.0000	07	1,543.74
086	00	8.0000	07	1,544.30
086	00	8.0000	07	1,544.30
086	00	8.0000	07	1,544.30
086	00	8.0000	07	1,544.68
086	00	8.0000	07	1,545.07
086	00	8.0000	07	1,575.18
086	00	8.0000	07	1,621.42
086	00	7.0000	07	1,623.33
086	00	8.0000	07	1,631.08
086	00	8.0000	07	1,631.56
086	00	8.0000	07	1,724.18
086	00	8.0000	07	1,733.02
086	00	9.1000	07	1,748.24
086	00	8.0000	07	1,835.90
086	00	8.0000	07	1,851.17
086	00	8.0000	07	1,872.98
086	00	5.0000	07	2,000.00
086	00	13.0000	07	2,021.66
086	00	8.0000	07	2,023.15
086	00	9.1000	07	2,024.57
086	00	5.5000	07	2,038.27
086	00	7.0000	07	2,040.05
086	00	9.1000	07	2,044.59
086	00	8.0000	07	2,045.73
086	00	8.0000	07	2,049.45
086	00	8.0000	07	2,049.85
086	00	8.0000	07	2,049.89
086	00	8.0000	07	2,049.89
086	00	9.1000	07	2,055.50
086	00	8.0000	07	2,055.73
086	00	8.0000	07	2,055.73

E- 1766

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	07	2,056.24
086	00	9.1000	07	2,070.04
086	00	8.0000	07	2,078.90
086	00	8.0000	07	2,090.43
086	00	8.0000	07	2,091.00
086	00	8.0000	07	2,160.00
086	00	8.0000	07	2,255.22
086	00	8.0000	07	2,311.60
086	00	8.0000	07	2,355.37
086	00	8.0000	07	2,464.89
086	00	8.0000	07	2,467.86
086	00	8.0000	07	2,526.43
086	00	8.0000	07	2,528.71
086	00	5.0000	07	2,540.75
086	00	8.0000	07	2,551.11
086	00	8.0000	07	2,559.31
086	00	8.0000	07	2,559.86
086	00	8.0000	07	2,560.00
086	00	9.1000	07	2,566.24
086	00	8.0000	07	2,566.24
086	00	8.0000	07	2,566.24
086	00	8.0000	07	2,567.18
086	00	8.0000	07	2,567.81
086	00	8.0000	07	2,600.00
086	00	8.0000	07	2,608.63
086	00	8.0000	07	2,614.65
086	00	8.0000	07	2,750.00
086	00	8.0000	07	2,753.85
086	00	8.0000	07	2,805.61
086	00	9.1000	07	2,819.36
086	00	4.5000	07	2,821.41
086	00	8.0000	07	2,863.70
086	00	9.1000	07	2,873.70
086	00	8.0000	07	2,874.03
086	00	8.0000	07	2,933.71
086	00	8.0000	07	2,967.19
086	00	8.0000	07	2,975.25
086	00	5.0000	07	2,994.26
086	00	8.0000	07	3,020.00
086	00	8.0000	07	3,022.45
086	00	5.0000	07	3,024.24
086	00	4.5000	07	3,053.28
086	00	8.0000	07	3,049.75
086	00	8.0000	07	3,059.04
086	00	8.0000	07	3,060.66
086	00	9.1000	07	3,068.25
086	00	8.0000	07	3,069.18
086	00	8.0000	07	3,069.83
086	00	8.0000	07	3,069.83
086	00	8.0000	07	3,069.83
086	00	8.0000	07	3,069.84
086	00	8.0000	07	3,077.49
086	00	8.0000	07	3,077.49
086	00	9.1000	07	3,077.49
086	00	8.0000	07	3,077.49
086	00	8.0000	07	3,078.25

E- 1767

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	9.1000	07	3,078.25
086	00	9.1000	07	3,078.25
086	00	8.0000	07	3,078.61
086	00	8.0000	07	3,079.97
086	00	9.0000	07	3,100.07
086	00	8.0000	07	3,138.72
086	00	8.0000	07	3,171.83
086	00	8.0000	07	3,180.85
086	00	8.0000	07	3,234.98
086	00	8.0000	07	3,235.55
086	00	8.0000	07	3,264.60
086	00	8.0000	07	3,282.80
086	00	9.1000	07	3,324.70
086	00	8.0000	07	3,354.46
086	00	7.0000	07	3,366.85
086	00	8.0000	07	3,375.10
086	00	8.0000	07	3,376.54
086	00	8.0000	07	3,436.62
086	00	7.0000	07	3,520.13
086	00	8.0000	07	3,549.98
086	00	8.0000	07	3,550.51
086	00	8.0000	07	3,590.04
086	00	8.0000	07	3,590.94
086	00	8.0000	07	3,670.51
086	00	9.1000	07	3,783.25
086	00	8.0000	07	3,783.75
086	00	8.0000	07	3,841.75
086	00	8.0000	07	3,884.96
086	00	9.1000	07	3,935.76
086	00	5.0000	07	3,949.15
086	00	8.0000	07	3,985.09
086	00	8.0000	07	3,986.53
086	00	5.0000	07	4,011.50
086	00	8.0000	07	4,039.94
086	00	7.0000	07	4,049.09
086	00	8.0000	07	4,052.50
086	00	8.0000	07	4,078.90
086	00	8.0000	07	4,078.90
086	00	8.0000	07	4,080.00
086	00	8.0000	07	4,100.01
086	00	8.0000	07	4,101.48
086	00	8.0000	07	4,112.00
086	00	8.0000	07	4,157.91
086	00	8.0000	07	4,181.77
086	00	8.0000	07	4,344.77
086	00	8.0000	07	4,560.40
086	00	9.1000	07	4,577.44
086	00	8.2000	07	4,591.00
086	00	8.0000	07	4,600.00
086	00	8.0000	07	4,687.53
086	00	9.1000	07	4,768.58
086	00	8.0000	07	4,909.77
086	00	8.0000	07	5,033.33
086	00	7.0000	07	5,087.50
086	00	8.0000	07	5,098.63
086	00	8.0000	07	5,098.63

E- 1768

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	07	5,098.64
086	00	8.0000	07	5,101.11
086	00	9.1000	07	5,113.76
086	00	8.0000	07	5,122.50
086	00	4.5000	07	5,124.38
086	00	8.0000	07	5,125.54
086	00	8.0000	07	5,187.50
086	00	8.0000	07	5,198.35
086	00	8.0000	07	5,200.00
086	00	9.1000	07	5,216.03
086	00	8.0000	07	5,239.30
086	00	4.5000	07	5,257.68
086	00	8.0000	07	5,263.15
086	00	4.0000	07	5,294.24
086	00	8.0000	07	5,900.37
086	00	8.0000	07	5,921.50
086	00	8.0000	07	5,940.00
086	00	8.5000	07	6,000.00
086	00	8.0000	07	6,000.00
086	00	7.0000	07	6,103.56
086	00	7.0000	07	6,103.56
086	00	8.0000	07	6,118.36
086	00	8.0000	07	6,128.36
086	00	5.0000	07	6,149.59
086	00	7.0000	07	6,207.12
086	00	8.0000	07	6,240.77
086	00	8.5000	07	6,290.00
086	00	8.0000	07	6,425.65
086	00	8.0000	07	6,454.00
086	00	8.0000	07	6,872.95
086	00	8.0000	07	7,010.73
086	00	8.0000	07	7,046.67
086	00	8.0000	07	7,102.05
086	00	8.0000	07	7,138.08
086	00	8.0000	07	7,148.08
086	00	8.0000	07	7,148.08
086	00	8.0000	07	7,184.11
086	00	8.0000	07	7,366.76
086	00	8.0000	07	7,445.60
086	00	5.0000	07	7,564.72
086	00	8.0000	07	7,647.95
086	00	8.5000	07	8,047.78
086	00	7.5000	07	8,147.94
086	00	8.0000	07	8,157.80
086	00	8.0000	07	8,157.80
086	00	8.0000	07	8,157.81
086	00	8.0000	07	8,157.81
086	00	8.0000	07	8,317.37
086	00	8.0000	07	8,621.78
086	00	8.0000	07	8,781.14
086	00	8.0000	07	8,871.61
086	00	5.0000	07	9,000.00
086	00	8.0000	07	9,059.17
086	00	8.0000	07	9,059.17
086	00	8.0000	07	9,100.00
086	00	8.0000	07	9,269.99

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	07	9,505.01
086	00	9.0000	07	9,983.76
086	00	4.5000	07	10,110.96
086	00	7.0000	07	10,174.52
086	00	8.0000	07	10,197.26
086	00	8.0000	07	10,197.26
086	00	8.0000	07	10,200.00
086	00	8.0000	07	10,202.22
086	00	8.0000	07	10,256.44
086	00	8.0000	07	10,394.52
086	00	8.0000	07	10,554.16
086	00	8.0000	07	10,627.42
086	00	8.0000	07	11,364.46
086	00	8.0000	07	11,433.97
086	00	8.0000	07	11,694.61
086	00	8.0000	07	11,726.85
086	00	7.5000	07	12,221.91
086	00	5.0000	07	12,243.22
086	00	8.0000	07	12,475.42
086	00	13.0000	07	12,635.42
086	00	8.0000	07	14,039.55
086	00	8.0000	07	14,076.00
086	00	5.0000	07	14,356.71
086	00	8.0000	07	15,100.00
086	00	8.0000	07	15,255.50
086	00	8.0000	07	15,302.47
086	00	8.0000	07	15,303.33
086	00	4.5000	07	15,382.46
086	00	8.0000	07	16,213.64
086	00	8.0000	07	16,320.00
086	00	8.0000	07	16,325.61
086	00	9.0000	07	16,511.22
086	00	8.0000	07	18,710.14
086	00	8.0000	07	18,828.47
086	00	8.0000	07	19,374.75
086	00	8.5000	07	19,727.00
086	00	8.0000	07	20,000.00
086	00	8.0000	07	20,394.52
086	00	8.0000	07	20,394.52
086	00	8.0000	07	20,399.55
086	00	8.0000	07	20,400.00
086	00	13.0000	07	20,722.08
086	00	8.0000	07	21,220.62
086	00	8.0000	07	21,600.00
086	00	8.0000	07	22,500.00
086	00	9.0000	07	23,434.34
086	00	8.0000	07	24,960.00
086	00	8.0000	07	25,000.00
086	00	8.0000	07	25,505.56
086	00	8.5000	07	25,537.15
086	00	9.0000	07	27,033.18
086	00	8.0000	07	27,081.48
086	00	8.0000	07	28,650.00
086	00	13.0000	07	30,480.82
086	00	8.0000	07	31,222.13
086	00	8.0000	07	33,269.47

E-1770

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
086	00	8.0000	07	34,560.00
086	00	8.0000	07	37,748.22
086	00	8.0000	07	38,730.42
086	00	13.0000	07	39,704.45
086	00	8.0000	07	40,800.00
086	00	5.0000	07	46,978.41
086	00	6.0000	07	50,756.33
086	00	6.7500	07	80,062.88
086	00	6.0000	07	101,479.45
086	00	8.0000	07	103,945.20
086	00	8.5000	07	133,805.35

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
430	02	8.0000	01	1,010.00
430	02	8.5000	01	1,048.96
430	02	8.5000	01	1,118.59
430	02	8.5000	01	1,187.50
430	02	8.0000	01	1,200.00
430	02	8.0000	01	1,410.00
430	02	8.0000	01	1,500.00
430	02	8.0000	01	2,016.16
430	02	9.0000	01	2,500.00
430	02	8.0000	01	2,515.90
430	02	8.0000	01	3,010.00
430	02	8.0000	01	3,015.44
430	02	8.0000	01	3,019.35
430	02	8.0000	01	3,031.28
430	02	8.0000	01	4,000.00
430	02	8.0000	01	5,025.41
430	02	8.0000	01	6,000.00
430	02	8.0000	01	7,000.00
430	02	8.0000	01	9,000.00
430	02	8.0000	01	9,200.00
430	0212	8.0000	01	9,377.52
430	0212	8.0000	01	10,008.16
430	02	8.0000	01	10,500.00
430	02	8.0000	01	12,000.00
430	02	9.0000	01	14,000.00
430	02	8.0000	01	14,040.00
430	02	7.5000	01	15,500.00
430	0212	8.0000	01	15,711.24
430	02	7.5000	01	19,514.92
430	02	8.0000	01	25,000.00
430	02	9.0000	01	26,931.52
430	0211	8.0000	01	27,000.00
430	02	8.0000	01	40,000.00
430	02	9.0000	01	50,000.00
430	02	8.0000	01	70,875.00

E- 1772

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
430	02	8.0000	07	111.83
430	02	8.0000	07	210.62
430	02	8.0000	07	268.23
430	02	8.0000	07	286.31
430	02	8.0000	07	300.92
430	02	8.0000	07	310.82
430	02	8.0000	07	311.81
430	02	8.0000	07	410.00
430	02	8.0000	07	411.03
430	02	8.0000	07	411.23
430	02	8.0000	07	461.22
430	02	8.0000	07	500.00
430	02	8.0000	07	500.00
430	02	8.0000	07	500.45
430	02	8.0000	07	501.36
430	02	8.0000	07	501.39
430	02	8.0000	07	510.00
430	02	8.0000	07	510.00
430	02	8.0000	07	510.45
430	02	8.0000	07	511.36
430	02	8.0000	07	511.36
430	02	8.0000	07	511.56
430	02	8.0000	07	559.01
430	02	8.0000	07	600.00
430	02	8.0000	07	601.66
430	02	8.0000	07	611.10
430	02	8.0000	07	611.63
430	02	8.0000	07	611.63
430	02	8.0000	07	611.85
430	02	8.0000	07	611.35
430	02	8.0000	07	611.85
430	02	8.0000	07	611.85
430	02	8.0000	07	760.00
430	02	8.0000	07	800.00
430	02	8.0000	07	812.47
430	02	8.0000	07	864.46
430	02	8.0000	07	900.00
430	02	8.0000	07	910.00
430	02	8.0000	07	1,000.00
430	02	8.0000	07	1,000.00
430	02	8.0000	07	1,000.00
430	02	8.0000	07	1,002.75
430	02	8.0000	07	1,010.00
430	02	8.0000	07	1,011.91
430	02	8.0000	07	1,012.72
430	02	8.0000	07	1,012.75
430	02	8.0000	07	1,112.99
430	02	8.0000	07	1,213.26
430	02	8.0000	07	1,213.74
430	02	8.0000	07	1,301.17
430	02	8.0000	07	1,500.00
430	02	8.0000	07	1,500.00
430	02	8.0000	07	1,514.12
430	02	8.0000	07	1,514.52
430	02	8.0000	07	1,760.00
430	02	8.0000	07	1,804.95

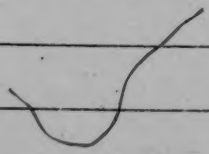
E- 1773

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
430	02	8.0000	07	1,810.00
430	02	8.0000	07	1,810.00
430	02	8.0000	07	1,844.14
430	02	8.0000	07	1,843.34
430	02	5.0000	07	2,000.00
430	02	7.5000	07	2,000.00
430	02	8.0000	07	2,005.50
430	02	8.0000	07	2,010.00
430	02	8.0000	07	2,010.00
430	02	8.0000	07	2,015.44
430	02	8.0000	07	2,015.44
430	02	8.0000	07	2,015.50
430	02	8.0000	07	2,016.16
430	02	8.0000	07	2,016.23
430	02	8.0000	07	2,016.23
430	02	5.0000	07	2,100.00
430	02	8.0000	07	2,166.70
430	02	8.0000	07	2,200.12
430	02	8.0000	07	2,310.00
430	02	8.0000	07	2,417.40
430	02	8.0000	07	2,500.00
430	02	5.0000	07	2,500.00
430	02	5.0000	07	2,502.64
430	02	8.0000	07	2,506.95
430	02	8.0000	07	2,510.00
430	02	8.0000	07	2,517.79
430	02	8.0000	07	2,610.00
430	02	8.0000	07	3,000.00
430	02	8.0000	07	3,000.00
430	02	8.0000	07	3,005.44
430	02	8.0000	07	3,008.25
430	02	8.0000	07	3,018.25
430	02	8.0000	07	3,018.39
430	02	8.0000	07	3,019.25
430	02	8.0000	07	3,019.45
430	02	8.0000	07	3,118.63
430	02	8.0000	07	3,285.00
430	02	8.0000	07	3,429.71
430	02	8.0000	07	3,510.00
430	02	8.0000	07	3,510.00
430	02	8.0000	07	3,631.66
430	02	8.0000	07	3,710.00
430	02	8.0000	07	4,000.00
430	02	8.0000	07	4,010.00
430	02	8.0000	07	4,022.33
430	02	8.0000	07	4,022.47
430	02	4.5000	07	4,600.00
430	02	8.0000	07	4,929.98
430	02	8.0000	07	5,000.00
430	02	8.0000	07	5,000.00
430	02	8.0000	07	5,000.00
430	02	8.0000	07	5,010.00
430	02	8.0000	07	5,010.00
430	02	8.0000	07	5,013.76
430	02	8.0000	07	5,023.51
430	02	8.0000	07	5,025.41

E- 1774

BANK NO.	SR. N.I.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
430	02	8.0000	07	5,200.00
430	02	8.0000	07	5,600.00
430	02	8.0000	07	5,600.00
430	02	8.0000	07	6,000.00
430	02	8.0000	07	6,200.00
430	02	8.0000	07	7,000.00
430	02	8.0000	07	7,500.00
430	02	8.0000	07	7,620.68
430	02	4.5000	07	8,000.00
430	02	8.0000	07	9,000.00
430	02	8.0000	07	9,000.00
430	02	8.0000	07	9,351.63
430	02	8.0000	07	10,000.00
430	02	8.0000	07	10,000.00
430	02	8.0000	07	10,000.00
430	02	8.0000	07	10,000.00
430	02	8.0000	07	12,000.00
430	02	8.0000	07	12,000.00
430	02	8.0000	07	12,050.00
430	02	8.0000	07	13,250.00
430	02	8.0000	07	14,814.63
430	02	8.0000	07	15,000.00
430	02	8.0000	07	16,000.00
430	02	8.0000	07	18,000.00
430	02	8.0000	07	20,000.00
430	02	7.0000	07	28,000.00
430	02	8.0000	07	35,000.00
430	02	8.0000	07	60,000.00

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
430	02	4.5000	51	6,000.00
430	02	5.0000	51	8,980.00



E-1776

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
525	01	3.5000	01	377.00
525	01	8.0000	01	1,514.67
525	01	8.0000	01	2,010.00
525	01	8.0000	01	2,016.23
525	01	8.0000	01	2,413.70
525	01	8.0000	01	2,510.00
525	01	8.0000	01	2,591.47
525	01	8.0000	01	3,410.00
525	01	8.0000	01	4,000.00
525	01	8.0000	01	4,647.00
525	01	8.0000	01	5,010.00
525	01	8.0000	01	5,013.61
525	01	8.0000	01	5,513.00
525	01	8.0000	01	6,010.00
525	01	8.0000	01	6,010.00
525	01	8.0000	01	6,510.00
525	01	8.0000	01	7,010.00
525	01	8.0000	01	7,500.00
525	01	7.2500	01	7,500.00
525	01	8.0000	01	7,730.07
525	01	8.0000	01	9,510.00
525	01	8.0000	01	10,000.00
525	01	8.0000	01	10,000.00
525	01	8.0000	01	10,010.00
525	01	8.0000	01	10,510.00
525	01	8.0000	01	10,641.10
525	01	8.0000	01	10,795.00
525	01	8.0000	01	10,835.80
525	01	8.0000	01	11,000.00
525	01	8.0000	01	12,010.00
525	01	8.0000	01	13,147.00
525	01	8.0000	01	15,000.00
525	01	8.0000	01	15,010.00
525	01	8.0000	01	15,010.00
525	01	8.0000	01	18,000.00
525	01	8.0000	01	18,010.00
525	01	8.0000	01	20,000.00
525	01	8.0000	01	20,010.00
525	01	8.0000	01	23,000.00
525	01	8.0000	01	23,510.00
525	01	8.0000	01	25,010.00
525	01	8.0000	01	25,010.00
525	01	8.0000	01	25,625.00
525	01	8.0000	01	28,000.00
525	01	8.5000	01	29,457.00
525	01	8.5000	01	29,461.00
525	01	8.0000	01	30,000.00
525	01	8.0000	01	31,661.59
525	01	8.0000	01	37,510.00
525	01	8.0000	01	40,910.00
525	01	8.0000	01	45,010.00
525	01	7.5000	01	98,500.00
525	01	7.0000	01	120,000.00

E- 1777

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
525	01	8.0000	07	.16
525	01	8.0000	07	137.12
525	01	8.0000	07	143.91
525	01	8.0000	07	150.00
525	01	8.0000	07	200.54
525	01	8.0000	07	240.32
525	01	8.0000	07	260.68
525	01	8.0000	07	260.79
525	01	8.0000	07	300.00
525	01	8.0000	07	300.54
525	01	8.0000	07	300.81
525	01	8.0000	07	300.32
525	01	8.0000	07	300.92
525	01	8.0000	07	300.92
525	01	8.0000	07	310.35
525	01	8.0000	07	310.82
525	01	8.0000	07	310.92
525	01	8.0000	07	310.92
525	01	8.0000	07	310.92
525	01	8.0000	07	350.95
525	01	7.0000	07	389.86
525	01	8.0000	07	410.54
525	01	8.0000	07	411.08
525	01	8.0000	07	411.10
525	01	8.0000	07	411.23
525	01	8.0000	07	411.25
525	01	8.0000	07	450.00
525	01	8.0000	07	450.00
525	01	8.0000	07	451.22
525	01	8.0000	07	460.95
525	01	8.0000	07	500.00
525	01	8.0000	07	501.54
525	01	8.0000	07	511.03
525	01	8.0000	07	511.36
525	01	8.0000	07	511.36
525	01	8.0000	07	511.37
525	01	8.0000	07	600.00
525	01	8.0000	07	601.83
525	01	8.0000	07	601.86
525	01	8.0000	07	610.00
525	01	7.0000	07	610.33
525	01	8.0000	07	611.63
525	01	8.0000	07	611.63
525	01	8.0000	07	611.65
525	01	8.0000	07	700.00
525	01	8.0000	07	701.01
525	01	8.0000	07	712.16
525	01	8.0000	07	750.00
525	01	8.0000	07	752.04
525	01	8.0000	07	762.04
525	01	8.0000	07	762.34
525	01	8.0000	07	812.20
525	01	8.0000	07	900.00
525	01	8.0000	07	925.00
525	01	8.0000	07	1,000.00
525	01	8.0000	07	1,000.00

E- 1778

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
525	01	8.0000	07	1,001.84
525	01	8.0000	07	1,002.42
525	01	8.0000	07	1,002.72
525	01	8.0000	07	1,002.75
525	01	8.0000	07	1,002.75
525	01	8.0000	07	1,010.00
525	01	8.0000	07	1,012.72
525	01	8.0000	07	1,012.72
525	01	8.0000	07	1,013.08
525	01	8.0000	07	1,013.12
525	01	8.0000	07	1,113.39
525	01	8.0000	07	1,114.25
525	01	8.0000	07	1,210.00
525	01	8.0000	07	1,500.00
525	01	8.0000	07	1,500.00
525	01	8.0000	07	1,500.00
525	01	8.0000	07	1,504.67
525	01	8.0000	07	1,510.00
525	01	8.0000	07	1,511.36
525	01	8.0000	07	1,514.08
525	01	8.0000	07	1,514.08
525	01	8.0000	07	1,514.12
525	01	8.0000	07	1,514.62
525	01	8.0000	07	1,514.62
525	01	8.0000	07	1,514.67
525	01	8.0000	07	1,604.99
525	01	8.0000	07	1,704.67
525	01	8.0000	07	1,733.26
525	01	8.0000	07	1,755.39
525	01	8.0000	07	1,804.95
525	01	8.0000	07	1,814.89
525	01	7.5000	07	1,864.63
525	01	8.0000	07	2,010.00
525	01	8.0000	07	2,010.85
525	01	8.0000	07	2,015.44
525	01	8.0000	07	2,015.44
525	01	8.0000	07	2,015.50
525	01	8.0000	07	2,016.16
525	01	8.0000	07	2,031.77
525	01	8.0000	07	2,100.00
525	01	8.0000	07	2,116.88
525	01	8.0000	07	2,117.70
525	01	8.0000	07	2,272.26
525	01	8.0000	07	2,317.25
525	01	8.0000	07	2,360.00
525	01	8.0000	07	2,376.00
525	01	7.7500	07	2,400.00
525	01	8.0000	07	2,407.48
525	01	8.0000	07	2,500.00
525	01	8.0000	07	2,500.00
525	01	8.0000	07	2,506.98
525	01	8.0000	07	2,510.00
525	01	8.0000	07	2,510.00
525	01	8.0000	07	2,600.05
525	01	8.0000	07	2,652.30
525	01	8.0000	07	2,656.17

E-1779

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
525	01	8.0000	07	2,704.39
525	01	8.0000	07	2,718.41
525	01	8.0000	07	3,000.00
525	01	8.0000	07	3,000.00
525	01	8.0000	07	3,000.00
525	01	8.0000	07	3,010.00
525	01	8.0000	07	3,010.00
525	01	8.0000	07	3,015.44
525	01	8.0000	07	3,018.16
525	01	8.0000	07	3,018.16
525	01	8.0000	07	3,018.25
525	01	8.0000	07	3,018.26
525	01	8.0000	07	3,020.00
525	01	8.0000	07	3,110.00
525	01	8.0000	07	3,116.37
525	01	7.0000	07	3,260.23
525	01	8.0000	07	3,500.00
525	01	8.0000	07	3,509.53
525	01	8.0000	07	3,510.00
525	01	8.0000	07	3,620.97
525	01	8.0000	07	3,504.02
525	01	8.0000	07	4,000.00
525	01	8.0000	07	4,000.00
525	01	8.0000	07	4,000.00
525	01	8.0000	07	4,010.00
525	01	8.0000	07	4,010.00
525	01	8.0000	07	4,010.00
525	01	8.0000	07	4,022.32
525	01	8.0000	07	4,161.71
525	01	8.0000	07	4,512.38
525	01	8.0000	07	4,513.87
525	01	8.0000	07	4,810.00
525	01	8.0000	07	5,000.00
525	01	8.0000	07	5,000.00
525	01	8.0000	07	5,010.00
525	01	8.0000	07	5,010.00
525	01	8.0000	07	5,010.00
525	01	8.0000	07	5,010.00
525	01	8.0000	07	5,013.61
525	01	8.0000	07	5,023.76
525	01	5.0000	07	5,045.00
525	01	7.7500	07	5,510.00
525	01	8.0000	07	5,766.56
525	01	8.0000	07	6,000.00
525	01	8.0000	07	6,010.00
525	01	8.0000	07	6,010.00
525	01	8.0000	07	6,010.00
525	01	8.0000	07	6,010.00
525	01	8.0000	07	6,010.00
525	01	8.0000	07	6,010.00
525	01	8.0000	07	6,100.00
525	01	8.0000	07	6,500.00
525	01	8.0000	07	6,500.00
525	01	8.0000	07	6,510.00
525	01	8.0000	07	7,000.00
525	01	8.0000	07	7,310.00

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
525	01	8.0000	07	7,500.00
525	01	8.0000	07	7,510.00
525	01	8.0000	07	7,510.00
525	01	7.5000	07	8,000.00
525	01	8.0000	07	8,010.00
525	01	8.0000	07	8,171.32
525	01	8.0000	07	8,410.00
525	01	8.0000	07	8,500.00
525	01	8.0000	07	9,000.00
525	01	8.0000	07	9,298.84
525	01	7.5000	07	9,500.00
525	01	8.0000	07	10,000.00
525	01	8.0000	07	10,000.00
525	01	8.0000	07	10,000.00
525	01	8.0000	07	10,000.00
525	01	8.0000	07	10,000.00
525	01	8.0000	07	10,000.00
525	01	8.0000	07	10,000.00
525	01	8.0000	07	10,010.00
525	01	8.0000	07	10,010.00
525	01	8.0000	07	10,010.00
525	01	8.0000	07	10,010.00
525	01	8.0000	07	10,010.00
525	01	8.0000	07	10,309.99
525	01	8.0000	07	10,360.00
525	01	8.0000	07	10,500.00
525	01	8.0000	07	10,510.00
525	01	8.0000	07	10,710.00
525	01	8.0000	07	11,010.00
525	01	8.0000	07	12,000.00
525	01	8.0000	07	12,010.00
525	01	8.0000	07	12,010.00
525	01	7.5000	07	12,500.00
525	01	8.0000	07	12,510.00
525	01	8.0000	07	12,510.00
525	01	8.0000	07	14,000.00
525	01	8.0000	07	15,010.00
525	01	8.0000	07	15,010.00
525	01	8.0000	07	15,305.39
525	01	8.0000	07	18,000.00
525	01	8.0000	07	18,610.00
525	01	8.0000	07	20,000.00
525	01	8.0000	07	20,830.19
525	01	8.0000	07	22,810.00
525	01	8.0000	07	25,000.00
525	01	8.0000	07	25,000.00
525	01	8.0000	07	25,010.00
525	01	8.0000	07	27,307.41
525	01	8.0000	07	29,000.00
525	01	8.0000	07	30,000.00
525	01	8.0000	07	30,000.00
525	01	8.0000	07	32,000.00
525	01	8.0000	07	37,010.00
525	01	8.0000	07	41,000.00
525	01	8.0000	07	47,010.00
525	01	8.0000	07	55,000.00

E-1781

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
525	01	9.0000	07	75,000.00
525	01	8.5000	07	104,400.00
525	01	9.0000	07	110,000.00

E- 1782

		RATE		LOSS	[illegible]
	460	02	8.0000	07	210.36
	460	02	8.0000	07	210.62
	460	02	8.0000	07	250.78
	460	02	8.0000	07	261.01
	460	02	8.0000	07	300.83
	460	02	8.0000	07	310.26
	460	02	8.0000	07	310.64
	460	02	8.0000	07	310.93
	460	02	8.0000	07	311.05
	460	02	8.0000	07	376.16
	460	02	8.0000	07	401.08
	460	02	8.0000	07	410.00
	460	02	8.0000	07	425.77
	460	02	8.0000	07	500.00
	460	02	8.0000	07	500.00
	460	02	8.0000	07	501.37
	460	02	8.0000	07	501.56
	460	02	8.0000	07	510.00
	460	02	8.0000	07	510.00
	460	02	8.0000	07	510.00
	460	02	8.0000	07	511.56
	460	02	8.0000	07	511.56
	460	02	8.0000	07	511.56
	460	02	8.0000	07	562.02
	460	02	8.0000	07	610.00
	460	02	8.0000	07	611.87
	460	02	8.0000	07	710.00
	460	02	8.0000	07	711.20
	460	02	8.0000	07	711.44
	460	02	8.0000	07	750.00
	460	02	8.0000	07	751.56
	460	02	8.0000	07	762.04
	460	02	8.0000	07	762.04
	460	02	8.0000	07	762.31
	460	02	8.0000	07	900.67
	460	02	8.0000	07	910.77
	460	02	8.0000	07	914.89
	460	02	8.0000	07	1,000.00
	460	02	8.0000	07	1,002.75
	460	02	8.0000	07	1,010.00
	460	02	8.0000	07	1,010.00
	460	02	8.0000	07	1,010.00
	460	02	8.0000	07	1,012.00
	460	02	8.0000	07	1,012.00
	460	02	8.0000	07	1,012.72
	460	02	8.0000	07	1,012.72
	460	02	8.0000	07	1,012.75
	460	02	8.0000	07	1,013.00
	460	02	8.0000	07	1,013.00
	460	02	8.0000	07	1,013.00
	460	02	8.0000	07	1,013.02
	460	02	8.0000	07	1,013.00
	460	02	8.0000	07	1,113.53
	460	02	8.0000	07	1,113.50
	460	02	8.0000	07	1,203.26
	460	02	8.0000	07	1,214.03

PD.	NO.	LI... TYPE	PR. CLASS	CHECK OUTSTANDING
440	02	8.0000	07	1,217.40
440	02	8.0000	07	1,302.76
440	02	8.0000	07	1,313.57
440	02	8.0000	07	1,384.52
440	02	8.0000	07	1,402.81
440	02	8.0000	07	1,413.71
440	02	8.0000	07	1,504.08
440	02	8.0000	07	1,513.00
440	02	8.0000	07	1,513.00
440	02	8.0000	07	1,513.08
440	02	8.0000	07	1,514.08
440	02	8.0000	07	1,514.62
440	02	5.0000	07	1,600.00
440	02	8.0000	07	1,714.62
440	02	8.0000	07	1,715.31
440	02	8.0000	07	1,753.00
440	02	8.0000	07	1,817.42
440	02	5.0000	07	2,000.00
440	02	8.0000	07	2,000.00
440	02	8.0000	07	2,003.44
440	02	8.0000	07	2,010.81
440	02	8.0000	07	2,010.00
440	02	8.0000	07	2,015.44
440	02	8.0000	07	2,015.44
440	02	8.0000	07	2,015.70
440	02	8.0000	07	2,016.16
440	02	8.0000	07	2,022.33
440	02	5.0000	07	2,250.00
440	02	8.0000	07	2,346.90
440	02	8.0000	07	2,455.22
440	02	8.0000	07	2,500.00
440	02	4.5000	07	2,500.00
440	02	8.0000	07	2,510.00
440	02	8.0000	07	2,512.24
440	02	8.0000	07	2,516.80
440	02	8.0000	07	2,756.17
440	02	7.7800	07	3,000.00
440	02	8.0000	07	3,010.00
440	02	8.0000	07	3,018.18
440	02	8.0000	07	3,019.25
440	02	8.0000	07	3,019.25
440	02	8.0000	07	3,028.49
440	02	8.0000	07	3,110.00
440	02	8.0000	07	3,210.44
440	02	5.0000	07	3,500.00
440	02	8.0000	07	3,500.00
440	02	8.0000	07	3,503.10
440	02	8.0000	07	4,000.00
440	02	8.0000	07	4,022.33
440	02	8.0000	07	4,054.70
440	02	8.0000	07	4,142.70
440	02	8.0000	07	4,423.06
440	02	5.0000	07	5,000.00
440	02	7.7800	07	5,000.00
440	02	8.0000	07	5,010.00
440	02	8.0000	07	5,010.00

POOR COPY

					[illegible]
					[illegible]
					5,715.41
					[illegible]
					[illegible]
					[illegible]
					[illegible]
					[illegible]
					7,224.24
					[illegible]
					7,704.11
					[illegible]
					[illegible]
					[illegible]
					10,000.00
					10,000.00
					[illegible]
					[illegible]
					[illegible]
					[illegible]
					15,000.00
					[illegible]
					[illegible]
					[illegible]
					[illegible]
					17,574.44
					[illegible]
					[illegible]
					20,000.00
					20,000.00
					20,000.00
					[illegible]
					21,820.60
					[illegible]
					37,500.00
					[illegible]
					40,000.00
					[illegible]
					44,000.00

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
045	00	8.0000	01	482.05
045	00	8.0000	01	744.00
045	00	8.0000	01	1,030.00
045	00	8.0000	01	1,447.33
045	00	8.0000	01	1,638.25
045	00	8.0000	01	1,641.56
045	00	1.0000	01	2,450.15
045	00	16.1000	01	3,134.95
045	00	9.0000	01	3,158.75
045	00	8.0000	01	3,671.01
045	00	8.0000	01	3,672.00
045	00	9.0000	01	6,089.76
045	00	6.0000	01	6,180.00
045	00	9.0000	01	8,180.00
045	00	8.5000	01	10,000.00
045	00	5.5000	01	10,139.02
045	00	8.0000	01	10,199.99
045	00	9.0000	01	10,227.50
045	00	6.0000	01	10,300.00
045	00	5.0000	01	15,187.49
045	00	9.0000	01	15,225.00
045	00	8.0000	01	15,300.00
045	00	9.0000	01	20,450.00
045	00	5.5000	01	20,549.99
045	00	6.0000	01	22,800.00
045	00	8.0000	01	41,048.61
045	00	12.0000	01	48,125.00
045	00	8.5000	01	55,000.00
045	00	8.0000	01	72,799.99
045	00	8.5000	01	75,000.00
045	00	5.2500	01	80,699.99

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
045	00	8.0000	07	131.58
045	00	8.0000	07	153.36
045	00	8.0000	07	163.43
045	00	7.0000	07	202.41
045	00	8.0000	07	211.63
045	00	8.0000	07	213.05
045	00	9.1000	07	214.45
045	00	8.0000	07	214.58
045	00	8.0000	07	265.85
045	00	7.0000	07	301.72
045	00	8.0000	07	315.51
045	00	8.0000	07	315.92
045	00	8.1500	07	316.74
045	00	8.0000	07	316.93
045	00	8.0000	07	317.02
045	00	7.0000	07	353.15
045	00	8.0000	07	389.40
045	00	8.0000	07	409.10
045	00	8.0000	07	415.34
045	00	8.0000	07	417.85
045	00	8.0000	07	419.14
045	00	8.0000	07	419.14
045	00	8.0000	07	420.52
045	00	8.0000	07	429.28
045	00	8.0000	07	506.57
045	00	8.0000	07	516.68
045	00	7.0000	07	520.01
045	00	8.0000	07	521.24
045	00	8.0000	07	529.72
045	00	8.0000	07	545.10
045	00	8.0000	07	555.35
045	00	8.0000	07	559.77
045	00	8.0000	07	570.85
045	00	8.0000	07	621.84
045	00	8.0000	07	621.97
045	00	8.0000	07	625.78
045	00	8.0000	07	637.52
045	00	8.0000	07	637.52
045	00	8.0000	07	661.76
045	00	8.0000	07	700.51
045	00	7.7500	07	825.28
045	00	8.0000	07	825.78
045	00	8.0000	07	876.76
045	00	7.5000	07	967.68
045	00	8.0000	07	1,019.55
045	00	8.0000	07	1,029.72
045	00	9.2500	07	1,032.87
045	00	8.0000	07	1,032.87
045	00	7.0000	07	1,040.14
045	00	8.0000	07	1,088.50
045	00	9.2500	07	1,092.50
045	00	8.0000	07	1,233.67
045	00	8.0000	07	1,233.93
045	00	5.0000	07	1,236.28
045	00	7.0000	07	1,264.86
045	00	7.0000	07	1,322.43

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
045	00	9.2500	07	1,413.70
045	00	8.0000	07	1,519.73
045	00	7.5000	07	1,527.74
045	00	8.0000	07	1,534.11
045	00	8.0000	07	1,539.58
045	00	8.0000	07	1,539.59
045	00	8.0000	07	1,540.25
045	00	5.5000	07	1,540.68
045	00	8.0000	07	1,543.74
045	00	8.0000	07	1,569.51
045	00	5.0000	07	1,604.88
045	00	8.0000	07	1,637.72
045	00	8.0000	07	1,682.09
045	00	8.0000	07	1,733.80
045	00	8.0000	07	1,764.13
045	00	8.0000	07	1,851.17
045	00	4.5000	07	2,022.68
045	00	7.7500	07	2,038.64
045	00	8.0000	07	2,039.85
045	00	8.0000	07	2,049.45
045	00	8.0000	07	2,049.45
045	00	8.0000	07	2,049.89
045	00	8.0000	07	2,052.60
045	00	8.0000	07	2,056.76
045	00	8.0000	07	2,057.76
045	00	9.1000	07	2,070.04
045	00	12.0000	07	2,533.34
045	00	7.5000	07	2,546.23
045	00	8.0000	07	2,549.86
045	00	7.0000	07	2,553.15
045	00	8.0000	07	2,559.32
045	00	7.0000	07	2,560.06
045	00	8.0000	07	2,567.81
045	00	8.0000	07	2,608.63
045	00	8.0000	07	2,608.63
045	00	8.0000	07	2,636.62
045	00	8.0000	07	2,651.28
045	00	8.0000	07	2,707.26
045	00	7.0000	07	2,731.58
045	00	8.0000	07	2,751.89
045	00	7.7500	07	2,752.12
045	00	8.0000	07	2,753.26
045	00	7.0000	07	2,859.19
045	00	8.0000	07	2,966.69
045	00	8.0000	07	2,992.70
045	00	4.3500	07	3,041.53
045	00	8.0000	07	3,069.18
045	00	8.0000	07	3,069.84
045	00	8.0000	07	3,070.67
045	00	8.0000	07	3,079.56
045	00	8.0000	07	3,088.90
045	00	8.0000	07	3,095.00
045	00	8.0000	07	3,110.16
045	00	8.0000	07	3,264.70
045	00	4.5000	07	3,536.68
045	00	7.7500	07	3,633.77

E- 1789

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
045	00	8.0000	07	3,693.47
045	00	7.0000	07	3,734.27
045	00	8.0000	07	3,783.75
045	00	6.0000	07	3,809.48
045	00	6.0000	07	3,866.71
045	00	8.0000	07	4,062.60
045	00	8.0000	07	4,074.00
045	00	7.5000	07	4,074.79
045	00	9.2500	07	4,225.25
045	00	9.1000	07	4,283.32
045	00	7.7500	07	4,354.05
045	00	8.0000	07	4,486.82
045	00	8.0000	07	4,559.75
045	00	7.0000	07	4,609.60
045	00	7.0000	07	4,782.53
045	00	5.0000	07	4,817.18
045	00	5.0000	07	4,859.17
045	00	8.0000	07	5,043.83
045	00	7.0000	07	5,045.06
045	00	8.0000	07	5,048.68
045	00	8.9000	07	5,076.84
045	00	8.0000	07	5,098.63
045	00	7.5000	07	5,102.46
045	00	8.0000	07	5,108.63
045	00	5.0000	07	5,123.29
045	00	6.0000	07	5,147.55
045	00	8.0000	07	5,167.06
045	00	8.0000	07	5,301.20
045	00	7.5000	07	5,505.60
045	00	8.0000	07	5,609.70
045	00	8.0000	07	5,712.52
045	00	7.0000	07	6,113.56
045	00	8.0000	07	6,159.68
045	00	8.0000	07	6,629.64
045	00	7.5000	07	7,132.70
045	00	7.0000	07	7,454.80
045	00	5.0000	07	7,859.27
045	00	8.0000	07	8,157.81
045	00	8.0000	07	8,555.89
045	00	7.7500	07	8,977.08
045	00	7.0000	07	10,172.60
045	00	7.5000	07	10,184.53
045	00	7.7500	07	10,203.22
045	00	8.0000	07	10,207.26
045	00	5.0000	07	10,837.02
045	00	5.0000	07	12,150.00
045	00	5.0000	07	12,255.85
045	00	7.7500	07	12,535.06
045	00	5.0000	07	12,603.25
045	00	8.0000	07	14,521.42
045	00	4.5000	07	15,673.50
045	00	7.7500	07	17,841.84
045	00	8.0000	07	17,878.55
045	00	7.5000	07	20,250.00
045	00	7.5000	07	20,409.38
045	00	8.0000	07	23,033.06

E-1730

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
045	00	5.0000	07	23,054.75
045	00	7.7500	07	23,303.01
045	00	7.5000	07	24,551.78
045	00	8.0000	07	24,886.66
045	00	6.7500	07	25,451.43
045	00	5.0000	07	26,948.45
045	00	8.0000	07	30,611.78
045	00	7.7500	07	33,260.68
045	00	5.0000	07	34,315.78
045	00	8.5000	07	38,200.00
045	00	8.0000	07	41,578.08
045	00	6.7500	07	55,440.44
045	00	5.0000	07	62,145.21

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	RATE	CLASS	OUTSTANDING
[illegible]	03	[illegible]	01	510.00
[illegible]	03	[illegible]	01	[illegible]
[illegible]	03	8.0000	01	[illegible]
[illegible]	03	[illegible]	01	1,[illegible]
[illegible]	03	8.0000	01	1,514.13
[illegible]	03	[illegible]	01	1,617.63
[illegible]	03	8.0000	01	1,810.00
[illegible]	03	[illegible]	01	2,015.25
[illegible]	03	[illegible]	01	2,210.00
[illegible]	03	[illegible]	01	5,747.03
[illegible]	03	[illegible]	01	3,[illegible]
[illegible]	03	[illegible]	01	[illegible]
[illegible]	03	8.0000	01	5,010.00
[illegible]	03	[illegible]	01	5,[illegible]
[illegible]	03	[illegible]	01	5,[illegible]
[illegible]	03	[illegible]	01	10,[illegible]
[illegible]	03	[illegible]	01	10,[illegible]
[illegible]	03	[illegible]	01	[illegible]
[illegible]	03	[illegible]	01	40,345.60

| | | |

... NO.	... NO.	... RATE	FED. CLASS	... OUTSTANDING
460	03	8.0000	07	1,263.71
460	03	8.0000	07	1,904.86
460	03	8.0000	07	2,015.44
460	03	8.0000	07	2,035.76
460	03	8.0000	07	2,116.62
460	03	5.0000	07	2,[illegible].30
460	03	5.0000	07	2,[illegible].00
460	03	8.0000	07	2,[illegible].00
460	03	8.0000	07	2,517.71
460	03	8.0000	07	2,[illegible].41
460	03	8.0000	07	2,553.32
460	03	8.0000	07	2,[illegible].00
460	03	8.0000	07	3,[illegible].00
460	03	8.0000	07	3,[illegible].16
460	03	8.0000	07	3,[illegible].30
460	03	8.0000	07	3,[illegible].82
460	03	8.0000	07	3,[illegible].47
460	03	8.0000	07	4,012.75
460	03	8.0000	07	4,[illegible].06
460	03	8.0000	07	4,222.95
460	03	8.0000	07	5,000.00
460	03	8.0000	07	5,000.00
460	03	8.0000	07	5,010.00
460	03	8.0000	07	6,000.00
460	03	8.0000	07	5,[illegible].00
460	03	8.0000	07	6,014.33
460	03	8.0000	07	[illegible],524.00
460	03	7.0000	07	9,500.00
460	03	7.0000	07	5,500.00
460	03	8.0000	07	16,000.00
460	03	7.0000	07	20,000.00

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
058	00	9.0000	01	123.40
058	00	8.0000	01	412.89
058	00	8.0000	01	1,030.16
058	00	8.0000	01	1,540.00
058	00	8.0000	01	1,544.30
058	00	8.0000	01	2,050.00
058	00	8.0000	01	2,050.01
058	00	8.0000	01	2,543.33
058	00	8.0000	01	2,559.32
058	00	8.0000	01	2,559.86
058	00	9.0000	01	2,566.25
058	00	9.0000	01	2,600.00
058	00	8.0000	01	2,681.00
058	00	8.0000	01	3,048.00
058	00	8.0000	01	3,048.00
058	00	8.0000	01	3,077.50
058	00	7.5000	01	3,085.00
058	00	9.0000	01	3,090.00
058	00	7.7500	01	3,124.85
058	00	8.0000	01	3,390.30
058	00	8.5000	01	3,607.81
058	00	8.0000	01	4,000.00
058	00	12.0000	01	4,050.00
058	00	8.0000	01	4,089.78
058	00	9.0000	01	4,090.00
058	00	8.0000	01	4,729.57
058	00	10.5000	01	4,734.60
058	00	8.0000	01	4,996.67
058	00	8.0000	01	5,108.63
058	00	8.0000	01	5,110.00
058	00	8.0000	01	5,110.00
058	00	8.0000	01	5,111.11
058	00	8.0000	01	5,251.55
058	00	9.0000	01	5,400.00
058	00	8.0000	01	5,966.65
058	00	8.5000	01	6,000.00
058	00	1.0500	01	6,460.00
058	00	8.0000	01	6,750.00
058	00	8.0000	01	8,128.00
058	00	8.0000	01	8,159.50
058	00	8.0000	01	8,170.00
058	00	7.0000	01	9,481.25
058	00	8.0000	01	10,152.50
058	00	8.0000	01	10,210.00
058	00	7.7500	01	10,254.75
058	00	8.0000	01	10,410.00
058	00	8.0000	01	10,621.11
058	00	8.0000	01	11,400.00
058	00	7.5000	01	13,487.50
058	00	6.5000	01	13,700.00
058	00	10.0000	01	14,261.88
058	00	8.0000	01	15,313.33
058	00	8.0000	01	17,439.45
058	00	8.0000	01	18,700.00
058	00	8.0000	01	20,310.00
058	00	7.5000	01	20,395.00

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
058	00	8.0000	01	20,536.03
058	00	8.0000	01	21,000.00
058	00	8.3000	01	21,424.25
058	00	8.0000	01	22,443.00
058	00	8.0000	01	22,600.00
058	00	8.0000	01	22,950.00
058	00	8.3000	01	22,950.00
058	00	9.0000	01	25,000.00
058	00	8.0000	01	25,500.00
058	00	8.0000	01	27,030.00
058	00	8.0000	01	27,443.33
058	00	8.5000	01	30,000.00
058	00	8.0000	01	30,610.00
058	00	8.0000	01	31,620.00
058	00	8.0000	01	32,233.01
058	00	8.0000	01	33,000.00
058	00	8.0000	01	35,090.04
058	00	8.0000	01	39,250.00
058	00	8.5000	01	40,000.00
058	00	8.0000	01	42,000.00
058	00	8.0000	01	45,986.30
058	00	7.5000	01	48,802.08
058	00	8.0000	01	51,650.00
058	00	7.5000	01	58,960.00
058	00	8.0000	01	63,950.00
058	00	7.5000	01	75,250.00
058	00	9.0000	01	80,000.00
058	00	8.5000	01	81,300.00
058	00	8.0000	01	91,100.00
058	00	5.2500	01	120,000.00
058	00	5.7500	01	120,000.00
058	00	8.5000	01	122,560.00
058	00	8.5000	01	175,000.00
058	00	8.0000	01	186,250.00
058	00	8.0000	01	206,498.00
058	00	8.0000	01	223,457.00

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
058	00	8.0000	07	10.00
058	00	8.0000	07	13.39
058	00	5.0000	07	70.00
058	00	8.0000	07	109.82
058	00	8.0000	07	110.00
058	00	8.0000	07	112.74
058	00	8.0000	07	113.81
058	00	8.0000	07	137.58
058	00	8.0000	07	157.56
058	00	8.0000	07	162.48
058	00	8.0000	07	162.97
058	00	8.0000	07	163.47
058	00	8.0000	07	164.58
058	00	8.0000	07	165.72
058	00	8.0000	07	194.17
058	00	8.0000	07	195.34
058	00	8.0000	07	213.55
058	00	8.0000	07	214.00
058	00	9.1000	07	214.49
058	00	8.0000	07	214.58
058	00	8.0000	07	214.60
058	00	8.0000	07	214.62
058	00	8.0000	07	214.64
058	00	8.0000	07	215.18
058	00	8.0000	07	219.17
059	00	8.0000	07	258.25
058	00	5.7500	07	260.75
058	00	5.0000	07	261.35
058	00	9.2500	07	265.72
058	00	6.0000	07	265.78
058	00	7.0000	07	280.00
058	00	8.0000	07	285.65
058	00	8.0000	07	308.00
058	00	8.0000	07	311.00
058	00	8.0000	07	315.92
058	00	8.0000	07	316.74
058	00	8.0000	07	316.86
058	00	8.0000	07	316.86
058	00	8.0000	07	316.86
058	00	8.0000	07	316.93
058	00	8.0000	07	316.95
058	00	8.0000	07	316.95
058	00	7.0000	07	320.71
058	00	8.0000	07	321.84
058	00	8.0000	07	323.76
058	00	8.0000	07	323.76
058	00	8.0000	07	342.43
058	00	8.0000	07	352.80
058	00	8.0000	07	364.60
058	00	8.0000	07	366.58
058	00	7.0000	07	397.53
058	00	4.5000	07	404.44
058	00	8.0000	07	417.89
058	00	8.0000	07	417.89
058	00	8.0000	07	419.14
058	00	8.0000	07	419.25

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
058	00	8.0000	07	428.35
058	00	8.0000	07	429.58
058	00	7.0000	07	466.65
058	00	8.0000	07	481.78
058	00	7.0000	07	518.63
058	00	8.0000	07	519.86
058	00	8.0000	07	519.97
058	00	8.0000	07	520.46
058	00	8.0000	07	521.24
058	00	8.0000	07	521.24
058	00	8.0000	07	521.25
058	00	8.0000	07	521.43
058	00	8.0000	07	521.43
058	00	8.0000	07	521.43
058	00	8.0000	07	521.56
058	00	8.0000	07	521.56
058	00	8.0000	07	521.90
058	00	8.0000	07	523.15
058	00	8.0000	07	523.15
058	00	8.0000	07	525.25
058	00	8.0000	07	529.73
058	00	8.0000	07	529.73
058	00	8.0000	07	532.93
058	00	8.0000	07	533.06
058	00	8.0000	07	536.85
058	00	8.0000	07	572.58
058	00	4.5000	07	600.66
058	00	8.0000	07	623.91
058	00	8.0000	07	623.91
058	00	8.0000	07	631.84
058	00	8.0000	07	637.52
058	00	8.0000	07	674.86
058	00	8.0000	07	682.75
058	00	7.0000	07	719.93
058	00	8.0000	07	737.62
058	00	8.0000	07	765.23
058	00	5.5000	07	770.77
058	00	8.0000	07	770.86
058	00	8.0000	07	800.25
058	00	8.0000	07	801.50
058	00	8.0000	07	822.17
058	00	8.0000	07	828.00
058	00	8.0000	07	828.30
058	00	8.0000	07	828.30
058	00	9.2500	07	828.30
058	00	8.0000	07	846.69
058	00	8.0000	07	869.04
058	00	8.0000	07	871.15
058	00	5.0000	07	911.10
058	00	8.0000	07	930.58
058	00	8.0000	07	944.55
058	00	8.0000	07	983.13
058	00	8.0000	07	997.59
058	00	8.0000	07	1,000.00
058	00	7.0000	07	1,027.50
058	00	8.0000	07	1,027.87

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
058	00	8.0000	07	1,029.73
058	00	8.0000	07	1,030.00
058	00	9.2500	07	1,032.87
058	00	8.0000	07	1,033.13
058	00	8.0000	07	1,033.13
058	00	8.0000	07	1,033.19
058	00	7.0000	07	1,039.52
058	00	7.0000	07	1,040.69
058	00	8.0000	07	1,049.45
058	00	8.0000	07	1,049.45
058	00	8.0000	07	1,049.85
058	00	8.0000	07	1,055.86
058	00	8.0000	07	1,056.12
058	00	8.0000	07	1,058.50
058	00	8.0000	07	1,059.50
058	00	8.0000	07	1,084.02
058	00	8.0000	07	1,086.00
058	00	8.0000	07	1,105.22
058	00	8.0000	07	1,206.50
058	00	8.0000	07	1,211.34
058	00	8.0000	07	1,233.67
058	00	8.0000	07	1,237.44
058	00	8.0000	07	1,247.13
058	00	8.5000	07	1,300.00
058	00	7.0000	07	1,337.50
058	00	8.0000	07	1,404.52
058	00	8.0000	07	1,437.02
058	00	8.0000	07	1,442.02
058	00	8.0000	07	1,477.95
058	00	8.0000	07	1,539.58
058	00	8.0000	07	1,539.91
058	00	8.0000	07	1,544.30
058	00	8.0000	07	1,544.30
058	00	7.9700	07	1,544.78
058	00	6.0000	07	1,555.12
058	00	9.2500	07	1,567.28
058	00	4.5000	07	1,617.75
058	00	8.0000	07	1,644.00
058	00	8.0000	07	1,743.53
058	00	8.0000	07	1,796.03
058	00	8.0000	07	1,851.17
058	00	8.0000	07	1,851.17
058	00	8.0000	07	2,000.00
058	00	5.0000	07	2,014.44
058	00	4.5000	07	2,022.15
058	00	8.0000	07	2,055.61
058	00	8.0000	07	2,055.73
058	00	8.0000	07	2,055.73
058	00	8.0000	07	2,056.24
058	00	8.0000	07	2,056.24
058	00	8.0000	07	2,056.37
058	00	8.0000	07	2,056.37
058	00	8.0000	07	2,060.00
058	00	8.0000	07	2,093.06
058	00	8.0000	07	2,129.36
058	00	8.0000	07	2,140.80

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
058	00	7.0000	07	2,141.92
058	00	7.0000	07	2,152.14
058	00	6.0000	07	2,167.81
058	00	8.0000	07	2,169.00
058	00	8.0000	07	2,195.80
058	00	8.0000	07	2,254.48
058	00	8.0000	07	2,310.69
058	00	9.0000	07	2,317.06
058	00	7.7500	07	2,387.90
058	00	8.0000	07	2,415.48
058	00	8.0000	07	2,559.31
058	00	9.2500	07	2,567.81
058	00	9.2500	07	2,567.81
058	00	8.0000	07	2,587.56
058	00	8.0000	07	2,587.56
058	00	7.7500	07	2,595.55
058	00	7.7500	07	2,731.18
058	00	8.0000	07	2,750.46
058	00	9.2500	07	2,771.74
058	00	8.0000	07	3,045.17
058	00	8.0000	07	3,069.18
058	00	8.0000	07	3,079.56
058	00	9.0000	07	3,098.76
058	00	8.0000	07	3,102.83
058	00	5.0000	07	3,109.38
058	00	8.0000	07	3,129.01
058	00	8.0000	07	3,180.33
058	00	8.0000	07	3,181.88
058	00	8.0000	07	3,274.00
058	00	8.0000	07	3,283.21
058	00	5.0000	07	3,335.42
058	00	8.0000	07	3,351.44
058	00	7.5000	07	3,364.50
058	00	7.5000	07	3,546.41
058	00	7.0000	07	3,561.75
058	00	7.5000	07	3,564.72
058	00	8.0000	07	3,574.04
058	00	8.0000	07	3,579.04
058	00	8.0000	07	3,596.15
058	00	8.0000	07	3,590.04
058	00	8.0000	07	3,847.05
058	00	8.0000	07	3,896.00
058	00	7.5000	07	4,040.14
058	00	8.0000	07	4,080.66
058	00	8.0000	07	4,083.90
058	00	8.0000	07	4,089.78
058	00	8.0000	07	4,101.48
058	00	8.0000	07	4,101.48
058	00	7.0000	07	4,138.08
058	00	8.0000	07	4,558.19
058	00	8.0000	07	4,599.75
058	00	8.0000	07	4,798.00
058	00	8.0000	07	4,858.31
058	00	8.0000	07	5,047.45
058	00	4.5000	07	5,055.48
058	00	8.0000	07	5,075.75

E- 1860

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
058	00	8.0000	07	5,105.00
058	00	8.0000	07	5,108.63
058	00	8.0000	07	5,108.63
058	00	8.0000	07	5,108.63
058	00	8.0000	07	5,110.00
058	00	8.0000	07	5,110.00
058	00	8.0000	07	5,110.00
058	00	8.0000	07	5,122.50
058	00	8.0000	07	5,141.51
058	00	7.7500	07	5,201.10
058	00	8.0000	07	5,374.18
058	00	7.7500	07	5,382.19
058	00	7.7500	07	5,392.50
058	00	7.7500	07	5,397.50
058	00	7.7500	07	5,411.28
058	00	7.7500	07	5,468.80
058	00	8.0000	07	5,608.49
058	00	8.0000	07	5,618.49
058	00	8.0000	07	5,796.03
058	00	9.0000	07	5,886.00
058	00	5.0000	07	5,898.63
058	00	8.0000	07	6,129.67
058	00	8.0000	07	6,130.00
058	00	7.5000	07	6,231.52
058	00	5.0000	07	6,301.64
058	00	8.1000	07	6,540.54
058	00	8.0000	07	6,638.22
058	00	8.0000	07	6,751.00
058	00	8.0000	07	6,862.56
058	00	8.0000	07	7,148.08
058	00	8.0000	07	7,148.08
058	00	8.0000	07	7,148.08
058	00	7.7500	07	7,272.75
058	00	8.0000	07	7,287.10
058	00	7.0000	07	7,483.28
058	00	9.0000	07	7,968.65
058	00	7.7500	07	8,074.88
058	00	8.0000	07	8,161.32
058	00	8.0000	07	8,170.00
058	00	7.5000	07	8,255.85
058	00	8.0000	07	8,325.62
058	00	8.0000	07	8,757.52
058	00	7.7500	07	9,034.22
058	00	8.0000	07	9,036.32
058	00	7.0000	07	9,155.34
058	00	8.0000	07	9,172.00
058	00	7.5000	07	9,176.44
058	00	8.0000	07	9,730.00
058	00	9.0000	07	10,000.00
058	00	9.0000	07	10,000.00
058	00	7.5000	07	10,184.93
058	00	7.5000	07	10,184.93
058	00	7.2500	07	10,199.31
058	00	7.5000	07	10,192.50
058	00	7.7500	07	10,203.75
058	00	8.0000	07	10,207.26

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
058	00	8.0000	07	10,250.55
058	00	7.2500	07	10,377.52
058	00	7.5000	07	11,281.23
058	00	8.0000	07	11,388.52
058	00	8.0000	07	12,119.29
058	00	9.0000	07	12,277.21
058	00	9.0000	07	12,325.62
058	00	9.0000	07	12,360.00
058	00	7.0000	07	13,224.48
058	00	8.0000	07	13,382.55
058	00	8.0000	07	13,382.55
058	00	7.2500	07	13,464.75
058	00	5.0000	07	13,500.00
058	00	8.0000	07	13,776.30
058	00	8.0000	07	14,383.33
058	00	8.5000	07	15,000.00
058	00	8.0000	07	15,305.85
058	00	8.0000	07	16,319.12
058	00	7.5000	07	16,805.14
058	00	7.5000	07	17,193.56
058	00	8.0000	07	17,345.34
058	00	8.0000	07	17,680.00
058	00	8.5000	07	19,540.00
058	00	7.0000	07	20,353.88
058	00	7.7500	07	20,392.19
058	00	7.7500	07	20,392.19
058	00	8.0000	07	20,750.04
058	00	9.0000	07	21,631.37
058	00	8.0000	07	21,632.22
058	00	8.0000	07	21,632.22
058	00	8.0000	07	21,632.22
058	00	8.0000	07	21,632.22
058	00	8.0000	07	21,632.22
058	00	8.0000	07	22,547.37
058	00	8.0000	07	23,000.00
058	00	7.5000	07	23,431.25
058	00	8.0000	07	24,245.00
058	00	8.0000	07	24,401.46
058	00	9.0000	07	26,000.00
058	00	8.0000	07	28,000.00
058	00	8.0000	07	30,610.00
058	00	8.0000	07	32,631.23
058	00	7.7500	07	33,840.62
058	00	8.0000	07	35,000.00
058	00	8.5000	07	36,000.00
058	00	7.7500	07	37,411.32
058	00	7.7500	07	41,538.77
058	00	8.0000	07	45,857.67
058	00	6.0000	07	46,000.00
058	00	8.0000	07	50,956.30
058	00	7.5000	07	52,267.53
058	00	8.0000	07	54,404.52
058	00	8.0000	07	56,094.93
058	00	8.0000	07	59,125.00
058	00	8.0000	07	61,193.56
058	00	8.0000	07	67,510.00

E-1802

BANK NO.	BR. NO.	LOAN RATE	FED. CLASS	CURRENT OUTSTANDING
058	00	8.0000	07	67,510.00
058	00	8.0000	07	67,510.00
058	00	8.0000	07	77,000.00
058	00	9.0000	07	86,000.00
058	00	7.5000	07	90,000.00
058	00	10.5000	07	94,725.00
058	00	8.0000	07	191,146.70

DX-316

1—SOUTH DeKALB BRANCH

E- 1804

2—BUCKHEAD BRANCH

E-1805

3—C&S NATIONAL ROSWELL—
E. ANDREWS BRANCH

E. 1806

4—BANK OF CHAMBLEE

E. 1807

5—BANK OF TUCKER

EE - 1808

6—C&S TUCKER—
LaVISTA ROAD BRANCH

E 1969

7—C&S—BANK OF CHAMBLEE

E-1810

8—FORMAL C&S BRANCH—ROSWELL

E- 1811

9—C&S PEACHTREE—LENNOX

E. 1812

E-1813

11—C&S NATIONAL BANK—
BROADVIEW BRANCH

E- 1814

12—C&S BANK OF SANDY SPRINGS

E. 1835

DX-317

THE ADMINISTRATOR OF NATIONAL BANKS

WASHINGTON, D.C. 20220

Office of the
Comptroller of the Currency

DEC 23 1970

Honorable Frank Wille
Chairman
Federal Deposit Insurance Corporation
Washington, D.C. 20429

Subject: Proposed purchase of assets and assumption of liabilities of The Citizens and Southern Bank of Chamblee, Chamblee, Georgia; The Citizens and Southern Park National Bank, Atlanta, Georgia; and The Citizens and Southern South DeKalb Bank, Decatur, Georgia by The Citizens and Southern Emory Bank, DeKalb County (P. O. Atlanta), Georgia.

Dear Mr. Wille:

This is in reply to your letter of October 19, 1970, requesting a report, pursuant to Section 18(c) of the Federal Deposit Insurance Act, on the subject proposal.

The Citizens and Southern Emory Bank, the applicant, with I.P.C. deposits of $29.4 million, was chartered in 1950. It operates two branch offices in addition to its head office. The primary service area of the applicant includes the northern portion of the City of Decatur and a major sector of the west central unincorporated area of DeKalb County. The population of the total area is 79,000 persons which is an increase of 43% in the last 10 years.

Competition is afforded by the Citizens Bank of Clarkston, a small independent bank; two branches of the Fulton National Bank; two branches of the First National Bank of Atlanta; and one branch of the Trust Company Bank of DeKalb whose merger into the Trust Company of Georgia is pending. The First National Bank of Atlanta has pending two applications for branches in this area.

The Citizens and Southern Bank of Chamblee, with I.P.C. deposits of $15.2 million, was organized in 1959. It operates one branch also in Chamblee. The primary service area of the Chamblee bank includes the City of Chamblee, the adjacent City of Doraville, and a major sector of northern DeKalb County, as well as a small sector of Gwinnett County. This area has a current population of 53,000 persons representing a 154.5% increase in the last 10 years.

E 1816

Competition comes from the Northeast Commercial Bank, First National Bank of Doraville, Peachtree Bank and Trust, and DeKalb County Bank. With the exception of the latter, each of these unit banks is associated with or in the process of being merged into large Atlanta city banks. There are six applications pending to establish branches within the primary service area of this bank.

The Citizens and Southern Bank of Tucker, with I.P.C. deposits of $18.8 million, was organized in 1919. In addition to its head office it operates one branch, also located in Tucker. The primary service area of this bank includes the unincorporated community of Tucker and adjecent unincorporated portions of DeKalb and Gwinnett counties. The population of this area is 82,703 persons, from 29,264 in 1960.

Competition is afforded by the Northeast Commercial Bank, Peachtree Bank and Trust Company, First National Bank of Doraville, First National Bank of Tucker, and Citizens Bank of Clarkston. With the exception of the latter, each is associated with or in process of being merged into a large Atlanta city bank. There are six applications pending to establish branches within the trade area of this bank.

The Citizens and Southern Park National Bank, with I.P.C. deposits of $7.8 million, was established in 1967 and is a unit bank. The primary service area of this bank includes a sector of the west central unincorporated area of DeKalb County and a small portion of the northeast sector of the City of Atlanta. The population of this area has increased 69.9% in the last 10 years, to 71,000 persons.

Competition is afforded by the DeKalb County Bank, a small unit bank, and the Trust Company of Georgia Bank of DeKalb. Fulton National Bank has pending an application for one branch and First of Atlanta has pending applications for two branches in this area.

The Citizens and Southern South DeKalb Bank, with I.P.C. deposits of $3.1 million, was chartered in 1969 and has one approved but unopened branch. The primary service area of this bank includes a major portion of the south unincorporated area of DeKalb County. This area has a total population of 73,043 persons, an increase of 30,516 persons since 1960.

Competition is afforded by the Citizens Bank of Clarkston, two branches of Fulton National Bank, two branches of the First National Bank of Atlanta, and one branch of the Trust Company of DeKalb. The First National Bank of Atlanta has applications pending to establish two additional branches within this area.

All five banks involved in the proposal are located and operate in DeKalb County, a "bedroom type" county suburb of Atlanta, Georgia. All five banks are members of the "C & S System" of affiliate banks and most were

established originally as a means of expanding the "C & S System" into the suburban areas surrounding Atlanta without running afoul of the restrictive Georgia branching statutes which would have prohibited expansion via branching at these locations. These restrictions now have been lifted and the proposed transactions represent an effort to make de jure branches of Citizens and Southern's affiliated satellite banks.

Consummation of the proposal will have no adverse effect on competition. Because of the affiliate or quasi-affiliate relationships among the banks involved and the close working and operating relationships between them, their combination via a purchase of assets and assumption of liabilities will represent a change in the form of their relationships only and not one of substance. Accordingly, it is believed that there will be no diminution in competition between them since, as a practical matter, none exists. No other deleterious effects on banking competition in the local market is expected, and the banking structure will be unaffected.

It is concluded that the proposed transaction will have no adverse competitive effect.

Very truly yours,

William B. Camp
Comptroller of the Currency

E-1818

DEFENDANTS' EXHIBIT for IDENTIFICATION 317 P.3
OFFERED
RECEIVED
EXCLUDED
WITHDRAWN

THE ADMINISTRATOR OF NATIONAL BANKS

WASHINGTON, D.C. 20220

Office of the
Comptroller of the Currency

January 12, 1971

Honorable Frank Wille
Chairman
Federal Deposit Insurance Corporation
Washington, D. C. 20429

Subject: Proposed purchase of assets and assumption of liabilities of The Citizens and Southern Bank of North Fulton, Roswell, Georgia, and The Citizens and Southern Bank of Sandy Springs, Georgia, by The Citizens and Southern Bank of East Point, East Point, Georgia.

Dear Mr. Wille:

This is in reply to your letter of October 15, 1970, requesting a report, pursuant to section 18(c) of the Federal Deposit Insurance Act, on the competitive aspects of the subject proposal.

The Citizens and Southern Bank of East Point, with IPC deposits of $21.4 million, was established in 1946. It operates two offices in the City of East Point, Fulton County, and has 1.1% of the total IPC deposits held by commercial banks in the county.

The service area of The Citizens and Southern Bank of East point has shown a 17.4% population increase in the last ten years. Local employment is provided by light manufacturing, the Atlanta Airport and its related business, retail concerns and construction. Competition is provided by The First National Bank of Atlanta, Atlanta, Georgia, with IPC

E-1819

deposits of $520.7 million; the Fulton National Bank, Atlanta, Georgia, with IPC deposits of $192.1 million and three other banks each with IPC deposits between $10 and $21 million.

The Citizens and Southern Bank of North Fulton, with IPC deposits of $5 million, was organized in 1967. It operates one office in Roswell, Fulton County, and has .3% of the total IPC deposits held by commercial banks in the county.

The primary service area of The Citizens and Southern Bank of North Fulton has experienced an 84% population increase in the past 10 years. The area is presently changing from rural to residential in response to the growth of the City of Atlanta. Competition is provided by the Roswell Bank, Roswell, Georgia, with IPC deposits of $13 million and the Trust Company of Georgia Bank of Sandy Springs, Sandy Springs, Georgia, with IPC deposits of $3.9 million.

The Citizens and Southern Bank of Sandy Springs with IPC deposits of $16.5 million, was organized in 1959. It operates one office in Sandy Springs, Fulton County, and has .9% of the total IPC deposits held by commercial banks in the county.

The primary service area of The Citizens and Southern Bank of Sandy Springs has shown a 107% population increase in the past 10 years. The area is a bedroom community for the City of Atlanta. Employment is provided by concerns housed in adjacent office parks and in the City of Atlanta. Competition is provided by the Fulton National Bank, Atlanta, Georgia, with IPC deposits of $192.1 million; The National Bank of Georgia, Atlanta, Georgia, with IPC deposits of $83.9 million; the Roswell Bank, Roswell, Georgia, with IPC deposits of $13 million and the Trust Company of Georgia Bank of Sandy Springs, Sandy Springs, Georgia, with IPC deposits of $3.9 million.

The Citizens and Southern Holding Company, a bank holding company which is a 100% subsidiary of The Citizens and Southern National Bank, Savannah, Georgia, also owns 90% of the stock of The Citizens and Southern Bank of East Point and 5% of the stock of both The Citizens and Southern Bank of Sandy Springs and The Citizens and Southern Bank of North Fulton.

The two merging banks were created as independent banks because Georgia banking laws prohibited them from being established as branches of The Citizens and Southern Bank of East Point. A change in the Georgia law, effective January 1, 1970, makes it possible to operate these two banks as branches. If these banks were truly independent, this acquisition would be anticompetitive. However, the sponsorship, name services, mangement and direction have been provided by The Citizens and Southern Holding Company. The two merging banks are virtually operated and directed as de facto branches in the Citizens and Southern system. Thus, these acquisitions constitute what is essentially an internal reorganization.

Even though there is an overlapping of the service areas of the three subject banks and some branches of The Citizens and Southern National Bank, there has never existed any actual competition between the banks because of their affiliate relationship.

Accordingly, it is the view of this Office that the proposed acquisition will have no adverse competitive effect.

Very truly yours,

William B. Camp
Comptroller of the Currency

DX-318

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

November 24, 1970

Board of Directors,
The Citizens and Southern
Emory Bank,
DeKalb County, Georgia.

Re: Proposed purchase of assets and assumption of liabilities of The Citizens and Southern Bank of Chamblee, Chamblee; The Citizens and Southern South DeKalb Bank, Decatur; The Citizens and Southern Park National Bank, DeKalb County; and The Citizens and Southern Bank of Tucker, Tucker, by The Citizens and Southern Emory Bank, DeKalb County, all in Georgia.

Gentlemen:

For your information, there is enclosed a copy of the competitive factors report made by the Board of Governors to the Federal Deposit Insurance Corporation with reference to above mentioned merger. The report was submitted by the Board of Governors in accordance with the Bank Merger Act (12 U.S.C. 1828(c)).

Very truly yours,

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure.

E-1822

REPORT BY THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM NOV 2 [illegible]

to the

Federal Deposit Insurance Corporation, under the Bank Merger Act

(12 U.S.C. 1828(c)), on the competitive factors

involved in the proposed purchase of

assets and assumption of liabilities of

The Citizens and Southern Bank of Chamblee, Chamblee, Georgia

The Citizens and Southern South DeKalb Bank, Decatur, Georgia

The Citizens and Southern Park National Bank, DeKalb County, Georgia

and

The Citizens and Southern Bank of Tucker, Tucker, Georgia

by

The Citizens and Southern Emory Bank, DeKalb County, Georgia

I. THE PROPOSAL

The Citizens and Southern Emory Bank, DeKalb County, Georgia (Emory Bank), with deposits of $37 million, has requested prior written consent of the Federal Deposit Insurance Corporation to acquire the assets and assume the liabilities of The Citizens and Southern Bank of Chamblee, Chamblee, Georgia (Chamblee Bank), with deposits of $17 million; The Citizens and Southern South DeKalb Bank, Decatur, Georgia (Decatur Bank), with deposits of $3 million; The Citizens and Southern Park National Bank, DeKalb County, Georgia (Park Bank), with deposits of $8 million, and The Citizens and Southern Bank of Tucker, Tucker, Georgia (Tucker Bank), with deposits of $20 million. Decatur Bank and Park Bank operate single offices while Chamblee Bank and Tucker Bank each operate two offices. Emory Bank presently maintains three offices, and it is contemplated the resulting bank would operate all offices of proponents.

Emory Bank is a subsidiary of Citizens and Southern Holding Company, Savannah (C & S Holding Company), and its parent The Citizens and Southern National Bank, Savannah (C & S National), both registered

bank holding companies. With the exception of Tucker Bank, which was established in 1919, all of the banks Emory Bank proposes to acquire have been opened for business since January 1, 1960. According to the application, "C & S personnel in cooperation with interested residents and businessmen joined to establish under state or Federal law a bank, or, in the case of the community of Tucker, in DeKalb County, to reorganize/1965/ an existing bank. The Holding Company purchased in the bank the allowable 5% interest. An officer of C & S system, with sufficient banking experience, was recommended by C & S to the Board of Directors of the correspondent associate bank for the office of president of the bank and, if elected, left the employment of C & S to take up these duties. In most cases there also was an infusion of additional management by C & S, and such infusion continued through the years as circumstances required. Management of each correspondent associate has been responsive to the general policy decisions of C & S."

II. THE COMMUNITIES

All offices of proponents are in DeKalb County, one of the five counties which make up the Atlanta SMSA. DeKalb County is contiguous to Fulton County where more than 50 per cent of its residents commute to work. It has an estimated population of 414,100 as compared to 256,800 in 1960.

III. COMPETITION AMONG THE FIVE INSTITUTIONS

Emory Bank's main office is situated at distances of approximately 2 to 8 miles from the head offices of the other banks involved in this proposal. Although there is some overlapping of the areas served by proponents, there is no effective competition existing among them. There is potential for competition developing among them in the event the present close relationships were to terminate.

The loan to deposit ratio at the five banks ranges from 74 to 83 per cent. None of the banks operates a trust department. Interest rates paid on deposits and charged on loans are identical at the participating banks.

IV. OTHER COMPETITIVE EFFECTS

DeKalb County contains the head offices of proponents and 13 other banks including Citizens and Southern DeKalb Bank, Avondale Estates (deposits $23 million), a subsidiary of C & S Holding Company. Banks which are headquartered outside of DeKalb County but operate a branch

or branches therein include C & S National (deposits in excess of $1 billion), First National Bank of Atlanta (deposits $699 million), Trust Company of Georgia, Atlanta (deposits $472 million), and Fulton National Bank of Atlanta (deposits $377 million).

As of June 30, 1970, the C & S Holding Company Group operated nine subsidiary banks which together held about 20 per cent of the deposits held by all banks in the State. Further, the Group held a minority interest in several other Georgia Banks.

Nonbank financial institutions are active in the areas served by proponents.

V. CONCLUSION WITH RESPECT TO COMPETITIVE FACTORS

A close relationship has existed among The Citizens and Southern Bank of Chamblee; The Citizens and Southern South DeKalb Bank, Decatur; The Citizens and Southern Park National Bank, DeKalb County; the Citizens and Southern Bank of Tucker and The Citizens and Southern Emory Bank, DeKalb County. Thus, there is no effective existing competition among proponents. There is some potential for development of competition among them in the event the close relationships were to terminate. Overall, the competitive effects of the proposed transaction would be slightly adverse.

NOTE

As required by the Bank Merger Act (12 U.S.C. 1828(c)), this report is limited to a report on the competitive factors involved, and is not a recommendation as to whether the application should be approved or disapproved. The term "slightly adverse" as used in the above conclusion is defined at 12 C.F.R. 250.182 (34 Fed. Reg., July 10, 1969, p. 11414); Fed. Res. Bulletin, July 1969.

DEFENDANTS' EXHIBIT 320

Federal Deposit Insurance Corporation
Washington, D.C. 20429

October 10, 1969

Mr. William D. Skinner, President
Citizens and Southern DeKalb Bank
52 N. Avondale Road
Avondale Estates, Georgia 30002

Dear Mr. Skinner:

Reference is made to the application submitted by your bank requesting the consent of the Federal Deposit Insurance Corporation to acquire the assets of and assume liability to pay deposits made in The Citizens and Southern Belvedere Bank, Decatur, Georgia and establish a branch at the sole existing location of The Citizens and Southern Belvedere Bank.

The Federal Deposit Insurance Corporation, by action of its Board of Directors today has approved the transaction as set forth above, subject to conditions included in the enclosed copy of an Order adopted by our Board.

Please advise our District Office the date of the assumption transaction and the date upon which the branch will be placed in operation as a branch of the resulting bank.

You are advised that our Board of Directors in granting approval did so with the understanding that it is relying on fulfillment of the capital conditions imposed by the State Authority; and also that the condition imposed on The Citizens and Southern Belvedere Bank by our Board of Directors on July . . . . . , and adopted by the bank's Board of Directors July 18, 1966, with respect to investment in permanent banking quarters is hereby rescinded.

Sincerely,

William M. Moroney
Assistant to Board
of Directors

E- 1826

The Citizen and Southern DeKalb Bank
Avondale Estate Georgia

Application for Agent to Acquire the Assets of and Assume Liability to Pay Deposits Made in The Citizens and South Belvedere Bank, Decatur, Georgia and Establish One Branch

Basis for Corporation Approval

The Citizens and Southern DeKalb Bank, Avondale Estates, Georgia (DeKalb), an insured State nonmember bank with total deposits of $16,887,000, has applied, pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, for the Corporation's prior consent to acquire the assets of and assume liability to pay deposits made in The Citizens and Southern Belevedere Bank, Decatur, Georgia (Belvedere), which has total deposits of $7,442,000.[1] The transaction would be effected under the charter and title of DeKalb and, as an incident thereto, the sole office of Belvedere would become a branch of the resulting bank increasing the number of its offices to two.

Competition. The sole offices of the participating banks are .... miles apart. A geographic distribution of deposits indicates however, that business is drawn by both banks from virtually all of DeKalb County, population 353,500.

DeKalb County is a key sector in the thriving Metropolitan Atlanta Area. Its economy is diversified and soundly based with a fairly balanced mix between manufacturing and non-manufacturing activities. Prospects for future growth are favorable.

There appears little or no effective competition between the participating banks. A close relationship is maintained due to their association with The Citizens and Southern Holding Company which owns 93.83% of the outstanding stock of DeKalb

[1] On the basis of the above information, and other information available to the corporation, the board of directors has concluded that approval of the bank's application is reasonable.

and 5% of the outstanding stock of Belvedere. Policies in both banks are largely determined by the holding company. It appears, therefore that this proposal would not eliminate substantial competition, intensify the concentration or reduce the number of banking alternatives in the area.

There are twenty-six offices of seventeen banks in the area, and the participating banks rank fifth and eleventh in terms of IPC deposits. The resulting bank would be the fourth largest bank in the trade area with .... of IPC deposits. It is expected that the remaining competing banks in the trade area will continue to provide aggressive competition for the resulting bank.

The Board of Directors is of the opinion that this transaction would not tend to lessen competition, tend to create a monopoly or in any manner be in restraint of trade.

Financial and Managerial Resources and Future Prospects. Financial and managerial resources are satisfactory with respect to both participating banks and are so projected for the resulting bank. Future prospects of the resulting-bank are more favorable than for the participating banks operating as independent units.

Convenience and Needs of the Community to Be Served. Present and potential customers would benefit through the increased financial resources and generally expanded services that could be offered in the immediate area by the resulting bank.

Order

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act, The Citizens and Southern DeKalb Bank, Avondale Estates, Georgia, an insured State nonmember bank, has applied for the Corporation's prior consent to acquire the assets of and assume liability to pay deposits made in The Citizens and Southern Belvedere Bank, Decatur, Georgia, an insured State nonmember bank, under the charter and title of the applicant, and to establish a branch at the sole existing location of The Citizens and Southern Belvedere Bank. Notice

of the proposed transaction, in form approved by the Corporation, has been published pursuant to said Act.

Upon consideration of all relevant material, including reports on the * * * factors * * *, the Board of Governors of the Federal Reserve System, and the Attorney General,

It Is Ordered, for the reasons set forth in the attached Basis for Corporation Approval, that the said application be and hereby is approved, subject to the following conditions:

1. That the acquisition and assumption transaction and the establishment of one branch may not be consummated before the thirtieth calendar day after the date of approval;

2. That if the acquisition and assumption transaction has not been effected and the branch established within six months from the date of advice thereof to the applicant, or unless, in the meantime, a request for an extension of time has been approved by the Corporation, the consent granted will expire at the end of said six-months period; and

3. That until the transaction becomes effective, the Corporation shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed by the Board of Directors to warrant such action.

Dated at Washington, D. C., this 10th day of October, 1969.

By Order of the Board of Directors

(Illegible)
Secretary

DEPARTMENT OF JUSTICE
Washington, D.C. 20530

September 22, 1969

RWMcI:CLW
60-111-1704

Honorable K. A. Randall
Chairman
Federal Deposit Insurance Corporation
Washington, D. C. 20429

Dear Mr. Chairman:

This is in reply to your letter of July 14, 1969, requesting a report, pursuant to the provisions of Section 18(c) of the Federal Deposit Insurance Act, on the competitive factors involved in the application of The Citizens and Southern DeKalb Bank of Avondale Estates, Avondale Estates, Georgia, to purchase the assets and assume the liabilities of The Citizens and Southern Belvedere Bank of Decatur, Decatur, Georgia.

1. **The Banks**

The Citizens and Southern DeKalb Bank of Avondale Estates ("DeKalb Bank"), organized in 1948, operates it sole office in an unincorporated area of DeKalb County which until 1969 was part of the city of Avondale Estates. This bank is affiliated with The Citizens and Southern National Bank of Savannah through The Citizens and Southern Holding Company (a registered bank holding company) which currently owns 93.83 per cent of the 30,000 outstanding shares of stock of DeKalb Bank. The holding company also owns varying interests in a number of other banks, and is the largest banking organization in the state. As of April 30. 1969, DeKalb Bank had total deposits of $16.4 million (including IPC demand deposits of $6.5 million), and net loans and discounts of $13.2 million. Net current

The Citizens and Southern Belvedere Bank ("Belvedere Bank"), organized in 1965, operates its single office in the Belvedere area of DeKalb County, an unincorporated area just south of Avondale Estates. This bank is also associated with The Citizens and Southern National Bank, and 5 per cent of its outstanding stock is owned by The Citizens and Southern Holding Company which was active in its formation. As of April 30, 1969, Belvedere Bank had total deposits of $6.9 million (including IPC demand deposits of $2.6 million), and net loans and discounts of $5.6 million. Net current operating income increased from a deficit of $15,107 in 1966 to a surplus of $85,381 in 1968 and averaged $29,703 during this three-year period.

operating income increased from $187,319 in 1964 to $353,172 in 1968 and averaged $248,767 during this five-year period.

2. **The Communities**

DeKalb County, wherein both of these banks are located is one of five counties comprising the official Atlanta Standard Metropolitan Statistical Area. It is Georgia's most rapidly growing county, having increased its population from 256,782 persons in 1960 to an estimated 353,500 persons as of April 1, 1968. Although suburban in character, substantial gains in the county's industrial and commercial base are bringing new strength and balance to its overall economic structure, and a diversified economy is developing which is somewhat equally balanced between manufacturing and non-manufacturing activities. An increasing number of firms are also locating warehousing and distribution facilities within its confines, further contributing to the continuing growth of this suburban residential market.

3. **Effect on Competition**

The merging banks are unit banks both located in the unincorporated area of DeKalb County, 1.8 miles apart. Although branches of the first and third largest banks in the state as well

as several smaller banks have offices in the same general area, there are no banks in the intervening area. Therefore, it would appear that this merger will eliminate considerable direct competition between the merging banks.

The immediate anticompetitive effects of this merger may well be lessened by the fact that The Citizens and Southern Holding Company has had full management control of Belvedere Bank since its inception. Under Georgia law existing banks may not expand beyond their headquarters city, and bank holding companies may not acquire more than 5 per cent of the stock of any bank other than those in which they had substantial existing holdings.[1] Hence, so long as DeKalb Bank was in Avondale Estates, further expansion by Citizens and Southern could be achieved only through management control of another bank. Now that Avondale Estates' city limits are altered, DeKalb Bank can expand in the area around its present location, but even that expansion is limited.

Since Citizens and Southern acquired its interest and management control at the time Belevedere Bank was established, the situation is not unlike *de novo* branch banking in those states where such activity is lawful. However, the fact that Citizens and Southern can only have a 5 per cent interest means that absent this merger there is a real potential that Belvedere Bank might at some time become independent and develop its competitive potential.

4. **Effect on Concentration**

An appropriate market in which to measure the competitive effects of the merger is DeKalb County, wherein 16 commercial banks operate a total of 25 banking offices. Four additional offices have been approved and applications are pending for the addition of three others. In addition to the participating banks, six of these banks, including one authorized but not yet open, are affiliated with The Citizens and Southern Holding Company

[1] Georgia Code Annotated, 13-203.1, 13-207.

through its relationship with The Citizens and Southern National Bank. As of December 31, 1968, these eight banks controlled some 43 per cent of total DeKalb County commercial bank deposits. Three different banking organizations held around 75 per cent of DeKalb County deposits, and four separate banking organizations held over 80 per cent. Hence, the banking market in DeKalb County is highly concentrated. DeKalb Bank itself held about 6.8 per cent of total county deposits while Belvedere Bank held approximately 2.8 per cent of such deposits. Their combined share of these deposits would have been about 9.6 per cent, resulting in the fourth largest bank operating in DeKalb County.

Because of the existing relationship between the merging banks the increase in concentration of banking resources in DeKalb County as a result of this merger would be more apparent than real. However, these figures do demonstrate the dominant position occupied by The Citizens and Southern Holding Company in the DeKalb banking market.

A summary of this report is attached.

Sincerely yours,

Richard W. McLaren
Assistant Attorney General
Antitrust Division

Summary of the Report of the Department of Justice of the Competitive Factors Involved in the Application of the Citizens and Southern DeKalb Bank of Avondale Estates, Avondale Estates, Georgia, to Purchase the Assets and Assume the Liabilities of The Citizens and Southern Belvedere Bank of Decatur, Decatur, Georgia

The merging banks are unit banks both located in the unincorporated area of DeKalb County, 1.8 miles apart. Although branches of the first and third largest banks in the state as well as several smaller banks have offices in the same general area,

there are no banks in the intervening area. Therefore, it would appear that this merger will eliminate considerable direct competition between the merging banks.

The immediate anticompetitive effects of this merger may well be lessened by the fact that The Citizens and Southern Holding Company has had full management control of Belvedere Bank since its inception. Under Georgia law existing banks may not expand beyond their headquarters city, and bank holding companies may not acquire more than 5 per cent of the stock of any bank other than those in which they had substantial existing holdings. Hence, so long as DeKalb Bank was in Avondale Estates, further expansion by Citizens and Southern could be achieved only through management control of another bank. Now that Avondale Estates' city limits are altered, DeKalb Bank can expand in the area around its present location, but even that expansion is limited.

Since Citizens and Southern acquired its interest and management control at the time Belvedere Bank was established, the situation is not unlike de novo branch banking in those states where such activity is lawful. However, the fact that Citizens and Southern can only have a 5 per cent interest means that absent this merger there is a real potential that Belvedere Bank might at some time become independent and devleop its competitive potential.

An appropriate market in which to measure the competitive effects of the merger is DeKalb County, wherein 16 commercial banks operate a total of 25 banking offices. Four additional offices have been approved and applications are pending for the addition of three others. In addition to the participating banks, six of these banks, including one authorized but not yet open, are affiliated with The Citizens and Southern Holding Company through its relationship with The Citizens and Southern National Bank. As of December 31, 1968, these eight banks controlled some 43 per cent of total DeKalb County commercial bank deposits. Three different banking organizations held around 75 per cent of DeKalb County deposits, and four separate banking organizations held over 80 per cent.

Hence, the banking market in DeKalb County is highly concentrated. DeKalb Bank itself held about 6.8 per cent of total county deposits while Belvedere Bank held approximately 2.8 per cent of such deposits. Their combined share of these deposits would have been about 9.6 per cent, resulting in the fourth largest bank operating in DeKalb County.

Because of the existing relationship between the merging banks the increase in concentration of banking resources in DeKalb County as a result of this merger would be more apparent than real. However, these figures do demonstrate the dominant position occupied by The Citizens and Southern Holding Company in the DeKalb banking market.

Report of the Office of the Comptroller of the Currency
to the Federal Deposit Insurance Corporation
Under the Bank Merger Act of 1960, as Amended

Subject: Proposed purchase of assets and assumption of liabilities of The Citizens and Southern Belvedere Bank, Decatur, Georgia, by The Citizens and Southern DeKalb Bank, Avondale Estates, Georgia.

The Citizens and Southern Belvedere Bank, Decatur, Georgia, was organized in 1965 and now holds IPC deposits of $6.6 million. The Citizens and Southern DeKalb Bank, Avondale Estates, Georgia, was organized in 1948 and now holds IPC deposits of approximately $16 million. The communities in which the participating banks operate, which are less than one mile apart, are primarily residential in nature, serving as bedroom communities for persons employed in neighboring Atlanta and Fulton County.

There is no competition between the participating banks which are under the common ownership and control of The Citizens and Southern National Bank, Savannah, Georgia, and

its wholly owned subsidiary, The Citizens and Southern Holding Company. Since the banks are commonly controlled and operated, and offer the same banking services at the same prices, consummation of this proposal would have no effect on competition.

The effect on competition will not be adverse.

Dated: Sept. 5, 1969

Board of Governors of the
FEDERAL RESERVE SYSTEM
Washington, D. C. 20551

August 19, 1969

Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Gentlemen:

As requested in your letter of July 14, 1969, there is enclosed the Board's report, under the Bank Merger Act (12 U.S.C. 1828(c)), on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of The Citizens and Southern Belvedere Bank, Decatur, Georgia, by The Citizens and Southern DeKalb Bank, Avondale Estates, Georgia.

Very truly yours

Elizabeth L. Carmichael
Assistant Secretary

Enclosure.

August 19, 1969

Report by the

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

to the

Federal Deposit Insurance Corporation, under the Bank Merger Act (12 U.S.C. 1828(c)), on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of

The Citizens and Southern Belvedere Bank, Decatur, Georgia

by

The Citizens and Southern DeKalb Bank, Avondale Estates, Georgia

I. The Proposal

The Citizens and Southern DeKalb Bank, Avondale Estates, Georgia, (C&S DeKalb), with deposits of $16.5 million, has requested prior written consent of the Federal Deposit Insurance Corporation to purchase the assets and assume the liabilities of The Citizens and Southern Belvedere Bank, Decatur, Georgia (C&S Belvedere) which opened for business in 1966 and now has deposits of $7.0 million. Each bank operates a single office.

C&S DeKalb is a subsidiary of Citizens and Southern Holding Company, Savannah (C&S Holding Company) and its parent Citizens and Southern National Bank, Savannah (C&S National), both registered bank holding companies. It is understood that C&S Holding Company assisted in the establishment of C&S Belvedere and that C&S National's Pension and Profit Sharing Plan owns 5 per cent of the outstanding capital stock of C&S Belvedere while C&S National's directors and

E- 1837

officers control an additional 25.7 per cent of C&S Belvedere's stock. The application states, "C&S Belvedere is now managed, and during its entire period of relationship with the C&S Holding Company, has been managed by C&S National hired and trained personnel."

II. The Communities

Both banks are in DeKalb County (estimated population 354,000), one of the five counties which make up the Atlanta Standard Metropolitan Statistical Area. The county has grown rapidly over the past two decades as a result of suburban residential expansion of Atlanta, and has also experienced a significant degree of commercial and industrial expansion.

C&S DeKalb is located adjacent to Avondale Estates which has a population of about 1,600. It is about 1 mile from Decatur, the seat of DeKalb County, and approximately 8 miles east of downtown Atlanta.

C&S Belvedere is situated in an unincorporated area of DeKalb County about 1.8 miles south of the business district of Avondale Estates and 2 miles southeast of Decatur. In the vicinity of C&S Belvedere is the largest concentrated shopping area in DeKalb County.

III. Competition Between the Two Institutions

While C&S DeKalb and C&S Belvedere are only 1.8 miles apart, there is no effective competition between them because of their close relationship. However, since there is some overlapping of the areas served by the two banks and because available information indicates C&S National does not control a majority of C&S Belvedere's stock, consummation of the proposed transaction would eliminate potential for competition between proponents in the event the close relationship were to terminate.

C&S Belvedere's loan portfolio equals 81 per cent of its total deposits. Instalment paper, real estate mortgages and commercial and industrial loans equal 70, 13, and 9 per cent, respectively, of the portfolio. Time and savings deposits constitute 61 per cent of C&S Belvedere's total deposits. Neither bank operates a trust department.

IV. **Other Competitive Effects**

The main impact of the instant proposal would be felt in the Decatur-Avondale Estates area where proponents offices are located. This area also contains offices of First National Bank of Atlanta (deposits $804 million), Fulton National Bank of Atlanta (deposits $387 million), Citizens and Southern Emory Bank, Atlanta (deposits $29 million—a subsidiary of C&S Holding Company) and First National Bank of Glenwood (deposits $14 million). The State has granted permission for the establishment of two additional banks in this area. Citizens Bank of Clarkstown would be opened 3 miles north of C&S DeKalb while First State Bank of South DeKalb would be established 3 miles south of C&S Belvedere. The proposed transaction would not have significantly adverse competitive effects on other banks.

As of June 29, 1968, C&S Holding Company's two subsidiaries in DeKalb County held almost 26 per cent of the deposits in that county. An additional 27 per cent was held by five other banks in which the holding company holds a minority interest.

As of December 31, 1968, the C&S Holding Company Group operated nine subsidiary banks which held almost 21 per cent of commercial bank deposits in the State. Further, the group held a minority interest in several other Georgia banks.

The Decatur-Avondale Estates area is served by savings and loan associations and finance companies.

V. Conclusion With Respect to Competitive Factors

A close relationship has existed between The Citizens and Southern DeKalb Bank, Avondale Estates, and The Citizens and Southern Belvedere Bank, Decatur, since the organization of the latter. Thus, there is no effective existing competition between proponents. However, there is potential for development of competition between the two banks in the event the close relationship were to terminate. The overall effect of the proposal on competition would be slightly adverse.

Note

As required by the Bank Merger Act (12 U.S.C. 1828(c)), this report is limited to a report on the competitive factors involved, and is not a recommendation as to whether the application should be approved or disapproved. The term "slightly adverse" as used in the above conclusion is defined at 12 C.F.R. 250.182 (34 Fed. Reg., July 10, 1969, p. 11414); Fed. Res. Bulletin, July 1969, p. 610.

UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF GEORGIA, ATLANTA DIVISION

Civil Action No. 15823

Filed: November 2, 1971

United States of America, Plaintiff

v.

Citizens and Southern National Bank, et al., Defendants

NOTICE OF APPEAL

Notice is hereby given that the United States of America, plaintiff herein, appeals from the Final Judgment and Order of this Court which was entered in this action on January 25, 1974. Such appeal is being taken directly to the Supreme Court of the United States under authority of Title 15 U.S.C., Section 29.

John W. Stokes, Jr.
United States Attorney

/s/ Donald A. Kinkaid
Donald A. Kinkaid

/s/ Kenneth D. Stern
Kenneth D. Stern

/s/ Neal F. Lehman
Neal F. Lehman
Attorneys for Plaintiff

March 25, 1974

SUPREME COURT OF THE UNITED STATES

No. 73-1933

United States, Appellant,

v.

Citizens and Southern National Bank, et al.

Appeal from the United States District Court for the Northern District of Georgia.

The statement of jurisdiction in this case having been submitted and considered by the Court, probable jurisdiction is noted.

October 21, 1974

E-1842

INDEX

	Page
Opinion below	1
Jurisdiction	1
Questions presented	2
Statutes involved	2
Statement	3
A. The defendants	3
1. The Citizens and Southern banking system	3
2. C&S's special relationships with the suburban banks	4
B. Georgia banking law and C&S's attempts to expand	7
C. The Atlanta banking markets	9
D. The acquisition proposal, competitive reports, and the Federal Deposit Insurance Corporation's decision	9
E. The district court's decision	11
1. The Sherman Act claims	12
2. The Clayton Act claims	14
The questions are substantial	16
Conclusion	32
Appendix A	1a
Appendix B	70a
Appendix C	73a
Appendix D	75a
Appendix E	88a

CITATIONS

Cases:

Citizens & S. Nat'l Bank v. *Independent Bankers Ass'n of Georgia, Inc.*, 202 S.E. 2d 78 ..... 8, 18
Independent Bankers Ass'n of Georgia, Inc. v. *Dunn*, 230 Ga. 345, 197 S.E. 2nd 129 ..... 8, 14
Interstate Circuit, Inc. v. *United States*, 306 U.S. 208 21
Kiefer-Stewart Co. v. *Joseph E. Seagram & Sons, Inc.*, 340 U.S. 211 29
Northern Pac. Ry. v. *United States*, 356 U.S. 1 20
Perma Life Mufflers, Inc. v. *International Parts Corp.*, 392 U.S. 134 29
Ricci v. *Chicago Mercantile Exch.*, 409 U.S. 289 26
United States v. *Container Corp.*, 393 U.S. 333 21
United States v. *E. I. du Pont de Nemours & Co.*, 353 U.S. 586 26
United States v. *Marine Bancorporation, Inc.*, No. 73-38, argued April 23, 1974 ..... 13, 29
United States v. *Parke, Davis & Co.*, 362 U.S. 29 21
United States v. *Philadelphia Nat'l Bank*, 374 U.S. 321 27
United States v. *Phillipsburg Nat'l Bank*, 399 U.S. 350 27-28
United States v. *Singer Mfg. Co.*, 374 U.S. 174 21
United States v. *Socony-Vacuum Oil Co.*, 310 U.S. 150 21

Cases—Continued — Page

United States v. *Topco Assocs., Inc.*, 405 U.S. 596 20
United States v. *Trans Texas Bancorporation, Inc.*, 1972 Trade Cases para. 74,257 (W.D. Tex.), affirmed, 412 U.S. 946 ..... 15-16, 28
Whitney National Bank v. *Bank of New Orleans & Trust Co.*, 379 U.S. 411 ..... 12, 27

Statutes:

Bank Holding Company Act of 1956, 70 Stat. 133, as amended, 12 U.S.C. 1841, *et seq.* 12, 24

12 U.S.C. 1841(a) 25
12 U.S.C. 1842(c) 24
12 U.S.C. 1844(a) 3
12 U.S.C. 1849(a) 25
12 U.S.C. 1849(b) 24, 25

Bank Merger Act of 1966, 80 Stat. 7, as amended, 12 U.S.C. 1828, *et seq.*:

Section 1828(c) .....
Section 1828(c)(2) .....
Section 1828(c)(4) .....
Section 1828(c)(5)(B) 2-3, 88a
Section 1828(c)(6), (7) 11
Section 1828(c)(7)(A) 12
Section 1828(c)(7)(D) 11

Clayton Act, Section 7, 38 Stat. 731, as amended, 15 U.S.C. 18 ..... 2, 3, 11, 12, 16, 17, 22, 27, 29, 30, 32, 88a

Statutes—Continued Page

Sherman Act, 26 Stat. 209, as amended,
15 U.S.C. 1 ..... 2, 3, 12, 13, 16, 17, 20, 24, 29, 30
Ga. Code Ann. 13-203(c) 8
Ga. Code Ann. 13-207(a) 8

In the Supreme Court of the United States

OCTOBER TERM, 1973

No.

UNITED STATES OF AMERICA, APPELLANT

v.

CITIZENS AND SOUTHERN NATIONAL BANK, ET AL.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA

JURISDICTIONAL STATEMENT

OPINION BELOW

The district court's findings of fact, conclusions of law and order (App. A, *infra*, pp. 1a-69a) are not reported.

JURISDICTION

The judgment of the district court (App. A, *infra*, p. 69a) was entered on January 25, 1974. The notice of appeal to this Court (App. C, *infra*, pp. 73a-74a)

was filed on March 25, 1974. On April 16, 1974, Mr. Justice Powell extended the time for docketing the appeal to June 24, 1974. The jurisdiction of this Court is conferred by Section 2 of the Expediting Act, 15 U.S.C. 29. *United States* v. *Phillipsburg National Bank*, 399 U.S. 350; *United States* v. *First National Bancorporation, Inc.*, 410 U.S. 577.

QUESTIONS PRESENTED

1. Whether an arrangement whereby each of six separate and independent banks operated as a *de facto* branch of a larger independent bank competing in the same markets, resulting in interchanges of information, personnel and other resources and a lack of competition, violates Section 1 of the Sherman Act.

2. Whether the Bank Holding Company Act of 1956 ousts antitrust courts of jurisdiction to determine the foregoing question, by vesting exclusive jurisdiction over such issues in the Board of Governors of the Federal Reserve System.

3. Whether the acquisition by the largest bank in the Atlanta area of five independent banks there, which are not acting as competitors because they have undertaken to operate as its *de facto* branches, violates Section 7 of the Clayton Act.

STATUTES INVOLVED

Section 7 of the Clayton Act, 38 Stat. 731, as amended, 15 U.S.C. 18; Section 1 of the Sherman Act, 26 Stat. 209, as amended, 15 U.S.C. 1; and Subsection 5(B) of the Bank Merger Act of 1966, 80

Stat. 8, as amended, 12 U.S.C. 1828(c)(5)(B), are set forth in Appendix E, *infra*, pp. 88a-89a.

STATEMENT

The United States filed this civil antitrust action challenging (1) the relationship between the Citizens and Southern banking organization ("C&S" or the "C&S System"), the largest banking system in Atlanta, Georgia, and six legally independent banks in the Atlanta suburbs, which voluntarily operate as *de facto* branches of C&S, as violating Section 1 of the Sherman Act, and (2) C&S's proposed acquisition of five of these banks, pursuant to agreements entered into in 1970, as violating Section 7 of the Clayton Act. After trial on the merits, the district court dismissed the complaint (App. A, *infra*, pp. 1a-69a).

A. THE DEFENDANTS

1. *The Citizens and Southern Banking System.* The C&S System consists of Citizens and Southern National Bank ("C&S National"), its wholly-owned subsidiary Citizens and Southern Holding Company ("C&S Holding"), and eight banks operating in Georgia in which C&S Holding owns a majority stock interest (App. A, *infra*, pp. 2a-3a; DX 266, p. 116[1]).

C&S National, the lead bank in the C&S System, is also a registered bank holding company under federal law (App. A, *infra*, p. 2a). See 12 U.S.C. 1844(a). Its home office is in Savannah but it operates more than 60 banking offices in six Georgia cities,

[1] "DX" refers to appellees' exhibits; "GX" refers to government exhibits.

about 40 of which are located in the Atlanta area (App. A, *infra*, p. 2a).

Through C&S Holding, the C&S System presently owns a majority stock interest in three state chartered banks in the Atlanta area.[2] The acquisitions challenged are to be made by two of these banks: "C&S Emory" and "C&S East Point."

As of June 30, 1970, C&S's combined assets of $1.7 billion, combined deposits of $1.4 billion, and combined loans and discounts of $1.1 billion made it Georgia's largest bank system. In the Atlanta area, C&S on December 31, 1971, had deposits of approximately $1 billion. Its 30 percent share of the total deposits held by the 31 banking organizations operating there made it the largest in the Atlanta area (App. A, *infra*, pp. 2a, 38a-40a).

2. *C&S's Special Relationships with the Suburban Banks.* Between 1957 and 1969, C&S assisted in the organization of a number of independent banks in the Atlanta suburbs. C&S acquired at least a five

---

[2] The three banks and their resources as of December 31, 1970, are: (1) The Citizens and Southern Emory Bank ("C&S Emory"), with four offices in DeKalb County, and assets of $42.3 million, deposits of $35.4 million, and loans and discounts of $28.5 million; (2) the Citizens and Southern Bank of East Point ("C&S East Point"), with four offices in Fulton County, and assets of $28.4 million, deposits of $23.3 million, and loans and discounts of $22.9 million; and (3) the Citizens and Southern DeKalb Bank ("C&S DeKalb"), with two offices in DeKalb County, and assets of $28.4 million, deposits of $23.5 million and total loans and discounts of $22.9 million (App. A, *infra*, pp. 3a-4a). C&S DeKalb is not a defendant in this action since it is not a party to any of the proposed acquisitions (see p. 10, *infra*, n. 6).

percent stock interest in these banks and they are sometimes referred to as the "five percent banks." From their beginnings the banks maintained not only a correspondent relationship but also an operating relationship with C&S so close that they soon began to behave as its *de facto* branches. See *infra*, pp. 10, 18-21. It is not disputed, however, that they were legally independent; that the fiduciary obligation of the management of each five percent bank was to all of that bank's stockholders and not only to C&S; that each bank retained independent decision-making power; and that to the extent their management submitted to the direction of C&S, they acted voluntarily.

One such bank, the Bank of Stone Mountain, was organized in 1957 with C&S's assistance; in 1959 C&S acquired five percent of Stone Mountain's stock and in 1966 the bank became known as the "C&S Bank of Stone Mountain." That bank, however, later declined to be acquired by C&S and it has since become completely independent of C&S's influence and no longer uses the C&S name. (Tr. 180-181, 184, 188, 204-224, 534A-536, 597-598, 682.)

Of the six institutions involved here, one, the Tucker Bank, chartered in 1919, was in existence long before its association with C&S. It has been operated as part of the C&S System since 1965, when C&S Holding purchased five percent of its stock and it adopted the name "Citizens and Southern Bank of Tucker." (App. A, *infra*, pp. 5a, 15a-16a; DX 267, pp. 1-2.) It is involved only in the Sherman Act aspect of this case, because the Federal Deposit In-

surance Corporation ("FDIC") disapproved its acquisition by C&S, although its relationship as a *de facto* branch continues.[3]

The five remaining suburban banks all were organized with C&S's assistance and it acquired a five percent interest in them at the time they were organized. Each bank has "a large number of shareholders * * * and no single shareholder owns a significant number of the shares of any such bank" (App. A, *infra*, p. 43a).

Sandy Springs. Sandy Springs is a community adjoining the north side of the City of Atlanta in Fulton County. The Citizens National Bank of Sandy Springs was organized in 1959 and began operating in 1960. In 1969 it converted from a national to a state-chartered bank and adopted the name Citizens and Southern Bank of Sandy Springs. It has one office, and had total assets of $22 million, deposits of $19 million and net loans and discounts of $11.7 million as of December 31, 1970 (*id.* at 5a-6a).

Chamblee. Chamblee is located in DeKalb County northeast of Atlanta. The Chamblee National Bank was organized in 1960. In 1969 it converted from a national to a state-chartered bank and adopted the name Citizens and Southern Bank of Chamblee. It has two offices, and had total assets of $21.1 million, deposits of $18.7 million, and loans and dis-

[3] The FDIC characterized the relationship between C&S and Tucker Bank as being "anticompetitive in its origins" but assumed that it could be terminated only by compulsory process (GX 33D).

counts of $10.7 million as of December 31, 1970 (*id.* at 4a).

North Fulton. The Citizens and Southern Bank of North Fulton, a state-chartered bank, was organized in a community in Fulton County north of Atlanta. It has one office, and had total assets of $7.7 million, deposits of $6.3 million and loans and discounts of $5.6 million as of December 31, 1970 (*id.* at 5a).

Park National. Citizens and Southern Park National Bank was organized in 1967 in Executive Park, located in DeKalb County north of Atlanta. It has one office, and had assets of $11.1 million, deposits of $9.8 million, and loans and discounts of $3.5 million as of December 31, 1970 (*id.* at 4a).

South DeKalb. Citizens and Southern South DeKalb Bank was organized in 1969 in DeKalb County southeast of Atlanta. It has two offices, and had total assets of $5.1 million, deposits of $4.3 million, and loans and discounts of $2.1 million as of December 31, 1970 (*id.* at 4a-5a).

B. GEORGIA BANKING LAW AND C&S's ATTEMPTS TO EXPAND.

C&S contends that it was using its close relationship with the five percent banks as a substitute for *de novo* expansion which was not permitted by state law. Prior to 1927, Georgia permitted statewide branching. At that time, C&S had three branches in Atlanta. In that year Georgia prohibited branching, but in 1929 it modified the absolute restriction to

permit branching only in cities in which the bank's home office was located. C&S, as a Savannah-based company, was therefore unable to branch further in the Atlanta area. In 1965 Georgia authorized branching within the limits of any city where a bank had any offices; in 1970 it extended this limit, effective in 1971, to any county in which the bank has any office (Ga. Code Ann. 13-203(c) (Cum. Supp., 1972)), making the challenged acquisitions possible under state law (App. A, *infra*, pp. 7a-9a).

The Georgia Bank Holding Company Act, enacted in 1956, prohibited any holding company from acquiring more than fifteen percent of a bank's stock (Ga. L. 1956, pp. 309-312); a 1960 amendment further limited such companies to five percent. Ga. Code Ann. 13-207(a).[4] (See App. A, *infra*, p. 8a.)

---

[4] C&S had maintained a degree of indirect control over other banks in Georgia in which it held a five percent stock interest. C&S's direct and indirect control over ten "five percent" banks located in various parts of Georgia, including one of the banks involved here, South DeKalb, was challenged in *Independent Bankers Ass'n of Georgia, Inc.* v. *Dunn*, 230 Ga. 345, 197 S.E. 2d 129. The Supreme Court of Georgia held that the C&S System had exceeded the five percent stock limitation provided in Georgia law, and that C&S was indirectly controlling more than five percent of the stock because of "the action of certain * * * [C&S] officers and directors in acquiring such stock, selling it to selected individuals and trusts, and in treating such banks as branch banks of Citizens and Southern." *Citizens & S. Nat'l Bank* v. *Independent Bankers Ass'n of Georgia, Inc.*, 202 S.E. 2d 78, 80 (Ga.).

C. THE ATLANTA BANKING MARKETS

The Clayton Act count alleged that the proposed acquisitions may substantially lessen competition and would increase concentration (a) in the Atlanta area, consisting of the city of Atlanta and the two counties it straddles, DeKalb and Fulton; (b) in DeKalb and Fulton Counties separately; and (c) in north Fulton County. Within each of the government's proposed markets, which the district court accepted for "purposes of discussion" (*id.* at 30a-31a), commercial banking is highly concentrated. For example, in the Atlanta area, the top two banks had 53.2 percent of total deposits and the top four, 84.2 percent. The merger would increase these levels of concentration by two percent, would raise C&S's share as market leader from 30 to 32 percent and would reduce the total number of banking organizations in the Atlanta area market from 31 to 26. Similar effects would occur in each of the other markets.[5]

D. THE ACQUISITION PROPOSAL, COMPETITIVE REPORTS, AND THE FEDERAL DEPOSIT INSURANCE CORPORATION'S DECISION

In 1970 C&S applied to the FDIC, pursuant to 12 U.S.C. 1828(c), for approval of its proposed acquisitions of the six "five percent" banks described above

---

[5] Tables setting forth concentration levels and the effect of the merger upon them in each market are contained in the district court's findings (App. A, *infra*, pp. 31a-40a).

(DX 266, 267).* The applications asserted that the banks to be acquired (termed "correspondent associates" by C&S) are "virtually operated and directed as *de facto* branches in the C&S system," that their "[s]tockholders, customers and competitors have recognized that fact," that the proposed acquisitions "can produce no anti-competitive results * * * since no change is contemplated—except as to form," and that, since no competition exists between C&S and the correspondent associates, no competition could be eliminated by the proposed acquisitions (DX 266, pp. 2-3; DX 267, pp. 2-3).

The Department of Justice, the Board of Governors of the Federal Reserve System, and the Comptroller of the Currency submitted competitive reports to the FDIC concerning the proposed acquisitions (GX 38, DX 318, DX 317), pursuant to 12 U.S.C. 1828 (c)(4). The Board of Governors and the Comptroller reported that the acquisitions would not have

---

* The applications actually were filed by two C&S subsidiaries: C&S East Point proposed to acquire Sandy Springs Bank and North Fulton Bank, and C&S Emory proposed to acquire Chamblee Bank, Park National Bank, South DeKalb Bank and Tucker Bank. Since a substantial majority of the two acquiring subsidiaries' stock is owned by C&S Holding, the proposed acquisitions are in substance acquisitions by C&S and have been consistently treated as such (App. A, *infra*, p. 6a). As each of the banks in a "non-member [of the Federal Reserve System] insured bank," FDIC is responsible for approving the acquisitions in the first instance. 12 U.S.C. 1828(c)(2)(C).

anticompetitive effects. The Department, after initially also so reporting, except as to Tucker Bank, made a further investigation and then concluded that all six of the proposed acquisitions "would have a significantly adverse effect on competition" (GX 38, p. 17).[7]

On October 4, 1971, the FDIC approved the acquisition by C&S of the five affiliated banks it had assisted in organizing (GX 33B, 33C), concluding that they do not and never did compete with each other or with C&S (GX 33B, p. 2; GX 33C, p. 2). It disapproved, however, the acquisition of the Tucker Bank (GX 33D).

E. THE DISTRICT COURT'S DECISION

On November 2, 1971, within the 30-day statutory period for such suits (12 U.S.C. 1828(c)(6), (7)), the United States filed this action, under Section 7 of the Clayton Act, to enjoin consummation of the

---

[7] The Department had initially reported that the acquisition by C&S of the five banks C&S had assisted in organizing would have no adverse effect on competition because they had always been "affiliated" with C&S, but that the acquisition of Tucker Bank would injure competition because it had previously been independent. The initial reports were based on the erroneous assumption that, from the time they were organized, C&S completely controlled the "affiliated" banks it sought to acquire and that the latter banks had never been independent competitors. A subsequent field investigation, prompted by information received after the initial reports were submitted, revealed that the assumption of complete control was not correct (GX 38, pp. 3-4).

five acquisitions approved by the FDIC;[8] the complaint also sought to enjoin the violations of Section 1 of the Sherman Act which it alleged existed by virtue of the close working relationships and arrangements among C&S and the six "correspondent associates" (including Tucker Bank). Pursuant to 12 U.S.C. 1828(c)(7)(A), the commencement of the action automatically stayed consummation of the acquisitions. The district court (Moye, J.) subsequently denied appellees' motion to lift the stay prior to trial.

Following a trial on the merits, the district court entered judgment for the appellees on both the Section 1 and the Section 7 claims.

1. *The Sherman Act Claims.* The district court held that the Board of Governors of the Federal Reserve System had "exclusive primary jurisdiction" under the Bank Holding Company Act, 70 Stat. 133, as amended (12 U.S.C. 1841, *et seq.*) over all questions presented under the Sherman Act concerning the legality of the relationship between C&S and the six "five percent" banks. Citing *Whitney National Bank* v. *Bank of New Orleans & Trust Co.*, 379 U.S. 411, 419, it ruled that the doctrine of "exclusive primary jurisdiction is applicable * * * not only to questions of organization, but also to questions of operation of banks by holding companies" (App. A, *infra*, p. 26a).

Alternatively, it held that no violation of Section 1 had been established. It made no finding as to

[8] The FDIC did not exercise its statutory right (12 U.S.C. 1828(c)(7)(D)) to intervene as a party defendant.

initial responsibility for organization of the five banks in whose creation C&S had participated, but noted that "C&S's involvement was prompted by hope that it would be the forerunner of much larger interests in the future. It is also clear that such initial C&S participation effectively precluded *ab initio* any real competition between the C&S system and the five percent defendant banks" (*id.* at 11a). It found that C&S's advice and suggestions with respect to rates, hours of operation, types of loans to discourage, and minimum loan rates were generally followed, but that these activities did not amount to collusive price fixing or market division, and hence were not *per se* violations of Section 1 (*id.* at 23a-25a).

Applying the "rule of reason," the court found no adverse effects upon competition nor any significant difference from an ordinary correspondent relationship between banks. "There is no evidence of record to conclude that the utilization by the five percent defendant banks of the services or information received by them from C&S National or C&S Holding was a result of any tacit or explicit combinations rather than the natural deference of the recipient to information from one with greater expertise or better sources" (*id.* at 29a).[9]

---

[9] The court also appears to have concluded that C&S's relationship with the five percent banks had been endorsed by the government in its jurisdictional statement in *United States* v. *Marine Bancorporation, Inc.*, No. 73-38, argued April 23, 1974. It also concluded that in 1968 the Department of Justice had acquiesced in the relationship between C&S and the five percent banks by failing to challenge it after participating in an understanding reached during an investigation by the Federal

2. *The Clayton Act Claims.* Turning to the Clayton Act count, the district court found that the relationship between C&S and each five percent bank "from the very beginning * * * has been much closer than the normal correspondent banking relationship" (App. A, *infra*, p. 49a). "[T]here is no presently existing substantial competition between the five percent defendant banks and C&S National, or *inter sese*, or with third parties which would be affected by the proposed merger" (*id.* at 66a).

Among other things, it found that C&S had been intimately involved in all aspects of the banks' establishment; that the chartering agencies knew that each bank would be affiliated with a large bank, and relied on this in granting a charter; and that C&S officials had stock interests in excess of five percent.[10]

Reserve Board staff to determine whether C&S had violated the Bank Holding Company Act of 1956. The understanding provided that C&S would not be deemed to control a majority of the Board of Directors of a five percent bank by reason of its furnishing a principal operating officer, that officer's purchase of additional shares, or its placing one or two directors on the bank's board, if they were not a majority (see App. A, *infra*, pp. 18a-19a).

[10] The court also held that the Georgia Supreme Court's decision in *Independent Bankers Ass'n of Georgia, Inc.* v. *Dunn*, *supra* (see p. 8, *supra*, n. 4), did not affect its determination (App. A, *infra*, pp. 66a-68a). Following remand of that case, the State Commissioner of Banking and Finance issued an order on May 22, 1974, to implement the decision (App. D, *infra*, pp. 75a-87a). That order, among other things, provided that C&S must terminate supervision of the five percent banks beyond that which is available to any other bank wishing to enter a correspondent relationship; that no C&S officer or director may serve as a director or officer of a five

The court found that C&S had: furnished the president and other managing officials of each bank; selected directors; arranged for the banks to use the C&S name and logo to increase their public identification with C&S; provided accounting services; set up the same credit administration and controls as for C&S branches; provided for regular credit meetings with C&S officers and affiliates; furnished the five percent banks with C&S guides and manuals; provided an advisory director to meet with each bank's board of directors; supervised their operations through C&S's branch supervision department; and arranged for customer services to be handled as if each bank were a branch of C&S.

The court found that this relationship "is principally a matter of such intangible factors as the intentions of the principals, and that stock ownership is merely one manifestation along with various implementing operating procedures. * * * [I]t makes no difference whether this absence of competition results from a legally effective stock ownership control

---

percent bank; that certain C&S officers and directors who acquired stock in the five percent banks under certain conditions must divest that stock; that C&S Holding must divest its stock in the five percent banks if that stock, together with stock held by C&S National shareholders in the five percent bank, exceeds five percent of the stock of the latter bank; and that signs, advertising and similar written materials disseminated by a five percent bank must distinguish that bank from C&S, if the C&S logo is used.

On June 3, 1974, the district court ruled that the Commissioner's order did not affect its decision, and it amended its original order, *nunc pro tunc*, accordingly (App. B, *infra*, pp. 70a-72a).

as in [*United States* v. *Trans Texas Bancorporation, Inc.*, 1972 Trade Cases para. 74,257 (W.D. Tex.), affirmed, 412 U.S. 946], or from the more intangible factors present here" (App. A, *infra*, pp. 65a-66a). On this basis it concluded that none of the acquisitions violated Section 7.

THE QUESTIONS ARE SUBSTANTIAL

This appeal presents substantial questions relating to (1) the legality under Section 1 of the Sherman Act of arrangements under which price and service competition has been eliminated among a large bank and smaller independent banks, in the organization of some of which the large bank had assisted, and (2) the legality under Section 7 of the Clayton Act of the large bank's acquisition of such affiliates. These questions are of substantial importance to the banking community and to the administration of the antitrust laws.

In this case six banks have voluntarily undertaken to conduct themselves as *de facto* branches of a larger banking organization competing in the same markets. The banks are in law and in fact independent business entities, except to the extent that their managements have voluntarily agreed to conduct their banking activities as if they were branch offices of the larger bank. Such a mutual arrangement goes far beyond any ordinary correspondent relationship, for it eliminates all meaningful price and service competition among C&S and the six banks. Whether it be called "*de facto* branching" or "voluntary con-

trol," it is a combination or agreement that violates Section 1 of the Sherman Act.

C&S's assistance in the organization of five of the banks does not result in an exception from the Sherman Act for this conduct. Sponsorship or assistance of a new bank by an established bank is often a necessity for the new bank's organizers, and a sound business practice for the established bank, because it offers the possibility for developing a profitable correspondent relationship. Small banks may also become targets for acquisition by their sponsors as a means of entry into new markets. Thus, sponsorship or assistance to new banks may be both lawful and pro-competitive, provided that the banks are operated as *bona fide* independent institutions which do not determine their competitive conduct jointly with competing institutions. In this case, however, these conditions were not met. Instead, independent banks, which should have competed against C&S in the Atlanta area, voluntarily became its vassals in violation of the law.

Section 7 of the Clayton Act prohibits C&S from making permanent the present anticompetitive arrangement by acquiring any of the five banks. Under well-recognized criteria governing mergers between direct competitors, their elimination as independent institutions would result in a probable lessening of competition. The banks' voluntary elimination of competition among themselves prior to the acquisitions, in violation of the Sherman Act, does not constitute a defense to the Clayton Act charge.

1. The record and the district court's findings show a violation of Section 1 of the Sherman Act.

Each of the six suburban banks was, legally and factually, an independent business entity which C&S was not entitled to control. C&S holds only a five percent stock interest in the banks and, under Georgia law, cannot directly or indirectly own or control a greater percentage. Indeed, its conduct in treating its "five percent banks" as branch banks was one of the factors which led the Georgia Supreme Court to conclude that it was indirectly controlling more stock than state law permitted. *Citizens & S. Nat'l Bank* v. *Independent Bankers Ass'n of Georgia, Inc.*, 202 S.E. 2d 78, 80.

The Tucker Bank competed independently long before its association with C&S. The other five banks' stock is held by individuals who may not lawfully act as agents of C&S in the banks' affairs. Moreover, C&S has always denied having the power to control the five percent banks.

In 1968, C&S National's president advised the Federal Reserve Board staff that C&S influenced, but did not control, the five percent banks, which were always free to pursue their own interests.[11]

---

[11] Mr. Mills B. Lane, Jr., stated that "[t]he five percent investment followed the identical philosophy of my father of influencing but not controlling the correspondent bank relationship" (GX 177, p. 8). He also stated that "I look on the use of the name Citizens and Southern [by the five percent banks] as identity with the strong institution, not with control * * *" (*id.* at 11). In response to a question as to what assurance C&S had that a five percent bank using the C&S

This is borne out by the record. Each bank has an independent board of directors whose members are not officers, employees or directors of C&S or of other banks. The directors and chief executive officers of the banks deny that C&S may dictate policies or practices to them, or control their actions.[12] They follow C&S's advice only when they believe it is in the best interests of their banks.[13] In the words of the regional administrator of national banks, "while they are under the aegis of the C&S national; yes, I must say they are independent organizations" (Tr. 829).

Nevertheless, the district court's findings show, as the appellees claimed, these independent banks have voluntarily submitted to C&S's direction and they conduct themselves as *de facto* branches of the C&S system. The district court found this direction and control so pervasive—extending even to supervision of the banks by C&S's own branch department (see p. 15, *supra*)—that it left no "existing substantial competition between the five percent defendant

---

name would not engage in activities which would reflect adversely on the name, Mr. Lane acknowledged that "[t]hat is the gamble we have taken. The only misgiving I ever had about our *lack of control* is the use of this name" (*id.* at 15; emphasis supplied).

[12] Cook Dep., pp. 21-22; Lane Dep., p. 23; Connelly Dep., p. 17; W. Berry Dep., p. 91; Harris Dep., pp. 27-28; Hazelrig Dep., pp. 16-17; see Tr. 704.

[13] Cook Dep. pp. 21-22; Lane Dep., p. 58; Connelly Dep., p. 28; W. Berry Dep., p. 90; Harris Dep., pp. 21-22; Hazelrig Dep., pp. 26-28.

banks and C&S National * * *" (App. A, *infra*, p. 66a). That finding, made for purposes of the Clayton Act aspect of the case, establishes that the arrangements have eliminated all meaningful price and service competition. That finding undermines the court's conclusion that the activities of C&S and the five percent banks did not unreasonably restrain trade in violation of the Sherman Act.[14] See, *e.g.*, *United States* v. *Topco Assocs., Inc.*, 405 U.S. 596, 606-608; *Northern Pac. Ry.* v. *United States*, 356 U.S. 1, 5.

The district court held that the arrangements between C&S and the five percent banks were not agreements or combinations within the meaning of Section 1 of the Sherman Act (App. A, *infra*, p. 29a). Yet the entire course of conduct between the banks and C&S reflected in each case a mutual understanding that the five percent bank would act jointly and interdependently with C&S. There would have been no other reason for them to permit an advisory director to sit upon their boards of directors, for C&S to supply them with guides and manuals, for C&S's branch supervisor to oversee them, or for them to hold them-

---

[14] This is not the district court's only inconsistency. In discussing the Sherman Act count the court stated that there was no significant difference between an ordinary correspondent relationship and the relationship between C&S and the five percent banks (App. A, *infra*, p. 28a), but in discussing the Clayton Act count the court concluded the relationship had been much closer than the normal correspondent relationship (*id.* at 49a).

selves out to the public under the C&S name and logo as interchangeable parts of the C&S System.

It was understood by all that this arrangement was voluntary. "There was of course freedom to withdraw from the agreement," just as there was in *United States* v. *Container Corp.*, 393 U.S. 333, 335. In fact, the five percent bank that C&S had helped organize at Stone Mountain did just that (see p. 5, *supra*). But, far from showing the absence of an agreement or combination, this freedom to withdraw confirms the factual and legal independence of the five percent banks. Thus, as in *Container*, the necessary agreement or combination was inherent in the banks' course of conduct, and the district court misconceived this Court's decisions [15] in failing to recognize it.

The district court also appears to have reasoned that, with the exception of the Tucker Bank, which the court did not specifically discuss, the relationship between C&S and the five other banks was lawful because C&S had provided them with very substantial assistance when they were established, and that, from the beginning, they voluntarily had refrained from competing with C&S. But, as we have shown, from the beginning they were also independent business entities which C&S could not control; C&S's

---

[15] *E.g.*, *United States* v. *Container Corp.*, *supra*; *United States* v. *Parke, Davis & Co.*, 362 U.S. 29; *Interstate Circuit, Inc.* v. *United States*, 306 U.S. 208; *United States* v. *Socony-Vacuum Oil Co.*, 310 U.S. 150, 221, 224, n. 59; *United States* v. *Singer Mfg. Co.*, 374 U.S. 174, 193-195.

hopes and the banks' joint non-competitive behavior are legally immaterial. The Sherman Act would be undermined if, as the district court reasoned, competition among independent entities was "principally a matter of such intangible factors as the intentions of the principals" (App. A, *infra*, p. 65a). Under the district court's standard, any separate firms in the same industry could agree not to compete and then use the resulting lack of competition to defend a merger which, because of the market shares involved, would otherwise be unlawful under Section 7.

It follows that, whether initiative for establishment of the banks came from C&S or from local businessmen, or, as in the case of Tucker, the bank had long been in existence, their voluntary decision to act as branches of C&S and C&S's agreement to treat them as such violated the Sherman Act. Without deciding who initiated the new banks, the district court found that C&S and many of the principals and stockholders at least hoped that one day C&S would have "larger interests" (App. A, *infra*, pp. 10a-11a). But such a hope cannot be implemented through an agreement not to compete.

Appellees contended below, at least as to the five sponsored banks, that the rule should be different because the relationships were created "at a time when full branching or ownership was not permitted to C&S" (App. A, *infra*, p. 22a). But this assertion simply confirms the impropriety of their resort to a "*de facto*" branching relationship which state law prohibited. See p. 8, *supra*, n.4. There is a material

difference between assisting a new bank to become established as a *bona fide* independent institution, in the hope of one day acquiring it, and, as was done here, entering into a *de facto* branching relationship with such a bank upon its establishment.

New banks often require substantial financial and technical assistance from other banks in order to become established.[16] Such assistance includes aid in preparing the charter application, finding a chief executive officer, acquiring and training personnel, site location, advertising and promotions, and pension and profit sharing administration, as well as general counseling, loan participation with the new bank, and other matters (Tr. 54-64, 119-120). A large bank's usual motive for such organizational assistance is to obtain the new bank's correspondent business; as a sponsoring or assisting bank, it has a substantial advantage in this respect (Tr. 54-55, 120). A bank may also sponsor a new bank in the hope of acquiring it at a later time as a means of entering a new market.[17]

The relationship between a newly-organized bank and its sponsoring or assisting bank is not, however, exempt from the antitrust laws. They cannot agree not to compete. Rather, they may undertake a normal correspondent relationship which does not re-

---

[16] This is confirmed by testimony of officials from other large Atlanta banks who have assisted in the organization of new banks (Tr. 52-54, 119-120; see Tr. 909-910). The availability of this kind of assistance is a factor relied upon by bank regulatory authorities (App. A, *infra*, pp. 46a-49a).

[17] See pp. 29-32, *infra*.

strain competition between them. The relationships here went far beyond that,[18] and thus violated Section 1.

2. The district court's conclusion that the Bank Holding Act of 1956, 70 Stat. 133, as amended (12 U.S.C. 1841, *et seq.*) vested in the Federal Reserve Board "exclusive primary jurisdiction" over the conduct underlying the Sherman Act claim in this case is erroneous.

The district court appears to have confused the concepts of "exclusive" and "primary" administrative jurisdiction. The Board does not have "exclusive" jurisdiction. The Bank Holding Company Act does not authorize the Federal Reserve Board to approve and immunize conduct that would violate Section 1 of the Sherman Act, except for an "acquisition, merger or consolidation transaction" approved by the Board under 12 U.S.C. 1842(c). See 12 U.S.C. 1849(b). If not challenged within 30 days, such a transaction may be consummated and may not thereafter be attacked in any judicial proceeding on the

---

[18] A correspondent banking relationship is essentially a vertical relationship between banks in which a large bank furnishes services to a smaller bank, and the smaller bank agrees to maintain a "correspondent balance" with the larger bank or pays it an agreed fee (see Tr. 11-44, 91-113, 153-160, GX 193, GX 194). Although the correspondent services might include a number of the types of services made available by C&S to the five percent banks, an ordinary correspondent bank would not subject itself to C&S's direction, would not regularly interchange officers and employees with C&S, would not use the C&S name or hold itself out as part of the C&S System, and would not be so linked with C&S as not to compete with banks in the C&S System.

ground that it alone and of itself violates any antitrust law (except the provisions against monopoly). 12 U.S.C. 1849(b).

The Act expressly provides, however, that, except for the foregoing, "[n]othing herein contained shall be interpreted or construed as approving any act, action, or conduct which is or has been or may be in violation of existing law, nor shall anything herein contained constitute a defense to any action, suit, or proceeding pending or hereafter instituted on account of any prohibited antitrust or monopolistic act, action or conduct * * *." 12 U.S.C. 1849(a).

If the district court meant that the relationships among the banks should have been first examined by the Federal Reserve Board under the doctrine of "primary" jurisdiction, and thereafter considered by the court, it also erred. First, as the court itself recognized (App. A, *infra*, pp. 16a-20a) in 1968 the Federal Reserve Board staff conducted an investigation of C&S's relationship with the five percent banks under the Bank Holding Company Act and concluded that no control of the kind then specified in the Act existed (see pp. 13-14, *supra*, n.9, 18).

In addition, the Act contains no provision calling for any determination by the Board relevant to any issues in this antitrust case. The Board's jurisdiction over relationships between a bank holding company and existing banks depends upon whether the holding company has "control" over the bank, as defined in Section 2(a) of the Act (12 U.S.C. 1841(a)), *i.e.*, by direct or indirect power to vote 25 percent or

more of the bank's stock; or by controlling, directly or indirectly, election of a majority of the bank's directors; or, since the 1970 amendments of the Act (84 Stat. 1761), by directly or indirectly exercising a controlling influence over the management or policies of the bank.

Liability under the antitrust laws, however, is not governed by questions of control of the kind decided by the Board under the Holding Company Act. It depends, rather, on relationships that eliminate or threaten to eliminate competition. Thus, in *United States* v. *E. I. du Pont de Nemours & Co.*, 353 U.S. 586, this Court's decision did not turn on whether du Pont's stock interest in General Motors gave it "control" of that company; it was enough that its interest enabled it sufficiently to influence General Motors' actions or policies to result in a reasonable probability of anticompetitive consequences. *Id.* at 598-605.

This court has required preliminary reference of Sherman Act issues to regulatory agencies only where the agency's decision on an issue within its jurisdiction would be directly relevant to later judicial determination of a claim or defense under the antitrust laws.[19] However, as used in the applicable provisions of the Bank Holding Company Act (see pp. 25-26, *supra*), "control" is not an element of the antitrust claim here, and Congress has expressly provided that determinations under that Act relating to "control" do not create an antitrust defense.

---

[19] *E.g.*, *Ricci* v. *Chicago Mercantile Exch.*, 409 U.S. 289.

The district court's reliance upon *Whitney National Bank* v. *Bank of New Orleans & Trust Co.*, 379 U.S. 411, was misplaced. That case did not involve relationships between existing banks claimed to violate the antitrust laws, but rather a question of the proper forum in which to litigate the legality, under state branching law, of the organization of a new bank by a bank holding company. Opponents of the new bank sought to litigate their claims in a suit to enjoin the Comptroller from issuing a charter for the bank, without waiting for the Federal Reserve Board to determine whether the holding company acquisition would violate state branching restrictions.

This Court held that, in those circumstances, since the issues raised were "cognizable by the Federal Reserve Board," proceedings before the Board were "the sole means by which questions as to the organization or operation of a new bank by a bank holding company may be tested." *Id.* at 419. There was no suggestion, however, that all questions concerning relationships among existing banks must automatically be referred to the Board, particularly when, as here, the questions do not involve issues cognizable by the Board.

3. Under established market share criteria, C&S's acquisition of the five percent banks would violate Section 7 of the Clayton Act. *United States* v. *Philadelphia Nat'l Bank*, 374 U.S. 321; *United States* v. *Phillipsburg Nat'l Bank*, 399 U.S. 350. The district

court rejected this analysis solely on the ground that the banks are not presently competing, concluding that it made no difference whether the absence of competition resulted from legally effective stock ownership or control, or from the voluntary arrangement of the parties.

The district court apparently believed this result compelled by this Court's summary affirmance in *United States* v. *Trans Texas Bancorporation, Inc.*, *supra*. But, in *Trans Texas* the district court had found that the combining banks were not independent competitive entities, because a closely-knit group of stockholders had always controlled their competitive behavior in such a way that the banks never had the capacity to make independent decisions. The *Trans Texas* decision did not suggest that banks with that capacity—like the five percent banks here—could agree with another bank not to exercise it.

The standard applied by the district court here means, in effect, that, after eliminating competition between themselves in violation of the Sherman Act, firms may make their anticompetitive relationship permanent by merging. Although the district court did not expressly hold that conduct that otherwise violates the Sherman Act may serve as a defense in justification of an acquisition otherwise unlawful under the Clayton Act, its reading of *Trans Texas* extends that case far beyond its facts.

The court's decision here disregards fundamental stock ownership concepts upon which corporate law depends, and substitutes a standard wholly dependent

on the subjective intention of unidentified "principals" to compete or not compete. The antitrust laws cannot be effectively administered on this basis.[20] The district court's approach introduces needless uncertainty and invites violations of both the Sherman Act and the Clayton Act.

4. There is no inconsistency between the United States' contentions in this case, that the operating relationships between C&S and the five percent banks violated Section 1 of the Sherman Act and that C&S's acquisition of those banks would violate Section 7 of the Clayton Act, and the position it has taken in *United States* v. *Marine Bancorporation, Inc.*, No. 73-78, argued April 23, 1974. The major question in *Marine Bancorporation* is whether the acquisition by a Seattle bank of a Spokane bank violated Section 7 because it eliminated the Seattle bank as a potential entrant into the Spokane market. We argued that the Seattle bank could have entered the Spokane market without acquiring a major bank there, either by making a so-called foothold acquisition of a smaller

---

[20] Since the firms in this case are independent entities, the case does not present the question whether less than majority stock control could ever result, for antitrust purpose, in loss of a firm's legal status as an independent entity. Even wholly-owned corporate subsidiaries, however, may be treated as separate entities if they so represent themselves to the public. See, *e.g.*, *Kiefer-Stewart Co.* v. *Joseph E. Seagram & Sons, Inc.*, 340 U.S. 211, 215; *Perma Life Mufflers, Inc.* v. *International Parts Corp.*, 392 U.S. 134, 141-142. Here, conversely, independent firms have held themselves out as branches of another firm. But this does "not save them from any of the obligations that the law imposes on separate entities." *Ibid.*

bank or by sponsoring a new bank in Spokane and subsequently acquiring it. We explained that the sponsorship method required that the sponsored bank "must be operated for a period of time as a *bona fide* and independent institution, although it may be affiliated with its sponsor for purposes of correspondent relationships and other inter-bank services, including financial support," and that the Seattle bank "[i]n effect * * * would be establishing its own target for a foothold acquisition in Spokane, and pending its eventual acquisition, * * * could assist it in branching in the city" (Brief for the United States, No. 73-38, pp. 17, 50).

The sponsorship method we there suggested, by which the Seattle bank would have supported a new bank to be operated "as a *bona fide* and independent institution," is a far cry from the relationship between C&S and the five percent banks it sponsored. Although those banks were separate and independent legal entities, C&S effectively directed their banking policies, practices and operations and treated them for all practical purposes as though they were its branches. C&S made no attempt to treat those banks as "*bona fide* and independent" institutions. The relationship that exists between C&S and five percent banks would not constitute the kind of "sponsorship" we proposed in *Marine Bancorporation* as an appropriate method for entering the Spokane market.

In his brief in *Marine Bancorporation*, the Comptroller of the Currency argued (Br. pp. 46-48, n. 34, 100) that the sponsorship technique would not be a

"reasonable business practice" because the *C&S* case (as well as the *Trans Texas* case, *supra*) suggested that the government might challenge both the sponsorship of the bank and its subsequent acquisition as violating Section 7 of the Clayton Act and Section 1 of the Sherman Act. In its reply brief the United States distinguished those cases on the ground that the combination of two banks operating in different markets, which would be the case in *Marine Bancorporation*, was "a very different situation" from "the acquisition of affiliated banks operating in the same market as the acquiring bank" (Reply Br., p. 2). The United States also pointed out (*ibid.*):

> Moreover, nothing in the relationship between such banks would violate Section 1 of the Sherman Act, as long as the sponsored bank operates as a *bona fide* independent institution, *i.e.*, one which determines its banking practices unilaterally rather than jointly with its competitors.

Our submission to this Court in *Marine Bancorporation* made it clear that sponsorship would be a permissible method of entry only if the sponsored bank was operated as "a *bona fide* and independent institution * * * which determines its banking practices unilaterally rather than jointly with its competitors." If the relationship between the sponsoring and sponsored banks involved such a degree of influence of the latter by the former as to constitute a violation of Section 1 of the Sherman Act, then obviously sponsorship would not be a permissible method of entry. Similarly, if the subsequent acquisition of

the sponsored bank involved something more than a mere "foothold acquisition," it would not be immune from challenge under Section 7.

CONCLUSION

For the reasons stated, probable jurisdiction should be noted.

Respectfully submitted.

ROBERT H. BORK,
Solicitor General.

THOMAS E. KAUPER,
Assistant Attorney General.

HOWARD E. SHAPIRO,
GEORGE EDELSTEIN,
Attorneys.

JUNE 1974.

APPENDIX A

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA ATLANTA DIVISION

Civil Action No. 15823

[Filed in Clerk's Office, Jan. 25, 1974, Ben H. Carter, Clerk, by [Illegible], Deputy Clerk]

UNITED STATES OF AMERICA, PLAINTIFF

v.

CITIZENS AND SOUTHERN NATIONAL BANK, ET AL., DEFENDANTS

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

INTRODUCTION

A. *The Proceeding and the Parties*

This action, instituted by the United States of America ("the Government") under Section 15 of the Clayton Act, as amended [15 U.S.C. § 25], seeks injunctive relief to prevent and restrain alleged violations of Section 7 of the Clayton Act, as amended [15 U.S.C. § 18], which would result from the consummation of contemplated mergers within the Atlanta Metropolitan Area which are described below. The Government also alleges violations of Section 1 of the Sherman Act [15 U.S.C. § 1] and seeks injunctive relief under Section 4 of that Act [15 U.S.C. § 4].

The defendants, who oppose the relief sought by the Government, are:

1. The Citizens and Southern National Bank ("C&S National"), formerly the Citizens and Southern Bank, a state bank with headquarters in Savannah, Georgia, itself, a product of the merger of the Citizens Bank of Savannah and the Southern Bank of Georgia in 1906. In 1927 the Citizens and Southern Bank was converted to a national banking association which presently exists under the laws of the United States. C&S National presently has over 60 banking offices in six Georgia cities, about 40 of which are located in Fulton and DeKalb Counties. While the home office of C&S National is located in Savannah, its principal executive, actual headquarters and principal place of business are located in Atlanta, Fulton County, Georgia. C&S National is registered under the laws of the United States as a bank holding company by virtue of its ownership of The Citizens and Southern Holding Company ("C&S Holding," *infra*). As of June 30, 1970, C&S National had total assets of approximately 1.7 billion dollars, total deposits of 1.4 billion dollars, and net loans and discounts of 1.1 billion dollars.

2. C&S Holding, a wholly-owned subsidiary of C&S National, was organized in 1927 and is a registered bank holding company existing under the laws of the state of Georgia having its home office and principal place of business in

Atlanta, Georgia. It owns a majority stock interest in several Georgia banks, including three located in the Atlanta area—The Citizens and Southern Emory Bank ("Emory"), The Citizens and Southern Bank of East Point ("East Point"), and the Citizens and Southern DeKalb Bank ("DeKalb"). The latter, DeKalb, is not a defendant, but since it is a part of the overall C&S system of banks in the area involved herein, it is relevant to note that DeKalb presently has two offices, both located in DeKalb County, and as of December 31, 1970, had total assets of 28.4 million dollars, deposits of 23.5 million dollars and total loans and discounts of 22.9 million dollars.

3. Emory, a 95 percent-owned subsidiary of C&S Holding, is a state banking corporation with its headquarters and principal place of business in a residential area of DeKalb County, Georgia, near Emory University. It presently has four offices, all located in DeKalb County. As of December 31, 1970, Emory had total assets of approximately 42.3 million dollars and total loans and discounts of 28.5 million dollars.

4. East Point, a 90 percent-owned subsidiary of C&S Holding, is a state banking corporation with its principal place of business and headquarters in the suburban community of East Point, Fulton County, Georgia. It has four offices, all located in Fulton County. As of December 31, 1970, it had total assets of 28.4 million

dollars, total deposits of 23.3 million dollars, and total loans and discounts of 22.9 million dollars.

5. The Citizens and Southern Chamblee Bank ("Chamblee") is a state banking corporation with its principal place of business and headquarters located in Chamblee in the northern part of DeKalb County, Georgia. It was originally organized in 1960 as a national banking association. In 1969 Chamblee converted into a state-chartered bank and adopted its present name. Chamblee has two offices, both located in DeKalb County. As of December 31, 1970, it had total assets of 21.1 million dollars, total deposits of 18.7 million dollars and total loans and discounts of 10.7 million dollars.

6. The Citizens and Southern Park National Bank ("Park National") is a national banking association located in the Executive Park area of DeKalb County, Georgia. As of December 31, 1970, it had total assets of 11.1 million dollars, total deposits of 9.8 million dollars and total loans and discounts of 3.5 million dollars.

7. The Citizens and Southern South DeKalb Bank ("South DeKalb") is a state banking corporation located in the Candler-Glenwood area of DeKalb County, Georgia. South DeKalb was organized in 1969. At the time of trial it operated one office in DeKalb County and had approval to open an additional office, also in DeKalb County, which was actually opened in No-

vember, 1972. As of December 31, 1970, South DeKalb had total assets of 5.1 million dollars, total deposits of 4.3 million dollars and total loans and discounts of 2.1 million dollars.

8. The Citizens and Southern Bank of Tucker ("Tucker") is a state banking corporation having its principal place of business and headquarters at Tucker, DeKalb County, Georgia. Tucker was chartered as the Bank of Tucker in 1919, and existed as such until 1965, when C&S Holding purchased five percent of its stock, and Tucker adopted its present name. Tucker operates two offices, both in DeKalb County. As of December 31, 1970, it had total assets of 26.5 million dollars, total deposits of 23 million dollars, and total loans and discounts of 14.8 million dollars.

9. The Citizens and Southern Bank of North Fulton ("North Fulton") is a state banking corporation and has its only office in Roswell in the northern part of Fulton County, Georgia. It has pending an application for authority to open an additional office to be located in Alpharetta, also in Fulton County, Georgia. As of December 31, 1970, it had total assets of 7.7 million dollars, total deposits of 6.3 million dollars and net loans and discounts of 5.6 million dollars.

10. The Citizens and Southern Bank of Sandy Springs ("Sandy Springs") is a state banking corporation having its only office in Sandy Springs, a suburban community north of Atlanta

in Fulton County, Georgia. Sandy Springs was organized as a national banking association in December, 1959, as the Citizens National Bank of Sandy Springs. In October, 1969, Sandy Springs converted to a state chartered bank and adopted its present name. As of December 31, 1970, it had total assets of 22 million dollars, total deposits of 19 million dollars and net loans and discounts of 11.7 million dollars.

All defendant banks concededly are engaged in interstate commerce.

In September 1970, Emory entered into agreements to acquire all the assets and assume all the liabilities of Chamblee, South DeKalb, Park National and Tucker. Concurrently, East Point entered into similar agreements with North Fulton and Sandy Springs. All agreements were approved by the stockholders and directors of the banks involved, and, except for the Emory-Tucker agreement, all were approved by the Federal Deposit Insurance Corporation ("FDIC"), the appropriate federal regulatory agency. Since C&S National owns C&S Holding, and since C&S Holding owns 95 percent of the stock of Emory and East Point, the proposed transactions are, in substance, acquisitions by C&S National and will be so treated by the Court.

Within the time provided by law, the Department of Justice brought this suit pursuant to Section 7 of the Clayton Act to enjoin the five mergers approved by the FDIC and the mergers were automatically

stayed. [12 U.S.C. § 1849(b)] The Government also seeks to enjoin, as a violation of Section 1 of the Sherman Act, the operation of Chamblee, Park National, South DeKalb, Tucker, North Fulton and Sandy Springs as part of the overall C&S system, contending that there is a concerted activity of exchanging, on a formal and continuing basis, detailed information as to past, present and future competitive policies and practices which constitutes combinations between and among each of these banks and C&S National. The Court will sometimes refer to these six banks as the "five percent defendants" because C&S Holding owns five percent of the stock of each of those banks—the maximum permitted by Georgia law.

All defendant banks transact business and are located within the Northern District of Georgia which is within the geographical jurisdiction of this Court.

B. *Background of this Litigation*

1. *History of Banking Laws in Georgia*

The banks involved in this litigation are the subject of concurrent state and federal regulation by multiple regulatory authorities operating under numerous regulatory statutes. Some of the banking laws of Georgia are particularly relevant to consideration of the issues herein.

Prior to 1927, Georgia's branch banking laws contained no limitation on the geographic areas in which banks could open branches. New branches, however, required the approval of the

State Superintendent of Banks. In 1927 the establishment of additional branch banks was absolutely prohibited, regardless of location, but in 1929 the laws were again amended to permit banks to open branches in cities in which their "home offices" were located.

Georgia's branch banking laws were further amended in 1965 to permit banks to branch throughout cities in which they might be located, regardless of the location of their "home office," and, since 1971, banks have been permitted to branch throughout the counties in which they are located.

In 1956 the Georgia Bank Holding Company Act was enacted. Under that law, bank holding companies were initially limited to the future acquisition of only 15 percent of the stock of a bank. Since 1960, however, Georgia law has prohibited Georgia bank holding companies from acquiring more than five percent of the stock of a bank.

In *Independent Bankers Assn. of Georgia, Inc.* v. *Dunn, et al.*, 230 Ga. 345 (1973), the Supreme Court construed the five percent law [Georgia Laws 1960, p. 67 ff; Ga. Code Ann. § 13-207(b)] and held that stock owned by shareholders, officers and directors of the bank holding company must be attributed to the holding company for purposes of complying with the five percent limitation. [230 Ga. at 362]

2. *History of the C&S Bank in the Atlanta Area*

C&S National opened its first branch in Atlanta in 1919, at a time when Georgia law contained no limitations as to the geographic areas in which banks could open branches.

When the Georgia banking laws were changed in 1929 so as to permit branching by banks only in cities in which their "home offices" were located, C&S National, with its home office in Savannah, Georgia, was prohibited from further branching in Atlanta although its competitors with home offices in Atlanta were permitted to open branches throughout the city. Thus for the period 1930-1960, thirty-one years, C&S National was confined to the three branches it had opened in Atlanta prior to the 1927 "freeze."

In an effort to avoid the above state restrictions on branch banking, C&S National formed C&S Holding in 1927. In 1946 C&S Holding acquired the stock of East Point. In 1950 C&S National and C&S Holding organized Emory to extend C&S banking services to an area of residential and collegiate growth in DeKalb County. And in 1954 C&S Holding acquired the stock of DeKalb, which is located in the unincorporated Avondale Estates community in DeKalb County. Since the creation or acquisition of these banks, C&S National and/or C&S Holding have owned virtually all of their stock.

East Point, Emory, and DeKalb became part of the C&S system at a time when Georgia laws

restricted branch banking, but contained no limitations on bank holding company expansion. The enactment of the Georgia Bank Holding Company Act in 1956, and its amendment in 1960 to prohibit acquisition of more than five percent of the stock of a bank, did not affect C&S Holding's ownership of East Point, Emory and DeKalb, but applied only to future acquisitions. After 1971, of course, C&S National could establish, and has established, branches outside the city limits of Atlanta in both Fulton and DeKalb Counties.

Due to the restrictions described above, in 1959 C&S National began its association with what were termed at trial as "Correspondent Associate Banks," usually referred to herein as the "five percent defendants." They are Sandy Springs, North Fulton, Park National, Chamblee and South DeKalb. C&S National's association with each of the above five percent defendant banks commenced at their inception. Whether the organization of these banks was the "brain child" of C&S National, or of local leaders, in each instance is the subject of some dispute between the plaintiff and defendants—but the record is clear that C&S National and/or C&S Holding participated substantially in the creation of each five percent defendant bank. The record also demonstrates that such participation was undertaken because C&S had no other legal opportunity available to it at that time to enter

the market areas involved, and that C&S's involvement was prompted by hope that it would be the forerunner of much larger interests in the future. It is also clear that such initial C&S participation effectively precluded *ab initio* any real competition between the C&S system and the five percent defendant banks. For example, the assumption of the bank regulators that C&S National would be responsible for the management of the five percent defendants was instrumental in their chartering of those banks. And it is contrary to experience that a profit-making corporation voluntarily creates competition for itself.

The only "Correspondent Associate Bank" in Fulton and DeKalb Counties which C&S National and/or C&S Holding did not participate in the creation of is C&S Tucker. That bank became a correspondent associate of C&S in 1965 when its owners requested C&S National to provide it management. The FDIC did not approve the proposed merger of Tucker with Emory because it concluded that the 1965 acquisition by C&S Holding of effective control of the then independent Bank of Tucker was anticompetitive. As noted above, however, the FDIC did approve the proposed mergers involving Sandy Springs, Chamblee, Park National, North Fulton and South DeKalb.

Basic to the FDIC's approval of the proposed mergers were the following findings (Gx33B; Gx33C):

> "The banks involved in the proposed mergers do not compete today and never have competed in the past.
>
> * * * *
>
> "Under these circumstances, the proposed mergers of these . . . 5 percent banks into a majority-owned C&S subsidiary would not eliminate any existing competition between them or between either bank and any other C&S unit. Such mergers would not alter the existing competitive structure . . . in any way or add to the concentration of banking resources now held by the C&S system.
>
> * * * *
>
> "Furthermore, the Corporation finds no reasonable probability that [the 5% banks] would become disassociated from the C&S system in the future if the proposed mergers are denied.
>
> * * * *
>
> "If voluntary disaffiliation represents no more than an unlikely possibility, the Corporation finds itself unable to conclude that the proposed mergers would eliminate any significant potential for increased competition between the [5% banks] or between either of them and the rest of the C&S system banks."

The FDIC concurrently approved one branch application by East Point in Fulton County, and one by Emory in DeKalb County, but denied six of Emory's DeKalb County branch applications because it concluded that "competitive considerations outweigh the limited benefit that might accrue to the public from the existence of the additional facilities."

C. *The Contentions of the Parties and the Issues Before the Court*

In the discussion which follows the Court will first consider the Sherman Act issues and then the Clayton Act charges relating to the proposed mergers.

As a prelude, the Court notes that Section 7 of the Clayton Act [15 U.S.C. § 18] would prohibit the proposed mergers if their effect would be "substantially to lessen competition, or tend to create a monopoly" (1) "in any line of commerce" (2) "in any section of the country." In this case there is no contention that the proposed acquisitions would "tend to create a monopoly." Nor is there any issue as to what is the appropriate "line of commerce." Prior decisions of the Supreme Court foreclose any determination other than that it is "commercial banking" [1]—a determination with which defendants are

[1] *United States* v. *Philadelphia National Bank*, 374 U.S. 321 (1963), in which the Court held that "the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) denoted by the

in factual and legal disagreement, although they recognize its inevitability. Thus the Section 7 issues are:

> 1. What is the appropriate "section(s) of the country" to be considered in connection with the proposed mergers?
>
> and
>
> 2. Will the proposed merger(s) "substantially lessen competition" in that "section(s) of the country"?

With respect to the Sherman Act allegations, defendants not only deny any combination in restraint of trade but also contend that the relationships among the banks involved are governed by the Bank Holding Company Act, 12 U.S.C. § 1841, *et seq.*, particularly Section 3 thereof, with which defendants say they have fully complied. Additionally, defendants contend that the Federal Reserve Board ("FRB") has primary jurisdiction of the Sherman Act allegations and that the Department of Justice is not a proper party to raise a claim based thereon.

With respect to the Clayton Act charges, defendants proffer the following defenses: that there is no substantial actual competition which will be eliminated by the proposed mergers, that the proposed mergers are in fact pro-competitive, that any possible anticompetitive effects flowing therefrom would

---

term 'commercial banking' . . . composes a distinct line of commerce." [374 U.S. at 356]; *United States* v. *Phillipsburg National Bank & Trust Co.*, 399 U.S. 350, 360-61 (1970).

be outweighed by their probable beneficial effect of meeting the convenience and needs of the community to be served, and that the mergers constitute acquisitions of subsidiary corporations to which Section 7 of the Clayton Act does not apply.

I.

Are the Defendants Violating Section 1 of the Sherman Act?

Section 1 of the Sherman Act proscribes "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States. . . ."

The Government contends that the evidence shows that the five percent defendants engaged in a concerted activity of exchanging detailed information on a formal and continuing basis among themselves and between them and the C&S system. This information is said to relate to past, present and future competitive policies and practices and its exchange is alleged to constitute a combination within the meaning of Section 1 of the Sherman Act.

The defendants do not deny the close operating relationships existing between the five percent defendant banks and the C&S system. The evidence clearly substantiates such relationships and the defendants' defense actually is predicated thereon. The evidence, however, does not similarly support the inference of such relationships between the five percent defendant banks *inter sese*. The defendants contend that C&S

National and C&S Holding either caused, or were essential catalytic agents in, the information of the five percent defendant banks, that management control relationships have continued ever since (since 1965 in the case of Tucker), that such relationships are protected by the "grandfather" provision of the Bank Holding Company Act, that the five percent defendant banks are in effect subsidiaries of C&S, and that, therefore, their formation was excluded from the coverage of the antitrust laws by Section 7 of the Clayton Act, and that, in any event, the question of the violation of Section 1 is committed to the exclusive primary jurisdiction of the Federal Reserve Board.

It is the duty of this Court preliminarily to dispose of challenges to its jurisdiction. As noted above, defendants assert that the Section 1 Sherman Act charges are within the exclusive primary jurisdiction of the FRB. Their position is based primarily on *Whitney National Bank in Jefferson Parish* v. *Bank of New Orleans & Trust Co.*, 379 U.S. 411 (1965), wherein the Supreme Court stated:

> "We believe Congress intended the statutory proceedings before the Board to be the sole means by which questions as to the organization or operation of a new bank by a bank holding company may be tested." [379 U.S. at 419]

Defendants cite an investigation by the FRB in 1967-1968 of the transactions whereby C&S Holding and C&S National acquired stock in and established continuing operating relationships with "C&S Cor-

respondent Associate" banks. (The five percent defendant banks have been C&S Correspondent Associate banks as to which, according to the testimony of C&S's former Chief Executive Officer, there has always been an intention that they would become 100 percent C&S banks as soon as applicable law permitted.) That investigation culminated in an understanding between the FRB and C&S whereby C&S could purchase five percent of the stock in a bank, furnish management assistance, employee benefits, and a president as well as one or two directors and not be deemed to have control of the directors or stock of the bank involved. [Letter from Tynan Smith to Donald I. Baker, March 15, 1972, Gx 177B, quoted at pp. 15-16, *infra.*] Defendants assert that plaintiff participated in the above investigation, but did not institute any action as a result of said understanding despite the requirement of Section 11(b) of the Bank Holding Company Act that:

> "Any action brought under the antitrust laws arising out of an acquisition, merger or consolidation transaction shall be commenced within such thirty-day period." [12 U.S.C. § 1849(b)]

Defendants further claim that action by the Department of Justice is foreclosed by Section 9 of the Bank Holding Company Act [12 U.S.C. § 1848] which provides for a review by the Court of Appeals of orders of the FRB, which review was never sought.

Plaintiff agrees with the proposition that the FRB has primary jurisdiction to consider questions concerning the "organization or operation of a new bank

by a bank holding company" [Plaintiff's brief filed April 10, 1972, pp. 1-2], but claims that that doctrine has no application to the case at hand, stating:

> "Plaintiff therefore concludes that when a question arises concerning only the organization of a new bank by a bank holding company, the answer must be initially found in the Board, subject to review in a Court of Appeals. Logically, this is the 'original exclusive jurisdiction' referred to by the Supreme Court in *Whitney*. That, however, is not the question involved in this case and the very broad language used in *Whitney*, put in its proper context, cannot support the proposition that the BHCA has ousted the district courts of their jurisdiction over antitrust violations when the defendant happens to be a bank holding company." [Plaintiff's brief, supra, pp. 6-7]

With respect to the 1967-1968 "investigation" by the FRB, plaintiff submitted on March 22, 1972, a supplement to its previous brief in opposition to defendants' motion to strike and attached thereto a copy of a letter to Mr. Donald I. Baker, Director of Policy Planning of the Antitrust Division of the Department of Justice, from Mr. Tynan Smith, Secretary of the Board of Governors of the Federal Reserve System dated March 15, 1972. Smith's letter, a response to an earlier letter from Mr. Baker, outlined the position of the Board of Governors as to the 1968 "understanding" and asserted in part:

> "There was no determination made that approval of the Board under section 3 of the Bank

Holding Company Act was required for Citizens & Southern to retain an ownership interest of 5 percent or less in the banking institutions referred to or to maintain the relationships with those banks in circumstances where Citizens & Southern did not elect a majority of the directors of any such bank. There was an understanding reached between members of the Board's staff and representatives of Citizens & Southern that in those cases where Citizens & Southern purchased 5 percent or less of the stock of a bank, in some instances furnishing a principal operating officer for such bank, as well as other employee benefits, Citizens & Southern would not be deemed to have control of a majority of the directors of such bank on these facts alone. Further, where the foregoing circumstances existed and where control of additional shares was purchased by the bank's executive officer, control of such shares purchased would not be attributed to Citizens & Southern so long as Citizens & Southern did not finance the purchase of such shares, directly or indirectly. Finally, it was understood that even though Citizens & Southern was responsible, directly or indirectly, in placing one or two directors on the boards of such banks, if that number did not constitute a majority of directors of such bank, the Board's staff would not consider that Citizens & Southern could reasonably be held to have control of a majority of the directors of such bank.

* * * *

"A representative of the Department of Justice Antitrust Division was invited to attend the

> conference in April 1968 inasmuch as the Department is the agency of the Government having primary responsibility for enforcement of Federal laws with particularized responsibilities relating to possible anticompetitive practices and in view of the fact that any willful violation of any provision of the Bank Holding Company Act may be referred by the Board to the Department of Justice for appropriate investigation and action." [Letter from Tynan Smith to Donald I. Baker, March 15, 1972. Gx 177 B]

According to plaintiff, the issues involved in the FRB investigation to which the above excerpts refer were "(1) had C&S Holding acquired more than five percent of the correspondent associates' stock without prior Board approval and (2) had C&S Holding controlled the election of a majority of the correspondent associates' directors without prior board approval." [Plaintiff's brief filed March 22, 1972, p. 2]

The Government in its post-trial brief (p. 64) takes the position that the exchange of information which forms the basis of its Sherman Act charge amounts to a per se violation of Section 1 of that Act. The Court believes a brief analysis of this position will be helpful in determining the exclusive primary jurisdiction issue.

Generally, only unreasonable restraints of trade violate Section 1 of the Sherman Act. Some practices such as agreements not to compete, collusive price fixing, agreements for market division, group boycotts, tie-in agreements (perhaps), and pooling of

profits and losses, however, have been found to be so intrinsically unreasonable as to constitute what has come to be called per se restraints or violations of the Act. In commenting on the above, Honorable Lee Loevinger, then Assistant Attorney General in charge of the Antitrust Division, noted:

> "It is implicit in this approach to the subject that, whether the legal judgment is based upon intrinsic or extrinsic evidence, it is always intended to be both a pragmatic and a reasonable one. The law proscribes only practices which reasonable men have judged socially incompatible with the maintenance of a free competitive economy. The only difference between the categories of proscribed acts is whether evidence to establish the conclusion that they are unreasonable is inherent in the character of the acts or must be sought in the circumstantial setting. In any case, the rule of reason is implicit in every determination that any conduct is illegal as restraint of trade." [19 A.B.A. Antitrust Section 245, 250]

There is no question that banking is a regulated industry. In its brief of March 17, 1972, the Government notes:

> "Financial institutions, including bank holding companies, are subject to a myriad of statutory regulations administered by a diverse collection of regulatory bodies, including both federal and state agencies. See *United States* v. *Philadelphia National Bank*, 374 U.S. 321, 327-330 (1963). Thus, a single institution may be regulated by

> the Board, the Federal Deposit Insurance Corporation, the Comptroller of the Currency and/or any of several state regulatory agencies depending on its activities. The BHCA is simply one of many statutes which affect the operation of banks." [Plaintiff's brief filed March 17, 1972, p. 3]

Furthermore, the defendants' activities complained of by the Government were all part of the operations of the five percent defendant banks at a time when full branching or ownership was not permitted to C&S, and, in this connection, the Court notes with interest Part D of the Government's jurisdictional statement on appeal to the Supreme Court in *U.S.* v. *Marine Bancorporation, Inc., et al.*, 1973-1 Trade Cases ¶ 74,496, *review granted*, 42 U.S.L.W. 3212 (U.S. Oct. 16, 1973) (No. 73-38), in which the Government stated:

> "D. STATE BANKING LAW AND THE AVAILABLE MEANS OF ENTRY INTO THE SPOKANE MARKET
>
> Washington law permits banks to open branches only in (1) the city in which their headquarters is located; (2) the unincorporated areas of the county in which their headquarters is located; and (3) incorporated communities which have no banking office. Branching into other areas is permitted by the acquisition of an existing bank or banking office. *Banks in the State of Washington have, however, achieved de novo entry into areas foreclosed to de novo branching by sponsoring the organization of an affiliate bank,*

and later acquiring the bank. This method of expansion is a legal (Tr. 732-733) and a well-recognized practice used by large statewide banking organizations (GX I, Tr. 280-298) and recognized by the federal banking authorities (GX H).

"Since NBC's headquarters is in Seattle, it is legally barred from opening a branch in Spokane. In order to enter the city, it would have to make some kind of acquisition. Apart from entry by purchase of a large market share, the method attempted in this case, there were two significant possibilities; acquisition of a sponsored bank formed by its officers, directors or their associates as an independent firm to be assisted by NBC until acquired and converted into a branch; or acquisition of a smaller 'foothold' bank.

"In the last decade, the sponsored bank procedure has become an established method by which national banks enter new markets in Washington. The sponsored bank must first be chartered by the Comptroller as an independent bank. It must be operated for a period of time as a *bona fide* and independent institution, although it may be affiliated with its sponsor for purposes of correspondent relationships and other inter-bank services, including financial support. It may be acquired by its sponsor, with the Comptroller's consent, after it has become established in the banking structure of the community it serves." (Emphasis added)

The Government contends that the following aspects of the relationships between the defendants have restrained interstate trade and commerce:

1. The routine and systematic practice of furnishing to one another comprehensive information as to past, present and future competitive practices and policies with a purpose of achieving uniformity among the defendants;

2. The provision by C&S National to the five percent defendants of various manuals and memoranda;

3. The provision by C&S National to the five percent defendants of suggestions and advice on such matters as rates, hours of operation, types of loan to discourage and minimum loan rates. [Plaintiff's post-trial brief, pp. 57-64]

The Government also asserts, and the record shows, that the advice and suggestions offered by C&S National are generally followed.

These activities, however, do not amount to collusive price fixing. For example, there is no suggestion that any advice as to rates amounts to more than an expert appraisal of a market situation from the point of view of a lending institution—a type of opinion to which a lending institution would naturally be expected to pay great attention. Likewise, the Court does not view the pleadings or evidence as suggesting the existence of any agreements not to compete or for market division. Considering the relatively local nature of the banking area in which each of the five percent defendants operate, there necessarily is a "market division" in a sense established by their very physical location—a matter with which the Court

is not here concerned. While the record will show that there has been some transfer of accounts to one or more of the five percent defendants geographically better located to serve an account, such evidence falls far short of any agreed market division or agreement not to compete. The Court views these apparently isolated instances as analogous to the situation where reservation clerks of one airline inform a potential traveler that another airline offers a more convenient schedule.

The practices involved here do not conform to the accepted definition or description of per se antitrust violations where no resort to context or circumstances is required (or permitted). Thus the following subsidiary questions must be resolved before a violation of Section 1 can be found under the circumstances of this case:

> Is it unreasonable for a five percent defendant bank to implement operating practices similar or identical to those in effect at other C&S banks through the efforts and background knowledge of a principal operating officer furnished by C&S in accordance with the "understanding" with the FRB?
>
> Perhaps the presence of C&S nominees on the Board of Directors contributed to the same end, but is that not what must have been contemplated? What did the representative of the Justice Department's Antitrust Division participating in the conference, out of which the under-

standing arose, assume would be the function of such nominees?

If the FDIC can approve, as it has, 100 percent ownership and operation of the five percent defendant banks as pro-competitive, can it be said that the lesser degree of control now exercised is per se anticompetitive?

The same type of questions can be posed as to each of the factors relied upon by the Government in support of its claims of per se illegality [see Plaintiff's post-trial brief, pp. 57-64] It would be the Court's obligation to determine the reasonableness of each of the challenged practices in the overall context of the banking situation in the area involved unless the doctrine of exclusive primary jurisdiction is applicable to oust this Court's jurisdiction of the Section 1 charges.

Whitney, supra, is authority that such doctrine is applicable not only to questions of organization, but also to questions of operation of banks by bank holding companies. The *Whitney* opinion certainly appears broad enough to cover the factual situation here presented. All of the five percent defendant banks, except Tucker, were new banks when the practices complained of were initially instituted. Certainly, in an industry as minutely, exclusively and as duplicatively regulated as the banking industry, there will be an infinite number of accommodations to the requirements of the different regulations, to the economics of the entire industry, to geographical aberrations, and to similar matters that point to the

need for expert judgment as to whether a certain practice is or is not reasonable. The Department of Justice's acquiescence in 1968 in an understanding involving the more substantial elements of what it now claims to be Section 1 violations is indicative, to at least a small degree, that such practices were not so violently anticompetitive as to constitute per se violations. Inaction by the Department of Justice with such knowledge would have been a violation of its public duty—and the Court does not impute such negligent inaction to it.

In sum, the Court believes, and holds, that the exclusive primary jurisdiction principle set forth in *Whitney* is applicable here even though its implementation may require resort not only to the FRB, but also, perhaps, to other regulatory agencies.

Alternatively, having found that the matters complained of are subject to the "rule of reason," the Court finds that, if it has jurisdiction of this matter (in whole or in part—*i.e.*, C&S Tucker) as the Government contends [Plaintiff's brief filed April 10, 1972], the Government has not sustained its burden of proof as to the unreasonableness of the practices involved or with respect to any adverse impact upon competition. There was no evidence that any customers or potential customers were being adversely affected, and the heads of each competitor organization testified that the operation of the five percent defendant banks as 100 percent C&S banks would not adversely affect them or change the competitive impact on them in any way. There is no evidence

that the quality of service would have been improved absent the factors of which the Government complains. The Government has relied upon a claimed per se illegality rather than unreasonableness of the specific practices involved and, for the reasons set forth above, the Court does not believe the evidence will support a finding that such practices in fact were unreasonable restraints of trade. Indeed, the Court is constrained to find that, balancing the evidence, such practices were in fact reasonable.

Thus, the Government, in setting forth the alternatives available if the Court should issue an injunction, has pointed to the ability of other small banks to secure correspondent services from banks as far away as Birmingham. Evidence of these alternative sources of service indicates that such assistance to, or sponsorship of, a smaller bank, is desirable and necessary and not anticompetitive. The difference between a pure correspondent relationship and a correspondent associate relationship as set forth in the evidence is merely one of degree, a fine line of demarcation almost impossible for the Court to perceive. [Plaintiff's post-trial brief, p. 9] The Government refers to a correspondent relationship as a "mutually beneficial arrangement whereby the smaller bank receives needed services and the larger bank obtains both the benefit of the correspondent bank balance kept with it and the income from the sale of its services to the smaller bank's customers." [Plaintiff's post-trial brief, p. 42] According to the Government, the only difference between the services

provided the five percent defendants banks and the services provided ordinary correspondent banks is that such services are provided to the former "routinely and systematically" [Plaintiff's post-trial brief, p. 42], a difference which the Court finds hard to conceive of providing the basis for Section 1 Sherman Act charges. There is no evidence of record to conclude that the utilization by the five percent defendant banks of the services or information received by them from C&S National or C&S Holding was a result of any tacit or explicit combinations rather than the natural deference of the recipient to information from one with greater expertise or better sources. In either case there is the flow of information as to rates, practices, etc., which the Government apparently applauds or at least condones in a correspondent banking relationship. Taking this into consideration, as well as the Government's previously-quoted statement in *Marine Bancorporation, supra*, the Court finds as a fact that the relationship between C&S National, C&S Holding, and the five percent defendant banks, and the interchange of information between them, have been reasonable under the circumstances and not in violation of Section 1 of the Sherman Act. The Court also finds that the Government has not sustained its burden of proof to the contrary.

Therefore, the Court will dismiss the Government's charges based on Section 1 of the Sherman Act because they are (1) subject to the primary exclusive jurisdiction of the FRB, and (2) not supported by

the evidence. The Court makes its findings on the merits in the interest of judicial economy, having noted the Government's contention that the exclusive primary jurisdiction doctrine is not applicable.

II.

WILL THE PROPOSED MERGERS VIOLATE SECTION 7 OF THE CLAYTON ACT?

Section 7 of the Clayton Act prohibits acquisitions such as are here involved "where in any line of commerce in any section of the country the effect of such acquisition may be substantially to lessen competition. . . ."

As noted above, the appropriate "line of commerce" has been determined to be "commercial banking."

A. *What is the appropriate "section of the country" against which the proposed mergers are to be tested?*

The Government contends that the appropriate "section(s) of the country" are the relevant geographic markets of DeKalb County, North Fulton County, Fulton County and the Atlanta area. [Plaintiff's post-trial brief, p. 6] Defendants contend that the appropriate "section of the country" is the "localized suburban banking market" surrounding each bank sought to be acquired by C&S. [Defendants' post-trial brief, p. 9] The Court need not reach this issue, however, because the Court's disposition

of the case is based upon factors which make a precise delineation of the market area unnecessary. When considering the question of diminution of competition, however, the Court will, for purposes of discussion, look to sections of the country which the Government contends are relevant.

B. *Will any of the proposed acquisitions substantially lessen competition?*

DeKalb County

Treating C&S National, C&S Emory and C&S DeKalb as one banking organization, there are 19 commercial banking organizations operating offices in DeKalb County. In terms of total deposits and total individual, partnership and corporation ("IPC") demand deposits held by all banking offices located in DeKalb County, the top 4 banks, respectively, are C&S (offices of C&S National in DeKalb County, C&S Emory and C&S DeKalb), First National Bank of Atlanta, Trust Company of Georgia, and Fulton National Bank. In terms of outstanding loans, the top 4 banks are C&S (offices of C&S National in DeKalb County, C&S Emory and C&S DeKalb), Trust Company of Georgia, Tucker and Fulton National Bank. The shares of total deposits, total loans and total IPC demand deposits accounted for by the four largest banks are as follows:

Banks	Total Deposits (12/31/71)	Total Loans (12/31/71)	IPC Demand Deposits (6/30/72)
Top 2	38.3%	42.7%	34.8%
Top 3	51.8%	52.4%	47.3%
Top 4	62.9%	61.8%	58.2%

C&S (offices of C&S National in DeKalb County, C&S Emory and C&S DeKalb) accounts for the following shares of total deposits, total loans and total IPC demand deposits held by all banking offices located in DeKalb County.

Bank	Total Deposits (12/31/71)	Total Loans (12/31/71)	IPC Demand Deposits (6/30/72)
C&S	24.1%	28.5%	20.1%

Chamblee, Park National and South DeKalb, all of whose banking offices are located in DeKalb County, account for the following shares of total deposits, total loans and total IPC demand deposits held by all banking offices located in DeKalb County:

Banks	Total Deposits (12/31/71)	Total Loans (12/31/71)	IPC Demand Deposits (6/30/72)
Chamblee	5.7%	5.7%	5.9%
Park National	2.9%	1.5%	3.0%
South DeKalb	1.8%	2.5%	1.9%
	10.4%	9.7%	10.8%

Depending on the unit of measurement, Chamblee is the third or fourth largest bank headquartered in DeKalb County.

If the proposed mergers were approved, the C&S system (which would include offices of C&S National and South DeKalb) would account for 34.5% of the total deposits of all the banking offices located in DeKalb County, 38.2% of the total loans and 30.9% of the total IPC demand deposits. C&S would also be acquiring the third (or fourth) largest bank headquartered in DeKalb County.

If the proposed mergers were approved, the four largest banks would account for the following shares of the DeKalb County market:

Banks	Deposits	Total Loans	IPC Demand Deposits
Top 2 after mergers	48.7%	52.4%	45.6%
Top 3 after mergers	62.2%	62.1%	58.1%
Top 4 after mergers	73.3%	71.5%	69.0%

Thus, if the proposed mergers were approved, the C&S system's share of total deposits, for example, would increase from about 24% to 34%, or an increase of about 40%. The share of total deposits accounted for by the top 4 banks would increase from about 63% to 73%, while that of the top 2 and top 3 banks would increase from 38% to 49% and from 52% to 62%, respectively.

North Fulton County

There are nine commercial banks operating offices in North Fulton County. In terms of total deposits and total IPC demand deposits held by all banking offices located in North Fulton County, the top 4 banks, respectively, are Sandy Springs, Roswell Bank, Fulton Exchange Bank and North Fulton. On June 30, 1970, however, there were only five banks operating offices in North Fulton County: the four banks just mentioned and Trust Company of Georgia Bank of Sandy Springs, which is now a branch of Trust Company of Georgia. The shares of total deposits and IPC demand deposits accounted for by the four largest banks are as follows:

Banks	IPC Demand Deposits (6/30/72)	IPC Demand Deposits (6/30/70)	Total Deposits (6/30/70)
Top 2	57.8%	66.4%	64.0%
Top 3	70.1%	78.9%	80.2%
Top 4	80.3%	90.7%	91.9%

As of June 30, 1972, the North Springs Office of C&S East Point accounted for 1.7% of total IPC demand deposits held by all banking offices located in North Fulton County.

As of June 30, 1972, Sandy Springs and North Fulton accounted for 36.4% and 10.2%, respectively, of total IPC demand deposits held by all banking offices located in North Fulton County. As of June 30, 1970, they accounted for 34.4% and 11.7%, re-

spectively, of total deposits held by all commercial banking offices located in North Fulton County.

If the proposed mergers were approved, the C&S system (which would include C&S East Point's North Springs Office, North Fulton and Sandy Springs) would account for 48.3% of the total IPC demand deposits held by all commercial banking offices located in North Fulton County and the four largest banks would account for the following shares of IPC demand deposits in North Fulton County:

Banks	IPC Demand Deposits
Top 2 after mergers	69.7%
Top 3 after mergers	82.0%
Top 4 after mergers	92.0%

Thus, if the proposed mergers were approved, the C&S system's [2] share of total IPC demand deposits held by all banking offices located in North Fulton County would increase from 1.7% to 48.3%, and the C&S system's share in this area would be twice that of the second largest banking organization, the

[2] These computations consider the five percent defendant banks as completely separate entities (rather than as constituting a part of the C&S system as actually is the case), and of course, do not relate to competition as such but rather to the assignment of statistical proportions to the various entities involved.

Roswell Bank. Two of the four largest banks in the area would become part of the Atlanta area's largest banking organization. In addition, the share of total IPC demand deposits accounted for by the top 4 banks would increase from 80.3% to 92.0%, while the shares of the top 2 and top 3 banks would increase from 57.8% to 69.7% and from 70.1% to 82.0%, respectively.

Fulton County

Treating C&S National and C&S East Point as one banking organization, there are 18 commercial banking organizations operating offices in Fulton County. In terms of total loans, deposits and IPC demand deposits held by all banking offices located in Fulton County, the top 4 banks, respectively, are C&S (offices of C&S National in Fulton County and C&S East Point), First National Bank of Atlanta, Trust Company of Georgia and Fulton National Bank. The shares of total loans, deposits and IPC demand deposits accounted for by the four largest banks are as follows: [3]

Banks	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
Top 2	63.0%	55.2%	61.3%
Top 3	78.8%	73.9%	78.1%
Top 4	89.4%	87.0%	88.8%

[3] See footnote 2, *supra*.

C&S (offices of C&S National in Fulton County and C&S East Point) accounts for the following shares of total loans, deposits and IPC demand deposits held by all banking offices located in Fulton County:

Bank	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
C&S	37.2%	30.8%	32.1%

Sandy Springs and North Fulton, both of whose banking offices are located in Fulton County, account for the following shares of total loans, deposits and IPC demand deposits held by all banking offices located in Fulton County:

Banks	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
Sandy Springs	.7%	.8%	.9%
North Fulton	.3%	.3%	.3%
	1.0%	1.1%	1.2%

Depending on the unit of measurement, Sandy Springs is the eighth or ninth largest banking organization in Fulton County.

If the proposed mergers were approved, the C&S system (which would include offices of C&S National in Fulton County, C&S East Point, Sandy Springs and North Fulton) would account for 38.2% of the total loans held by all banking offices in Fulton

County, 31.9% of the total deposits and 33.3% of the total IPC demand deposits.

If the proposed mergers were approved, the four largest banks would account for the following shares in Fulton County:

Banks	Total Loans	Total Deposits	IPC Demand Deposits
Top 2 after mergers	64.0%	56.3%	62.5%
Top 3 after mergers	79.8%	75.0%	79.3%
Top 4 after mergers	90.4%	88.1%	90.0%

Atlanta Area

Treating C&S National, C&S Emory, C&S DeKalb and C&S East Point as one banking organization, there are 31 commercial banking organizations operating offices in the Atlanta area, six of which operate offices in both Fulton and DeKalb Counties. In terms of total loans, deposits, and IPC demand deposits held by all banking offices located in the Atlanta area, the top 4 banks, respectively, are C&S (offices of C&S National, C&S East Point, C&S Emory and C&S DeKalb), First National Bank of Atlanta, Trust Company of Georgia and Fulton National Bank. The shares of total loans, deposits and IPC demand deposits accounted for by the four largest banks are as follows:

Banks	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
Top 2	60.5%	53.2%	58.0%
Top 3	76.2%	71.3%	74.3%
Top 4	86.7%	84.2%	85.0%

C&S (offices of C&S National, C&S Emory, C&S East Point and C&S DeKalb) accounts for the following shares of total loans, deposits and IPC demand deposits held by all banking offices located in the Atlanta area:

Bank	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
C&S	36.4%	30.0%	30.6%

Chamblee, Park National, South DeKalb, Sandy Springs and North Fulton account for the following shares of total loans deposits and IPC demand deposits held by all banking offices located in the Atlanta area:

Banks	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
Chamblee	.5%	.6%	.8%
Park National	.1%	.3%	.4%
South DeKalb	.2%	.2%	.3%
Sandy Springs	.6%	.7%	.8%
North Fulton	.3%	.2%	.2%
	1.7%	2.0%	2.5%

If their deposits (as of 12/31/71) were combined ($71,142,252), these five banks would be the equivalent of the sixth largest banking organization in the Atlanta area. Sandy Springs and Chamblee are, alone, the tenth and eleventh largest banking organizations in the Atlanta area, respectively.

If the proposed mergers were approved, the C&S system (which would include the offices of C&S National in the Atlanta area, C&S Emory, C&S DeKalb, C&S East Point, Chamblee, Park National, South DeKalb, Sandy Springs and North Fulton) would account for 38.2% of the total loans held by all banking offices located in the Atlanta area, 32.0% of the total deposits and 33.0% of the total IPC demand deposits. C&S would also be acquiring the tenth and eleventh largest banks in the Atlanta area.

If the proposed mergers were approved, the four largest banks would account for the following shares in the Atlanta area:

Banks	Total Loans	Total Deposits	IPC Demand Deposits
Top 2 after mergers	62.2%	55.2%	60.5%
Top 3 after mergers	77.9%	73.3%	76.8%
Top 4 after mergers	88.4%	86.2%	87.5%

From June 30, 1970, to June 30, 1972, 56 branch banking offices were opened throughout Fulton and

DeKalb Counties. The major Atlanta banks, C&S, First National Bank of Atlanta, National Bank of Georgia, Trust Company of Georgia and Fulton National Bank accounted for 42 of these offices (18 in Fulton County and 24 in DeKalb County). The remaining offices were established by banks headquartered in the suburban portions of the Atlanta area. Thus the 1971 amendments to the Georgia branch banking laws have already resulted in the opening of 29 offices in the suburban portions of the Atlanta area by the large Atlanta banks.

Since January 1, 1970, C&S has submitted 12 applications for approval of banking offices in the Atlanta area to the Comptroller of the Currency. Of this number, four applications were denied, six were approved but have not yet been opened, and two are still pending. The two pending applications and three of the six approved applications are for locations in the suburban portions of the Atlanta area. Since January 1, 1971, C&S, Emory, DeKalb and East Point have opened a total of eight banking offices in the Atlanta area, five in its suburban portions.

Since January 1, 1971, the following suburban Atlanta banks have established new offices in the Atlanta area: Bank of the South, Citizens Bank of Georgia, DeKalb County Bank, DeKalb Exchange Bank, Fulton Exchange Bank, First Palmetto Bank, Peachtree Bank and Trust Company, Peoples Bank and Roswell Bank. South DeKalb has opened an additional office; North Fulton has filed an applica-

tion for an additional branch which is still pending, and Sandy Springs was contemplating branching before the proposed mergers were agreed upon.

The Atlanta area is growing rapidly. Much of this growth is occurring in DeKalb County and North Fulton County and is expected to continue.

C. *The Nature of the Relationships Between the Defendants*

Defendants argue that, as a result of the past and present relationships between the defendants, the banks involved in the mergers here under consideration do not compete today, have never competed in the past, and that there is no reasonable probability that they will ever compete. [Defendants' post-trial brief, p. 17] The Court will examine the factual basis of that argument.

C&S and C&S Holding were intimately involved in all aspects of the organization of the five percent defendant banks which are the subject of these proposed mergers. The influence of C&S and C&S Holding was significant.

Mr. Mills Lane, who was then president of C&S, and other officers of C&S played a major role in the selection of directors for each of the five percent defendant banks. The directors of each five percent defendant bank were assured of C&S support and have relied upon it. Furthermore, C&S and its officers helped distribute the stock for each five percent defendant bank.

There are a large number of shareholders in each C&S five percent defendant bank, and no single shareholder owns a significant number of the shares of any such bank. C&S Holding, of course, directly owns five percent of the stock of each five percent defendant bank and substantial additional amounts of the stock of each such bank are owned by C&S officers and employees and officers and employees of other C&S banks and their business associates.

Approximately 50 percent of the stockholders of Park National are directors, officers or employees of C&S, Park National, or some other C&S-affiliated bank. An additional 38 percent of the stockholders of Park National are customers of C&S or one of its affiliated banks.

Approximately 44 percent of the stockholders of North Fulton are officers, directors, or employees of C&S or some C&S-affiliated bank or correspondent associate bank. An additional 50 percent of the stockholders of North Fulton are customers of C&S or one of its affiliates.

Approximately 46 percent of the stockholders of South DeKalb are officers, directors or employees of C&S or one of its affiliates. An additional 18 percent of such stockholders are officers, directors or employees of a C&S correspondent associate bank. In total, approximately 66 percent of South DeKalb's stockholders are present or former officers, directors or employees of a C&S bank.

Approximately 24 percent of the stockholders of Sandy Springs are present or former officers, direc-

tors or employees of C&S or one of its affiliate banks. An additional 28 percent of the stockholders of Sandy Springs are officers, directors or employees of a C&S correspondent associate bank. In addition, 48 percent of the stockholders of Sandy Springs are C&S customers.

Approximately 12 percent of Chamblee's stockholders are officers, directors or employees of C&S or one of its affiliate banks. An additional 16 percent are officers, directors and employees of a C&S correspondent associate bank. About 29 percent of Chamblee's stockholders are customers of C&S or one of its affiliate banks, and 41 percent are customers of a C&S correspondent associate bank.

The percentage of stock in each correspondent associate defendant bank held by the above categories of persons has not varied greatly from the time of organization until the time of trial; and there is no claim of violation of the 1968 "understanding" with the FRB.

As noted above, however, subsequent to the trial herein, the Georgia Supreme Court issued its decision in *Independent Bankers Assn. of Georgia, Inc.* v. *Dunn, et al., supra*, in which it held that the ownership of shareholders, officers and directors of the bank holding company must be attributed to it in complying with the five percent ownership limitation imposed by Georgia law.

According to an uncontroverted supplemental affidavit of Mr. Joseph A. Hall, III, dated August 1, 1973, the percentage of stock in each of the defend-

ant correspondent associate banks owned by C&S Holding and the officers and directors of C&S, C&S Holding, and C&S affilate banks and their wives, as of the time of the affidavit was as follows:

Sandy Springs	11.75%
Chamblee	6.41%
North Fulton	13.26%
Park National	10.33%
South DeKalb	36.87%

It would appear that the Georgia Supreme Court's decision in *Independent Bankers Assn. of Georgia, Inc.* v. *Dunn, et al., supra*, will affect the following percentages of stock (the above percentages less 5 percent) in the five percent defendant banks:

Sandy Springs	6.72%
Chamblee	1.41%
North Fulton	8.26%
Park National	5.33%
South DeKalb	31.87%

In view of the fact that the decisions of the Supreme Court of Georgia in *Independent Bankers* were issued following the trial in this Court, the Court is left to speculate in large part as to the effect of the Georgia Supreme Court's opinion on the relations *inter sese* of the defendants herein insofar as they are predicated on stock ownership or control.

A survey taken in May 1971 showed that the overwhelming majority of the shareholders in each five percent defendant bank expressly anticipated that C&S would provide management for their bank and

that their bank would be merged into C&S or one of its affiliate banks if and when Georgia's branch banking laws were changed to permit such mergers. Many of the directors of the five percent defendant banks assumed that such mergers would eventually be possible because the branch banking laws would be amended or the city limits of Atlanta would be expanded so as to bring into the city some of the areas where such banks are located. Similarly, the executive officers of C&S anticipated that C&S or one or more of its affiliates would merge with the five percent defendant banks as soon as possible.

C&S has made one of its own officers available to be hired as president for each five percent defendant bank and, in each case, the person supplied by C&S has had prior training and experience within the C&S system. With few exceptions each of the officers and employees for each five percent defendant bank had been previously employed or trained by C&S.

With respect to each of the five percent defendant banks, the bank regulators (state and federal) knew that such defendant would be affiliated with a large bank, presumably the C&S system, and such knowledge was instrumental in their decisions to approve the charters of those banks. The affidavit of Mr. William B. Camp, Comptroller of the Currency, states:

> "Each of the three defendant banks mentioned above—C&S Sandy Springs, C&S Chamblee, and C&S Park National—were originally chartered as national banks. The charter was issued by

the Office of the Comptroller of the Currency after a careful examination of, among other things, the identity of those persons applying for the charter; their business and banking experience and associations; the proposed management for the banks; the likelihood of financial success of the proposed banks; and the proposed bank's ability to serve the convenience and needs of the community in which it was to be located. In each instance, the Comptroller of the Currency in considering the application was aware of, and took account of, the fact that the proposed new bank, its directors and management would be closely associated with The Citizens and Southern National Bank ("C&S National"). This fact represented a substantial favorable element in considering each of the applications. The participation of C&S National with the new bank and the availability of C&S National management to act as executive officers of the new bank was deemed to be significant and to some extent controlling in establishing that the bank would be financially successful and could serve all of the banking needs of the potential customers. The relationships between C&S and these banks, and the contributions by C&S in the form of advice and service relationships, was instrumental in the decision for approval of the original charters for these banks by the Office of the Comptroller of the Currency.

Mr. Camp's affidavit went further:

"While C&S Sandy Springs and C&S Chamblee operated under a national bank charter (1959-1969 and 1960-1969, respectively) and

during C&S Park National's entire history, the Office of the Comptroller of the Currency had occasion regularly to consider the relationship between these banks and C&S National. Among other such occasions were the periodic examinations of the banks by national bank examiners. The Office of the Comptroller of the Currency was thus fully aware of the existence of the relationships between these banks and C&S National, including the various operating relationships more fully spelled out in the applications submitted on behalf of The Citizens and Southern Bank of East Point and The Citizens and Southern Emory Bank to the Federal Deposit Insurance Corporation respecting the proposed mergers of those banks with certain of the defendants named above. The Comptroller of the Currency considered then that existence of such relationships were in accordance with all applicable laws, and at no time objected to the existence of such relationships. While the Comptroller of the Currency at all times required of these banks, their management and their directors that all necessary operational and fiduciary responsibilities required by law in connection with the existence of these banks as separately chartered banks be adhered to, the Comptroller of the Currency understood that one of the purposes for establishing these banks was to make available to the management of these banks C&S expertise in certain portions of the Atlanta metropolitan area where C&S, by reason of Georgia branch banking laws, could not establish its own operations." [Defendants' Exhibit 152]

State Superintendent of Banks, Mr. W. M. Jackson, whose office approved the charters for North Fulton and South DeKalb, testified that his office was aware of, and found favorable to approval, the fact that C&S would provide the management for those banks and that they would be closely affiliated with the C&S system.

C&S selected, or helped select, the physical location of each five percent defendant bank. In some instances, C&S Holding purchased and held the land for the new five percent defendant bank, and sometimes this was done before the directors of such bank were even selected. C&S's market research department prepared the application for charters and made the required economic survey for each five percent defendant bank.

C&S obtained the necessary insurance coverage for each new five percent defendant bank; it assisted in selecting and procuring equipment and forms for each new bank; it supervised the promotional activities at the time each new bank was organized; and it is safe to say that, from the very beginning, the relationship between C&S and each five percent defendant bank has been much closer than the normal correspondent banking relationship. These factors have an important bearing on the nature, quality and quantity of competition, if any, between the five percent defendant banks and C&S National because, concededly, large banks do not usually furnish presidents or other managing officers from their own staffs to new banks, and large banks are not usually or nor-

mally involved in the distribution of stock for new banks or in the selection of their directors.

There are additional factors relevant to this issue. Park National has used the C&S name and logo at all times since it was organized, as have North Fulton and South DeKalb. Sandy Springs adopted the C&S name and logo in 1966 so that it would become more closely identified with the C&S system. Currently there are no visible differences between C&S's branches and the five percent defendant banks in that all of them use the C&S logo and have "Citizens and Southern" in their names. In fact, there is a conscious effort made by all parties to insure that the five percent defendant banks are identified publicly as C&S banks.

A few specific examples are illustrative.

A few years ago, Sandy Springs developed serious liquidity problems because of heavy loan losses. C&S recommended that its then president, Mr. Cook,[4] be replaced and Mr. Cook subsequently resigned. Mr. Louis J. Fortuna, who had spent 16 years as an employee and officer of C&S, was then elected the new president of Sandy Springs. When Mr. Cook resigned, the directors of Sandy Springs assumed that the new president would be someone who had been previously employed by C&S, and, despite the serious problem resulting during the tenure of the

[4] Mr. Thomas E. Cook was the first president of Sandy Springs. Prior to becoming such, he had been employed by C&S National for 12 years and had never worked for another bank.

former president who also had been supplied by C&S, they never considered terminating the relationship between Sandy Springs and C&S or looking elsewhere for a president.

Likewise, when Mr. Harris retired as president of Chamblee, he was replaced by Mr. Bobby G. Morris, who previously had been employed by C&S.

The same emergency personnel "pool" that is available to C&S's branches is available to, and used by, the five percent defendant banks when vacancies are caused by sickness, vacations, resignations, or other emergencies. (The five percent defendant banks, however, must pay for each person utilized from this emergency personnel pool.)

The management and staff of all C&S banks, including the five percent defendant banks, are covered by the same employment, salary administration, and fringe benefit programs. It should be noted, however, that the five percent defendant banks are responsible for their own employment programs, administer their own salary programs and have adopted fringe benefit programs which, while similar to those of C&S, are funded by the individual banks. Officers and employees of the five percent defendant banks participate in pension and profit sharing plans which, while funded by the individual banks, are administered by C&S. If an individual is transferred from C&S to a five percent bank, his length of service at C&S is recognized for purposes of the pension and profit sharing plans. Two presidents of five percent defendant banks acknowledged that their benefits and

opportunities for advancement relate to their service within the C&S system, rather than with an individual five percent bank, and that they identify their future and associate their careers with the C&S system.

The accounting policies of the five percent defendant banks are the same as those of C&S and its branches and affiliates, and the actual accounting work is done by the same people at the same place.

The credit administration and controls for the five percent defendant banks are the same as those for C&S and its branches. The officers of each five percent defendant bank attend regular credit meetings with officers of C&S and its affiliates. Certain loans made by the five percent defendant banks are reviewed (at the weekly credit meeting) for credit worthiness by C&S.

The routine credit audits performed by C&S on the five percent defendant banks are vitally important to the continued safety and stability of these banks. Small independent banks frequently develop serious problems because they lack such service and supervision. (However, it should be noted, of course, that C&S National is not the only possible source of such service and supervision.)

The officers and employees of the five percent defendant banks receive and use all of the guides and manuals distributed to and used by C&S banks and branches, including the C&S General Operating Guide, the C&S Installment Loan Audit Manual, the Personnel Policy Manual, the Commercial Loan Audit

Manual and the C&S Consumer Credit Operating Guide. Also available to the five percent defendant banks are C&S's helicopter and ground transportation services; any new sales tool, product, or service developed by C&S is automatically provided to the five percent defendants.

An executive officer from C&S generally meets with the Board of Directors of each five percent defendant bank. He is referred to as the "advisory director" and his purpose is to provide needed information about C&S banking to the directors of the five percent defendant bank, and those directors depend on him for such advice.

C&S assists the five percent defendant banks when they have capital problems. When Sandy Springs developed the liquidity problem referred to above, that bank's capital was increased by the purchase by C&S from Sandy Springs of a $100,000 capital note. C&S again provided needed capital to Sandy Springs in 1968 when it purchased a $125,000 convertible debenture. C&S provided additional capital for Chamblee by purchasing a $300,000 convertible debenture in 1968. It likewise purchased a $200,000 capital note from North Fulton.

The five percent defendant banks have been supervised by C&S's branch supervision department since that department was organized in the early 1960's. Through its branch supervision department, C&S regularly reviews the goals, objectives and performance of each five percent defendant bank, following the same procedures that it follows with its branches.

Thus it reviews the comparative performance of all banking offices, of the five percent defendants, as well as all others in the C&S system.

All banking services provided by C&S are made available to the customers of the five percent defendant banks. The customers of the five percent defendant banks can handle their banking transactions, such as cashing checks and making deposits, at all the offices of C&S National and its affiliates as well as at the offices of other C&S correspondent associate banks. Similarly, customers of C&S can handle their banking transactions at the offices of the five percent defendant banks. This multiple use of C&S banking facilities is made possible by the joint public identification of the facilities and their identical internal procedures.[5] Many persons who are customers of either a C&S system bank or a five percent defendant bank make use of the other's banking facilities, at least on occasion. Some of the check cashing and deposit transactions of the five percent defendant banks involve C&S customers who have their accounts at other C&S banks.

Mr. W. M. Jackson, identified above, testified that he routinely contacted executive officers of C&S National whenever bank examinations revealed the need for adjustments in the C&S five percent banks. Mr. Jackson testified that he felt he achieved better results by approaching C&S Holding than by approaching the presidents of the correspondent associate

[5] Defendants estimate more than three-fourths of their customers make such multiple use of their facilities.

banks, and the Court notes that the adjustments were always made by C&S Holding. He testified also that he realized that the five percent bank would have the same policies, arrangements and support as other C&S banks. Both Mr. Jackson, and Mr. Dunn, the new superintendent of banks, testified that the public views the five percent defendant banks as C&S banks, and that testimony is well supported in the record, which includes similar testimony from officials of other banks in the Atlanta Metropolitan Area.

Despite the differences in the percentage of stock of the five percent defendant banks owned by C&S Holding and the officers and directors of C&S, C&S Holding, and C&S affiliate banks and their wives [see p. 36], it is clear to the Court that all of the defendant banks have the same strong affiliation with the C&S system, and the Court is unable to perceive any difference in degree thereof. This factor, among others, leads the Court to conclude that stock ownership is not the most important cement, nor is even necessary to the maintenance of these strong relationships which appear to be due to other more intangible matters described above.

While the persuasive weight of the testimony does not always, or necessarily even usually, coincide with the greater number of witnesses who testify on any subject, it is nevertheless a matter of interest and relevance that no witness (for either the Government or the defendants) testified that the proposed mergers would have any adverse economic or competitive implications whatever (the Government's expert wit-

ness did not testify on this point, but merely on what are the relevant sections of the country so far as this litigation is concerned). When questioned as to whether the five percent defendant banks are regarded as part of the C&S system or as independent entities, every banker who testified (including officials of banks which compete with the five percent defendant banks) expressed the view that the proposed mergers would have no effect whatsoever on competition as it relates to third parties.[6] The Court concurs.

D. *Conclusions of Law as to Section 7 Issues*

Section 7 of the Clayton Act [15 U.S.C. § 18] provides in part:

> "No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly.

---

[6] As the Supreme Court made clear in *Brown Shoe Co.* v. *U. S.*, 370 U.S. 294 (1961), Congress, in redrafting § 7, was specifically concerned with the "protection of *competition*, not *competitors*." [370 U.S. at 320] Thus the fact that such competition is provided, if it is, by a branch of C&S National, rather than by an independent corporation is immaterial.

The Bank Merger Act of 1966 [12 U.S.C. § 1828 (c)] provides in part:

"(5) The responsible agency shall not approve—
(A) any proposed merger transaction which would result in a monopoly, or which would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States, or

(B) any other proposed merger transaction whose effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless it finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

* * * *

"(7) (A) Any action brought under the antitrust laws arising out of a merger transaction shall be commenced prior to the earliest time under paragraph (6) at which a merger transaction approved under paragraph (5) might be consummated. The commencement of such an action shall stay the effectiveness of the agency's approval unless the court shall otherwise specifically order. In any such action, the court shall review de novo the issues presented.

> (B) In any judicial proceeding attacking a merger transaction approved under paragraph (5) on the ground that the merger transaction alone and of itself constituted a violation of any antitrust laws other than section 2 of Title 15, the standards applied by the court shall be identical with those that the banking agencies are directed to apply under paragraph (5)."

Bank mergers are subject to the competitive standards of Section 7 of the Clayton Act. *U.S.* v. *First City National Bank of Houston*, 386 U.S. 361 (1967). In a bank merger case, this Court must make a *de novo* review of the transaction to determine whether it has anticompetitive effects and, if so, whether the merger's benefits to the community outweigh its anticompetitive disadvantages. *U.S.* v. *Third National Bank in Nashville*, 390 U.S. 171 (1968). The burden of proving the reasonable probability of a substantial lessening of competition is upon the Government as plaintiff, *U.S.* v. *Philadelphia National Bank*, 374 U.S. 321, 363 (1963). The defending banks have the burden as to the "convenience and needs" defense allowed under the Bank Merger Act. *U.S.* v. *First City National Bank of Houston, supra*, 386 U.S. at 366; *U.S.* v. *Connecticut National Bank*, 362 F. Supp. 240, 279 (D. Conn. 1973).

With respect to the degree of proof required to make out a Section 7 case, the Supreme Court stated in *Brown Shoe*:

> ". . . Congress used the words '*may be* substantially to lessen competition' (emphasis supplied), to indicate that its concern was with probabilities, not certainties. Statutes existed for dealing with clear-cut menaces to competition; no statute was sought for dealing with ephemeral possibilities. Mergers with a probable anticompetitive effect were to be proscribed by this Act. . . ." [370 U.S. at 323]

See also *U.S.* v. *E. I. duPont deNemours & Co.*, 353 U.S. 586, 607 (1957); *U.S.* v. *I.T. & T. Corp.*, 324 F. Supp. 19, 30-31 (D. Conn. 1970); *U.S.* v. *Connecticut Nat'l Bank*, 362 F. Supp. 240 (D. Conn. 1973).

It being conceded that "commercial banking" is the appropriate "line of commerce", and the Court having adopted (for purposes of discussion) the Government's delineation of the relevant "section of the country" to be considered, the determinative issue is whether the effect of the proposed mergers "may be substantially to lessen competition." As noted previously, it is the mergers' effect upon competition that is important—not the corporate identity of the participants or competitors. The Court has found that there would be no diminution of competition between the five percent defendants *inter sese*, whether they are considered as separate corporate entities or as branch components of the C&S system, or between such five percent defendants and third parties, if the acquisitions sought were approved. The other side of the coin, of course, is the effect of the acquisitions upon competition between the five percent defendants and the C&S system of banks.

In this connection, an important judicial precedent to be considered is the opinion of the United States District Court for the Western District of Texas, El Paso Division, in *U.S.* v. *Trans Texas Bancorporation, Inc.*, —— F. Supp. —— (W.D. Tex. 1972); 1972 Trade Cases ¶ 74,257; Civil No. EP-72-CA-83 (W.D. Tex., filed Nov. 13, 1972); *affirmed*, 412 U.S. 946 (1973), which is almost squarely in point.

In *Trans Texas*, the district court did not find the mergers or acquisitions to be anticompetitive and therefore refused to enjoin them. It is also noteworthy that the mergers in *Trans Texas* had received, as have the proposed mergers here, the approval of the appropriate federal banking regulators. The background of that litigation is set out in the report of the Board of Governors of the Federal Reserve System approving the Texas applications, which was quoted and considered by the District Court:

> "Majority shareholders of El Paso Bank organized First Bank in 1948, Northgate Bank in 1959 and Border Bank in 1971. El Paso Bank is a full service bank serving the entire El Paso area, whereas the other three serve primarily their own particular suburban area. All four banks are in the same market area and absent the common ownership would be competitors to some extent despite the disparities in their size.
>
> "The United States Department of Justice advised the Board that in its opinion consummation of the proposal would have a significantly adverse effect on competition. Its advice was based

on its views that the subject banks were in actual competition and that there was some degree of impermanence in the control relationship.

"On the basis of the record, the Board concludes that there is no significant existing competition between the banks involved. This is due to the fact that two individuals and their business associates control a majority of the voting shares of El Paso Bank, 86% of the shares of the First Bank, 86% of the shares of Northgate Bank, and 75% of the shares of Border Bank. The two individuals themselves control over 25% of the voting shares of each of the three smaller banks.

"In view of the close relationship between the banks over a long period of time, and the lack of any evidence on the record that dissipation of the common control is likely in the future, the Board concludes that present and potential competition would neither be foreclosed by approval of the application nor encouraged by its denial. Neither does it appear that competition with and between other banks in the area would be affected in any significant way.

"Considerations relating to the financial and managerial resources and future prospects of Applicant and the banks concerned are satisfactory and consistent with approval. Since the institutions involved are presently under common control it is unlikely that consummation of the proposal will have a significant effect on the banking convenience and needs of the communities to be served, although Applicant does propose to expand the services offered by the smaller

banks. These considerations are consistent with but provide little weight toward approval of the applications. It is the Board's judgment that consummation of the proposed transaction would be in the public interest, and that the application should be approved.

"On the basis of the record, the application is approved for the reasons summarized above." [—— F. Supp. at ——, 1972 Trade Cases ¶ 74,257 at p. 93,208]

The defendants in *Trans Texas* contended, as do defendants herein, that the proposed acquisitions were without effective competitive significance as the three banks to be acquired were "common ownership" affiliates of El Paso and that the effect of the acquisition would be merely to change the form of banking organization from its present structure to that of a group banking organization. In *Trans Texas* the Department of Justice took a position similar to that espoused in this case and contended that the banks involved were in actual competition with each other and that there was a degree of impermanency in the control relationship. In *Trans Texas* some of the problem also stemmed from the anti-branching statutes of the State of Texas. After considering the legalities of the existing control relationships (which will be considered below in the instant case) and in the absence of evidence that the common control would be likely to be dissipated in the future, the *Trans Texas* court held that there was no significant existing competition between the banks involved and therefore that the proposed transaction, if con-

summated, would have no significant adverse competitive effect on the banking community. Accordingly, the *Trans Texas* court denied injunctive relief.

The *Trans Texas* court recognized that the principal issue to be decided was the question of control, and stated that "If control does exist the Court is of the opinion that the three neighborhood banks lacked competitive capabilities and there was no actual competition among them." [—— F. Supp. at ——, 1972 Trade Cases ¶ 74,257 at p. 93,213]

The Supreme Court's summary affirmance of the district court's decision in *Trans Texas* is a decision on the merits and must be followed by this Court. Although the Supreme Court has noted that, "As frequently occurs in the case of summary affirmance, the decision . . . is somewhat opaque," [7] it seems to this Court that with respect to the *Trans Texas* case, the Supreme Court had to determine that the district court's finding of lack of competition between merging entities was sufficient to preclude application of the Clayton Act despite the fact that in *Trans Texas*, as in this case, the banks were separate entities and the lack of competition resulted from a control situation—in *Trans Texas* a third party legal stock control situation—here, a similar situation but one based on numerous implementing relationships in addition to stock ownership.

Fundamental to the decision of the District Court in *Trans Texas* was the underlying finding of the FRB that ". . . there is no significant existing com-

---

[7] *Gibson* v. *Berryhill*, 411 U.S. 564, 576 (1973).

petition between the banks involved." The reason for that lack of competition was explained in the Board's findings as ". . . due to the fact that two individuals and their business associates control a majority of the voting shares . . ." of those banks. The FRB also found, as pointed out specifically by the District Court, that "All four banks are in the same market area and absent the common ownership would be competitors to some extent despite the disparities in their size." The District Court also determined that, by reason of their common control by two individuals and their business associates, there was no actual existing competition between the banks involved.

The evidence as to the existing competition between the five percent defendant banks and C&S National and other banks in the C&S system is marshaled at pp. 22-35 of the Government's post-trial brief. There is, of course, some such competition. It was variously denominated as "friendly" or "minor" competition. It might well be denominated "rivalry" rather than "competition." But, considering the geographic dispersal or separation which exists between the five percent defendant banks, as well as between those banks and other constituents of the C&S system of banks, this is to be expected.

The Government admits that it did not challenge the initial acquisition by C&S Holding of its five percent interest in each of the five percent defendant banks because those acquisitions "were competitively insignificant when made." [Plaintiff's post-trial brief,

p. 14] The Government has not carried its burden of demonstrating any substantial increase in the degree of control or change in quantity of competition between the date of the initial acquisitions and the date of the trial. The Government has postulated that if the mergers are denied, C&S may establish *de novo* branches in direct competition with the five percent defendants. To find a viable competitive result from such a postulate, the Court would have to speculate that (1) the five percent defendant banks actually would break away from C&S, (2) they would become successful independent banks despite their past reliance on C&S, and (3) the regulatory agencies would approve directly competitive branching by C&S. The evidence of record does not support, individually or collectively, such postulates or speculations. Furthermore, it seems to the Court that the relevant issue is not what the banks would do if the mergers were denied by this Court, but rather what they would do in the absence of any ruling by the Court, or perhaps in the absence of litigation, although the dividing line between these two statements of the appropriate issue is quite fine. In any event, it is the Court's finding that the relationship as among the defendants is principally a matter of such intangible factors as the intentions of the principals, and that stock ownership is merely one manifestation along with various implementing operating procedures. Thus stock divestiture, if required, would not necessarily or probably eliminate the relationships which negative competition among the defendants, and the evidence of record would

not permit a finding that even complete divestiture would result in any substantial increase in competition among them.

Thus, the Court finds as a fact that there is no presently existing substantial competition between the five percent defendant banks and C&S National, or *inter sese*, or with third parties, which would be affected by the proposed merger. So far as the issues in this antitrust case are concerned, the Court is of the opinion that it makes no difference whether this absence of competition results from a legally effective stock ownership control, as in *Trans Texas*, or from the more intangible factors present here. It is the absence of competition which is the crucial factor in a Section 7 case, not the underlying factors producing that situation.

Amicus curiae, Independent Bankers Association of Georgia, Inc., urges the Court to find for the Government on the ground "that if this Court permits these five banks to be merged into the Citizens & Southern Emory Bank and the Citizens & Southern Bank of East Point, it will forever preclude the Georgia Commissioner of Banking and Finance from carrying out the judgment of the Supreme Court of Georgia" in *Independent Bankers Association of Georgia* v. *Dunn*, —— Ga. —— (1973), Opinion on Reconsideration and Rehearing, decided November 15, 1973. The jurisdiction and function of this Court, however, relates to the enforcement of the antitrust laws of the United States—not the banking laws of the State of Georgia. The Georgia courts are per-

fectly competent for the latter. Thus, the defendants' disregard of Georgia's banking laws is only relevant to the issue of whether the effect of the proposd mergers "may be substantially to lessen competition." The Court has already found that substantial competition does not presently exist among the defendants. Possible past violations of Georgia's banking laws cannot change that factual finding. The Court notes that the Supreme Court of Georgia does not appear to consider such violations as may have existed as being more than technical—that is, as negativing the good faith of those involved. [—— Ga. —— (1973), Opinion on Reconsideration, p. 10] To be relevant such violation must involve the issue of potential competition or potentially increased competition. Thus, in *Trans Texas* the district court excluded a situation where there might be "evidence in the record that dissipation of the common control is likely in the future." [—— F. Supp. at ——, 1972 Trade Cases ¶ 74,257 at p. 93, 215] It is clear to the Court that there will be some dissipation of the common stock ownership of the defendant banks due to the Georgia Supreme Court's opinion in *Independent Bankers*. As has been indicated above, however, there is no evidence to show that the five percent defendants have exerted, or since the *Independent Bankers* decision, are exerting, any "threshhold" competitive influence [*i.e., U.S.* v. *Penn Olin Chemical Co.*, 378 U.S. 158 (1964); *U. S.* v *El Paso Natural Gas*, 376 U.S. 651 (1964)] whatsoever vis-a-vis the C&S system. Furthermore, there has been no showing that substantial competition

would arise among the defendants if the common ownership is dissipated to the full extent required by the Supreme Court of Georgia.

Although the Government argues that there have been successful partings of the way in the past as between downtown Atlanta banks and their suburban affiliates, the Court finds the evidence does not show that the markets involved can continue to support, *ad infinitum*, new independent banks in place of affiliated banks. The Government concedes the beneficial effect of the advice and assistance which the downtown banks and others provide the smaller correspondent banks. The record supports the smaller banks' need for such services. There is no evidence of the possibility or feasibility of any arrangement as among the suburban banks, with or without the downtown banks, which would provide the required services in a more competitive manner. The Court is left to speculation and conjecture on this point. Therefore, following the lead of the district court in *Trans Texas* [—— F. Supp. at ——, 1972 Trade Cases ¶ 74,257 at p. 93,210], this Court will consider the findings of the FDIC with respect to the mergers in this case. Weighing the findings of the FDIC (considered by this Court as in the nature of expert testimony only) with the Court's own judgment of the underlying evidence herein, the Court finds that the proposed mergers will not substantially lessen competition, but, in fact, will be pro-competitive, and therefore the Court finds for defendants and against plaintiffs.

In view of the above disposition of the Section 7 issues, the Court does not reach defendants' so-called "subsidiary" defense. Similarly, there is no need to consider the defendants' contention that any anticompetitive effects of the proposed mergers are out-weighed in the public interest by the probable effect of the mergers in meeting the convenience and needs of the communities to be served.

Let judgment enter in favor of defendants.

The statutory stay in effect against the effectuation of the proposed mergers shall expire upon the Government's failure to appeal from this order within the time permitted by law. Otherwise, the proposed mergers shall not be effectuated until the completion of any appeal taken by the Government.

SO ORDERED, this —— day of January, 1974.

/s/ Charles A. Maye, Jr.
United States District Judge

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

Civil Action No. 15823

UNITED STATES OF AMERICA, PLAINTIFF

—*vs.*—

THE CITIZENS AND SOUTHERN NATIONAL BANK, ET AL., DEFENDANTS

ORDER

The Court amends *nunc pro tunc* its "FINDINGS OF FACT CONCLUSIONS OF LAW AND ORDER" heretofore entered in this matter on January 25, 1974, by adding to page 54 a footnote at the end of the carry-over paragraph, as follows:

> "[1] The Court has now considered the final order entered by E. D. Dunn, Commissioner of the Georgia Department of Banking and Finance on May 22, 1974, pursuant to the *Independent Bankers* decision. That order does not change the underlying basis of the Court's decision that the proposed mergers will not substantially lessen competition."

As so amended, page 54 reads as follows:

"*ad infinitum*, new independent banks in place of affiliated banks. The Government concedes the beneficial effect of the advice and assistance which the

downtown banks and others provide the smaller correspondent banks. The record supports the smaller banks' need for such services. There is no evidence of the possibility or feasibility of any arrangement as among the suburban banks, with or without the downtown banks, which would provide the required services in a more competitive manner. The Court is left to speculation and conjecture on this point. Therefore, following the lead of the district court in *Trans Texas* [—— F. Supp. at ——, 1972 Trade Cases ¶ 74,257 at p. 93,210], this Court will consider the findings of the FDIC with respect to the mergers in this case. Weighing the findings of the FDIC (considered by this Court as in the nature of expert testimony only) with the Court's own judgment of the underlying evidence herein, the Court finds that the proposed mergers will not substantially lessen competition, but, in fact, will be pro-competitive, and therefore the Court finds for defendants and against plaintiffs.[1]

In view of the above disposition of the Section 7 issues, the Court does not reach defendants' so-called "subsidiary" defense. Similarly, there is no need to consider the defendants' contention that any anticompetitive effects of the proposed mergers are out-

---

[1] The Court has now considered the final order entered by E. D. Dunn, Commissioner of the Georgia Department of Banking and Finance on May 22, 1974, pursuant to the *Independent Bankers* decision. That order does not change the underlying basis of the Court's decision that the proposed mergers will not substantially lessen competition."

weighed in the public interest by the probable effect of the mergers in meeting the convenience and needs of the communities to be served.

Let judgment enter in favor of defendants.

The statutory stay in effect against the effectuation of the proposed mergers shall expire upon the Government's failure to appeal from this order within the time permitted by law. Otherwise,

SO ORDERED, this 3rd day of June, 1974.

/s/ Charles A. Maye, Jr.
Judge
United States District Court
for the Northern District
of Georgia

APPENDIX C

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

Civil Action No. 15823

Filed: November 2, 1971

UNITED STATES OF AMERICA, PLAINTIFF

v.

CITIZENS AND SOUTHERN NATIONAL BANK, ET AL., DEFENDANTS

NOTICE OF APPEAL

Notice is hereby given that the United States of America, plaintiff herein, appeals from the Final Judgment and Order of this Court which was entered in this action on January 25, 1974. Such appeal is being taken directly to the Supreme Court of

the United States under authority of Title 15 U.S.C., Section 29.

JOHN W. STOKES, JR.
United States Attorney

/s/ Donald A. Kinkaid
DONALD A. KINKAID

/s/ Kenneth D. Stern
KENNETH D. STERN

/s/ Neal F. Lehman
NEAL F. LEHMAN
Attorneys for Plaintiff

March 25, 1974

APPENDIX D

E. D. "JACK" DUNN
Commissioner

ROBERT M. MOLER
Deputy Commissioner

DEPARTMENT OF BANKING AND FINANCE

STATE OF GEORGIA
Atlanta 30334

May 24, 1974

Gentlemen:

As you are aware, the Supreme Court of Georgia on November 15, 1973, finally ruled in the matter of the Independent Bankers Association of Georgia vs. W. M. Jackson, Superintendent of Banks (now E. D. Dunn, Commissioner of Banking and Finance), The Citizens and Southern National Bank, the Citizens and Southern Holding Company, et al. As a result of that decision, the Commissioner is required by the Court to take such action as he deems necessary to bring about a divestiture of what the Court has determined is direct and indirect control of certain banks in this State by the Citizens and Southern Holding Company and/or The Citizens and Southern National Bank.

In compliance with the Order of the Court and in conformance with its decisions in this case as interpreted by the Department and the Attorney General of this State, attached hereto is the final Order in this matter. For purposes of this Order, "ten five percent banks" and similar phrases shall mean:

The Citizens and Southern Bank of Thomas County, Thomasville

The Citizens and Southern Bank of Milledgeville, Milledgeville

The Citizens and Southern Bank of Hart County, Hartwell

First State National Bank, Bainbridge

The Citizens and Southern Bank of Dalton, Dalton

The Citizens and Southern South DeKalb Bank, Decatur

The Citizens and Southern Bank of Cobb County, Austell

The Citizens and Southern Bank of Tifton, Tifton

The Citizens and Southern Bank of Colquitt County, Moultrie

The Citizens and Southern Bank of Jackson, Jackson

"Bankable loan" shall mean loans which mature in not more than five years, or, if amortized by at least annual payments on the principal, in not more than thirty years, and which call for a rate of interest payable by the borrower which is not less than the rate of charge by the bank to other bankers outside their employment or charged uniformly to all of its own employees; collateral securing such "bankable loans" shall have an appraised value equal to not less than 120% of the amount of the loans.

While the Order is required to be directed only to the codefendants in the suit decided by the Supreme Court of Georgia under appeal from the Superior Court of DeKalb County, the responsibilities of the

Commissioner under The Banking Laws demand that the Order be extended to all other banks which are found to be similarly situated. Accordingly, IT IS ORDERED that

The Citizens and Southern Park National Bank, Atlanta

The Cartersville Bank, Cartersville

The Citizens and Southern Bank of Chamblee, Chamblee

The Citizens and Southern Bank of Rockdale, Conyers

The Citizens and Southern Bank of Clayton County, Forest Park

The Citizens and Southern Bank of Henry County, McDonough

The Citizens and Southern Bank of Gwinnett, Norcross

The Citizens and Southern Bank of North Fulton, Roswell

The Citizens and Southern Bank of Sandy Springs, Atlanta

Farmers and Merchants Bank of Senoia, Senoia

The Citizens and Southern Springfield Bank, Springfield

The Citizens and Southern Bank of Tucker, Tucker

The Citizens and Southern Bank, Warner Robins

The National Bank of Fitzgerald, Fitzgerald

The National Bank of Walton County, Monroe

will fully comply with the Order attached hereto as if each of these banks had been included as codefendants and that The Citizens and Southern National Bank and the Citizens and Southern Holding Company shall treat their relationship in all respects with these banks as if they had been included among the "ten five percent banks."

Any interested party who feels that any five percent bank which was not a codefendant in the Independent Bankers Association of Georgia action should not be subject to the same ORDER as herein set down may file written objections with the Department within thirty days of the date of these Orders. Such Orders shall not be effective against those banks for which objections have been filed on a timely basis. The Commissioner reserves the right to issue a valid new Order as to that bank upon the occurrence of one of the following:

(1) Failure by the person filing the objections to file written evidentiary support for his objections in detail within thirty days of the date objections are originally filed; or
(2) A determination by the Commissioner after proper hearing in accordance with the Administrative Procedures Act that such bank should not be exempt from the Orders contained hereinabove.

Implementation of these Orders will require certain filings with the Department and the Federal Deposit Insurance Corporation pursuant to Sections of The Banking Law and the Federal Deposit Insurance Act

and Regulations. Oath of Directors forms are included for reporting election by the Board to fill directors' positions vacated in accordance with the Orders, and each new director must complete a Biographical and Financial Information Report. Copies of both reports bearing original signatures should be submitted to the Department and the FDIC under a transmittal letter stating the name of the director being replaced. Similar procedures should be followed where officer positions are changed as a result of these Orders. After required divestitures of stock have been made, Change of Ownership Reports must be filed with the Department and the Federal Deposit Insurance Corporation and forms are enclosed for that purpose. Original signatures must be contained on copies filed with the Department and the FDIC. The filing of these reports is in addition to and does not limit the requirements of Paragraph 11 of the Order.

It is the sincere desire of the Department that implementation of the Orders and proceedings can occur with a minimum disruptive effect on the affairs of the banks involved and that sound operations and management stability will not be adversely affected. In the event that serious disruptive effects cannot be avoided, the Department should be notified immediately by a request for special instructions or temporary waivers of time limitations imposed by the Order. Such requests will be considered individually with respect to each bank making the requests in light of the seriousness of the disruption and the re-

sponsibilities of the Department and all other parties under the Court Order and the interpretations rendered by the Courts.

Requests for interpretations, special instructions, and individual consultations by the Department on all matters contained herein must be submitted in writing and will not be considered on verbal presentment as with other matters under the general supervision and interpretation of the Department. With the cooperation of all parties, compliance with the directions and interpretations of the Courts should not seriously affect the operation of your institution.

Yours very truly,

E. D. DUNN
Commissioner

EDD:rst
Attachment

ORDER

May 22, 1974

As directed by the Superior Court of DeKalb County, IT IS ORDERED:

1. That The Citizens and Southern National Bank and the Citizens and Southern Holding Company shall terminate any direct or indirect supervision of the ten five percent banks beyond that which is available from The Citizens and Southern National Bank or the Citizens and Southern Holding Company to any bank that wishes to enter into a correspondent relationship with such bank or holding company. Such correspondent services shall be available to any contracting bank on an equitable basis with other banks consistent with sound banking principles.

2. That any officer or director of The Citizens and Southern National Bank or the Citizens and Southern Holding Company or any of their subsidiaries who serves as a director or as an officer of any of the ten five percent banks shall resign from the offices held in one or the other of such banks and any officer or director of The Citizens and Southern National Bank or the Citizens and Southern Holding Company or their subsidiaries shall be prohibited from simultaneously acting as a director or officer of any of the ten five percent banks.

3. That any officer or director of The Citizens and Southern National Bank or the Citizens and Southern Holding Company who participates or has authority to participate in major policy-making func-

tions of that bank and company and (1) who acquired shares of stock in any of the ten five percent banks in connection with the acquisition by the Citizens and Southern Holding Company of its five percent ownership in any of the ten five percent banks, (2) who acquired such shares from any other such officer or director who had acquired those shares in connection with the acquisition by the Citizens and Southern Holding Company of its five percent ownership of any such bank or (3) who acquired such shares in connection with a loan to him by the Citizens and Southern Holding Company, The Citizens and Southern National Bank, or their subsidiaries unless said loans are made bankable loans as herein defined, shall divest himself of shares so acquired. For purposes of sub-paragraph (1) and (2) above, shares in any of the ten five percent banks, acquired by any of the above officers or directors within a period of six months from the date of the acquisition by the Citizens and Southern Holding Company of its five percent interest, were acquired in connection with the acquisition by the Citizens and Southern Holding Company of its five percent interest within the meaning of this paragraph. "Divest" means the gift, except to a spouse or minor child, or sale of the legal and beneficial interest in shares, without the right to reacquire for as long as the divesting officer or director remains an officer or director of The Citizens and Southern National Bank or the Citizens and Southern Holding Company. No officer or director required to divest by this Order

shall retain after the divestiture any security interest in the stock as to which divestiture is required. No divestiture shall be to any other officer or director who is himself required to divest by this Order.

4. That The Citizens and Southern National Bank and the Citizens and Southern Holding Company and their subsidiaries shall terminate any loan made to any former officer or employee of The Citizens and Southern National Bank or the Citizens and Southern Holding Company or any of their subsidiaries who shall have become an executive officer of any of the ten five percent banks where such loan was secured by or was made to enable such former officer or employee to purchase shares of stock in any of the ten five percent banks of which he became an executive officer unless such loans are made bankable loans as herein defined.

5. That The Citizens and Southern National Bank and the Citizens and Southern Holding Company and their subsidiaries shall terminate any loan made to any officer of any such banks or companies, other than those officers covered by paragraph 3 hereof, made to enable such officer to purchase, or which was secured by, shares of stock in any of the ten five percent banks if such stock was acquired within six months of, or acquired from any director, officer or shareholder of The Citizens and Southern National Bank or the Citizens and Southern Holding Company or any of their subsidiaries who originally acquired the shares of stock within six months of, the acquisition by the Citizens and Southern Holding Com-

pany of its five percent interest in these ten five percent banks unless such loans are made bankable loans as herein defined.

6. That The Citizens and Southern National Bank and the Citizens and Southern Holding Company and their subsidiaries shall terminate all loans made to any shareholder of The Citizens and Southern National Bank which were made for the purpose of enabling such shareholder to purchase shares of stock in the ten five percent banks where such loan was made or such shares were acquired within six months of the acquisition by the Citizens and Southern Holding Company of its five percent shares in such bank unless such loans are made bankable loans as herein defined.

7. That The Citizens and Southern National Bank, the Citizens and Southern Holding Company and their subsidiaries shall make no loan to enable any officer, director, or shareholder (including husband, wife, or minor children of any of these) of the ten five percent banks to purchase shares of stock in any of the ten five percent banks unless such loan is made a bankable loan as herein defined, and no such loan may be secured by the stock being purchased.

8. That all outdoor signs, advertising and similar written materials externally disseminated by the ten five percent banks show the portion of the bank's name which distinguishes that bank from The Citizens and Southern National Bank, i.e., if The Citizens and Southern South DeKalb Bank uses the C&S logo,

the words "South DeKalb Bank" shall be printed in conjunction with the logo letters in such manner as to be, in the opinion of the Commissioner, clearly legible. In all cases other than outdoor signs and advertising in public media, existing stock of supplies may be utilized notwithstanding the time limitations of paragraph 10.

9. That the Citizens and Southern Holding Company divest itself of its stock in the ten five percent banks if the stockholders of The Citizens and Southern National Bank, including fiduciary accounts administered by its trust department, own sufficient stock in such banks to make the total of the stock held by the Citizens and Southern Holding Company and the stockholders of The Citizens and Southern National Bank, including stocks held in a fiduciary capacity by the trust department of The Citizens and Southern National Bank or any of its subsidiary banks where the beneficiary of the trust is a stockholder of The Citizens and Southern National Bank, exceed five percent of the stock of such five percent bank. "Divest" means the sale of the legal and beneficial interest in such stock, without the right to reacquire.

10. All action herein required shall be completed on or before the following dates:

Paragraph 1	May 24, 1975
Paragraph 2	June 1, 1974
Paragraph 3	May 24, 1975
Paragraph 4	November 1, 1974
Paragraph 5	November 1, 1974

Paragraph 6	November 1, 1974
Paragraph 7	Continuous
Paragraph 8	November 1, 1974
Paragraph 9	November 1, 1974

11. The Commissioner or his duly appointed representative may make periodic examinations pursuant to the provisions of Section 13-207 of the Code of Georgia to determine compliance with this Order when in the discretion of the Commissioner such examinations are appropriate. The Commissioner may examine any transaction required by this Order to ensure that such transaction complies with this Order and the banking law of Georgia as interpreted by the Georgia Supreme Court. Such examination may include any relevant considerations, including but not limited to, the price paid and received for stock being divested, the financing arrangements for the sale and purchase of stock being divested, the intent of the parties to such transactions, the relation of the parties to the transactions to each other, the relation of the parties to the transactions to The Citizens and Southern National Bank or the Citizens and Southern Holding Company and any other consideration deemed relevant by the Commissioner of Banking and Finance. The Commissioner of Banking and Finance may after notice and opportunity for hearing, order rescission of any transaction which he finds, after full consideration of the factors deemed relevant by him, to result in the acquisition or holding of shares by anyone in violation of this Order or the banking law of Georgia. Any transaction not

ordered to be rescinded within one hundred and twenty days from the date of disclosure to the Commissioner shall be deemed valid and in compliance with this Order. The Commissioner reserves the right to amend or modify this Order based upon his findings at examinations or investigations herein provided.

E. D. DUNN
Commissioner
Department of Banking and Finance

Notary Public

APPENDIX E

Section 7 of the Clayton Act, 38 Stat. 731 as amended, 64 Stat. 1125, 15 U.S.C. 18, provides in pertinent part:

> No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly.

Section 1 of the Sherman Act, 26 Stat. 209, as amended, 15 U.S.C. 1, provides in pertinent part:

> Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states * * * is hereby declared to be illegal * * *.

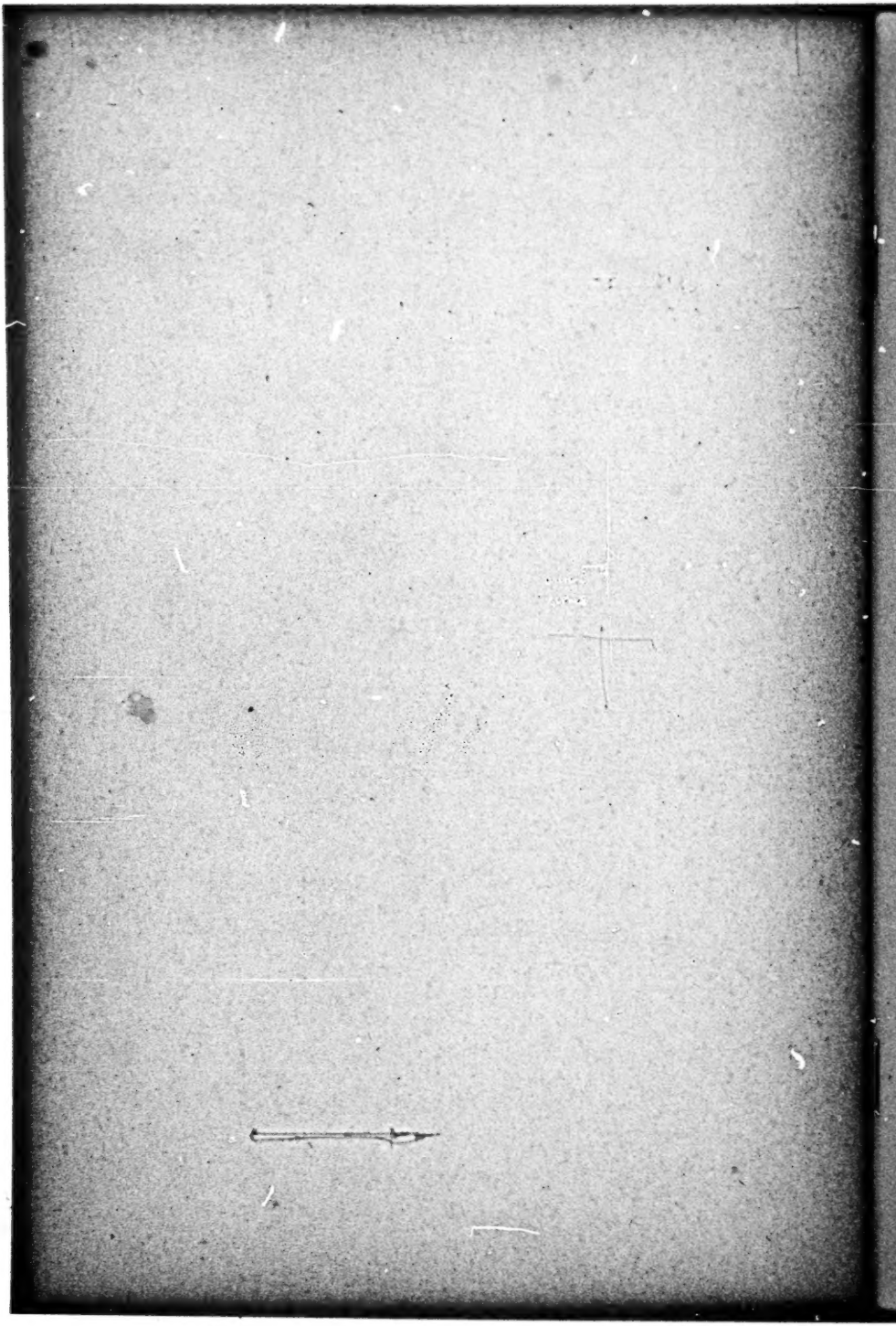
Subsection 5(B) of the Bank Merger Act of 1966, 80 Stat. 8, as amended, 12 U.S.C. 1828(c)(5)(B), provides in pertinent part:

> The [Federal Deposit Insurance Corporation] * * * shall not approve—
>
> * * * * *
>
> (B) any other proposed merger transaction whose effect in any section of the country may be substantially to lessen competition, or tend to create a monopoly, or which in any other maner

would be in restraint of trade, unless it finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

In every case, the [Federal Deposit Insurance Corporation] * * * shall take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served.

☆ U. S. GOVERNMENT PRINTING OFFICE: 1974 551036 285



LIBRARY
SUPREME COURT, U. S.

FILED
AUG 14 1974
MICHAEL RODAK, JR., CLERK

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

vs.

THE CITIZENS AND SOUTHERN NATIONAL BANK, ET AL.,
Appellees.

On Appeal from the United States District Court for the Northern District of Georgia

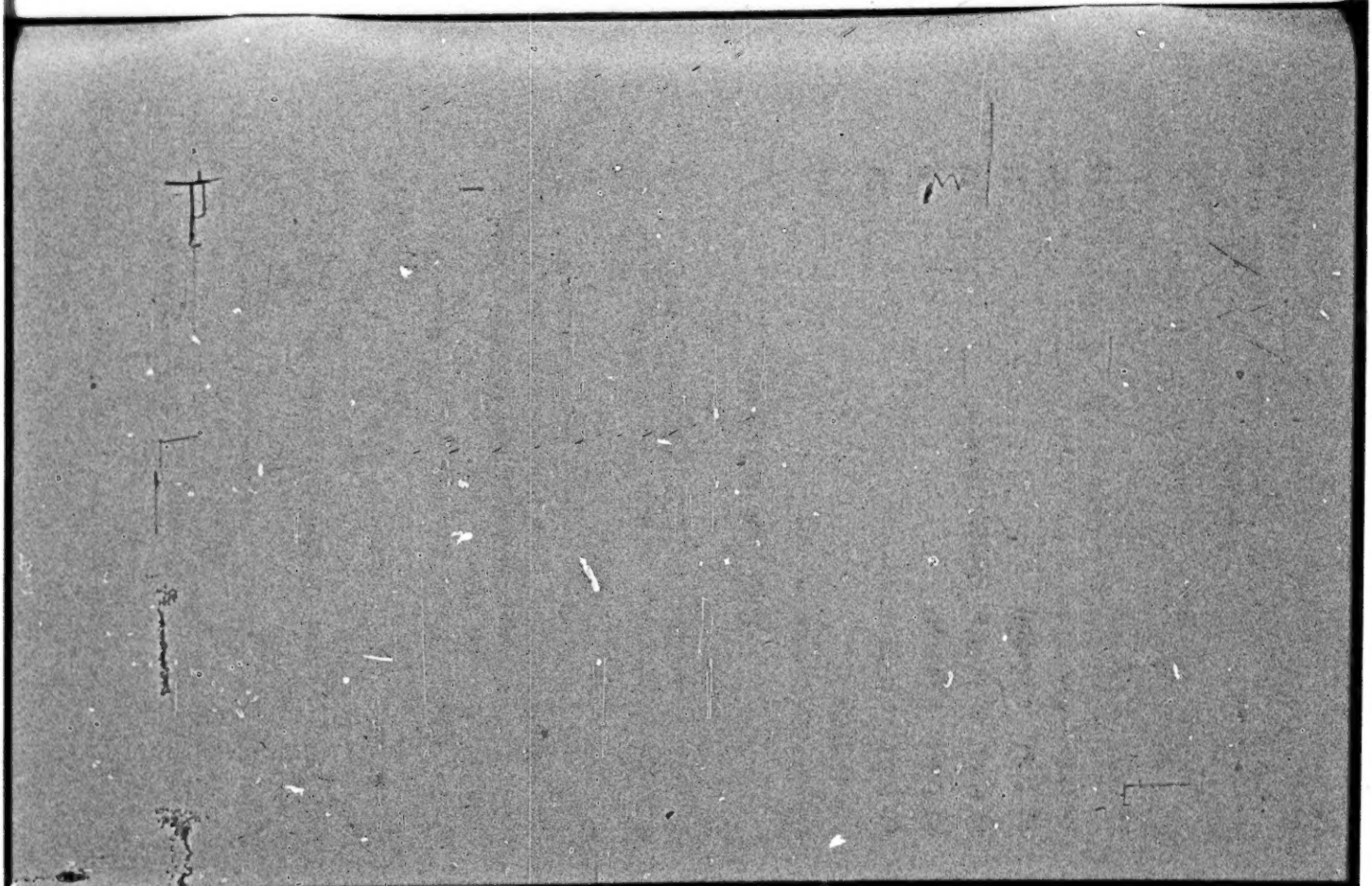
MOTION TO AFFIRM

DANIEL B. HODGSON
MICHAEL A. DOYLE
WALTER M. GRANT
1200 C&S National Bank Building
Atlanta, Georgia 30303
RICHARD A. POSNER
1222 East Fifty-Sixth Street
Chicago, Illinois 60637
Counsel for Appellees

ALSTON, MILLER & GAINES
PHILIP L. ROACHE, JR.
Of Counsel

August 14, 1974

St. Louis Law Printing Co., Inc., 813 Olive Street 63101 314-231-4477



INDEX

	Page
Motion to Affirm	1
Statement	2
Discussion	6
I. Introduction	6
II. The Department Failed to Prove That C&S's Proposed Acquisition of the Five Percent Banks Was Likely to Lessen Competition Substantially	8
III. The Department Failed to Prove a Per Se Violation of Section 1 of the Sherman Act	13
IV. There Is an Irreconcilable Conflict Between the Government's Position Here and in Marine Bancorporation	18
V. There Are Additional Grounds for Affirmance	22
Conclusion	25
Appendix A	A-1

Cases Cited

Addyston Pipe and Steel Company v. United States, 85 F. 271 (6th Cir. 1898) (Taft, J.), aff'd, 175 U.S. 211 (1899)	15
Independent Bankers Association of Georgia v. Dunn, 230 Ga. 345, 197 S.E.2d 129 (1973)	20
Northern Pacific Railway Co. v. United States, 356 U.S. 1 (1958)	17

Theatre Enterprises, Inc. v. Paramount Film Distributing Corp., 346 U.S. 537 (1954) 14

United States v. Container Corporation of America, 393 U.S. 333 (1969) 16, 17

United States v. General Dynamics Corp., No. 72-402, March 19, 1974 ..... 7, 10, 12

United States v. Marine Bancorporation, Inc., No. 73-38, June 26, 1974 ..... 2, 8, 10, 18, 19, 20, 22

United States v. The Connecticut National Bank, No. 73-767, June 26, 1974 24

United States v. Topco Associates, 405 U.S. 596 (1972) 15

United States v. Trans Texas Bancorporation, 412 U.S. 946 (1973), affirming per curiam 1972 Trade Cases ¶ 74,257 (W.D. Tex. 1972) 9

Washington Mutual Savings Bank v. Federal Deposit Insurance Corporation, 482 F.2d 459 (9th Cir. 1973) .. 8

Statutes and Rules Cited

Federal Rules of Civil Procedure:

Rule 52(a) 7

12 U.S.C. § 1828(c)(5)(B) 24

12 U.S.C. § 1841(d) 6

12 U.S.C. §§ 1842(a), 1844(b), 1844(c) 23

12 U.S.C. § 1849(d) 23

15 U.S.C. § 18 22

15 U.S.C. § 19 19

15 U.S.C. § 21(c) 23

Text Cited

3 J. Legal Studies 339 (1974) 7

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

vs.

THE CITIZENS AND SOUTHERN NATIONAL BANK, ET AL.,
Appellees.

On Appeal from the United States District Court for the Northern District of Georgia

MOTION TO AFFIRM

Pursuant to Rule 16 of the Rules of this Court, appellees move that the judgment of the district court (J.S. 1a-69a;[1] 372 F. Supp. 616) be affirmed.

[1] The abbreviations used are as follows: the Jurisdictional Statement is cited as "J.S.," the trial transcript as "Tr.," the government's exhibits as "GX," and appellees' exhibits as "DX." Citations to "Economic Report" refer to the written testimony of appellees' economic expert witness.

STATEMENT

The Citizens and Southern National Bank, the principal defendant below and appellee here, is the largest bank in Atlanta. It has achieved this position through internal expansion (that is, by outcompeting the other banks in Atlanta) rather than through mergers[2] (that is, by acquiring competitors), and it has done so in the face of state banking laws that seek to limit expansion through internal growth. Properly viewed, the present case is not a merger case at all—still less is it a price-fixing case. It is the outgrowth of C&S's continuing efforts to overcome the limitations placed by Georgia law on *de novo* branching.

C&S's position of leadership in Atlanta banking is remarkable given the competitive handicap under which Georgia law has placed it in relation to other Atlanta banks. C&S's home office, unlike the home offices of the other major Atlanta banks, is located in another city. C&S entered the Atlanta market at a time when Georgia law permitted state-wide branching (J.S. 9a). But in 1929 the state enacted a law forbidding the establishment of any new branches outside of the city in which a bank's home office was located (J.S. 8a). This law—an example of the type of inflexible limitation on *de novo* branching discussed critically in this Court's recent opinion in *United States v. Marine Bancorporation, Inc.* (No. 73-38, slip opinion, p. 8, n. 8, June 26, 1974)—might have prevented the further growth of C&S in Atlanta but for the existence of another

[2] Only about 12 percent of C&S's total demand deposits in the Atlanta area are accounted for by branches that it acquired rather than created *de novo* (GX 78); only 5 of its 49 offices in the Atlanta area were acquired (GX 4). (These computations exclude the pre-1927 acquisitions by which C&S, whose home office is in Savannah, first obtained a foothold in the Atlanta market.) All of C&S's acquisitions, moreover, have been of banks that were experiencing serious business difficulties (Tr. 511-12; DX 267, pp. 16, 18).

method of internal expansion that was not affected by the 1929 law. C&S could form a bank holding company and could then organize new banks that would be wholly owned subsidiaries of the holding company (J.S. 9a-10a). But eventually the state decided to limit this method of expansion as well. A law passed in 1956 forbade a bank holding company to own more than 15 percent of the stock of another bank; in 1960 the law was amended to reduce the maximum amount of stock ownership to five percent (J.S. 8a).

The background to the five proposed acquisitions challenged in this case is a series of transactions during the period 1959-1969 by which C&S attempted to continue to grow internally in metropolitan Atlanta (beyond the corporate city limits) in the face of the severe limitations that the law of 1929 imposed on *de novo* branching directly and that the laws of 1956 and 1960 imposed on *de novo* branching through the holding company device. Since the late 1950's, C&S, like other retail businesses located in large cities, had watched as its customers moved out of the city—its market area—and into the suburbs (Tr. 513-15, 530; Economic Report, vol. 1, pp. 7-8). C&S could not hope to retain these customers' business unless it established branches in the suburbs, for most suburban residents will not drive into the city to conduct their banking business (Tr. 515). C&S's need to follow its customers into the suburbs was especially acute because C&S has always emphasized the retail side of the banking business—the catering to the needs of individuals and small firms, both as depositors and as borrowers (Tr. 523; Economic Report, vol. 1, p. 120). As a result of the 1929, 1956, and 1960 banking laws to which we have referred, C&S could not establish new branches in the suburbs either directly or through subsidiaries; but it hit upon a method of creating, in effect, new suburban branches without running afoul of Georgia law.

The method (described in detail in the district court's opinion, at J.S. 42a-55a) involved organizing ("sponsoring") a new

bank in the area where C&S wanted to have a branch office, placing the bank's stock (above the five percent that C&S was permitted to own directly) in friendly hands, and staffing the bank with C&S personnel and giving it the use of the C&S name, logo, and methods of doing business. All of this was done in the expectation that if and when the state limitations on branching were relaxed the banks would be formally acquired by C&S (J.S. 10a-11a, 42a-44a, 49a-50a).[3] Pending formal acquisition, the "five percent banks," as the newly formed banks were called, while they were perfectly free to adopt divergent policies if they wanted to, could—and for obvious reasons of business advantage did—function in a manner much like C&S's branches—so much so that the banking public regarded them as such (J.S. 54a; Tr. 903, 971; Economic Report, vol. 1, pp. 112, 119). By thus conforming their business policies to those of C&S, the five percent banks were able to exploit the goodwill associated with the C&S name and to utilize the methods of banking that had made C&S the largest bank in Atlanta.

In 1971 Georgia law was changed to permit banks to branch throughout the counties in which they had offices.[4] C&S was now free to acquire the five percent banks. After the Federal Deposit Insurance Corporation approved the proposed acquisitions (GX 33B, GX 33C), the Department of Justice brought this action, alleging that the acquisitions would violate section 7 of the Clayton Act. The complaint also challenged the existing relationships between C&S and the banks as violative

---

[3] In two earlier transactions, C&S had acquired banks that it had organized and operated in the same manner as it did those involved in this case. The Department of Justice did not challenge either acquisition (Tr. 657-59, 672-73).

[4] The law had been changed in 1960 to permit branching throughout the city in which a bank had an office (J.S. 8a), but this change of law was irrelevant to C&S's desire to establish suburban offices.

of section 1 of the Sherman Act. C&S had entered into similar relationships with some already established, rather than newly formed, banks. Its relationship with one of these—The Citizens and Southern Bank of Tucker—was also challenged in the complaint as a violation of section 1 of the Sherman Act. The Tucker bank is not involved in the section 7 phase of the case, since the FDIC disapproved C&S's proposed acquisition of Tucker (GX 33D).

DISCUSSION

I. Introduction

This case is a sport in the antitrust-banking field.[5]

(1) It arises only because of a peculiarity of Georgia banking law, no longer in force, that prevented C&S from opening new suburban branches, thereby forcing it to adopt the indirect method challenged in this case. Had it not been for this now-repealed provision of Georgia law, C&S would have owned the five percent banks from the outset and this case would not have been brought; the Department concedes, as it must, that for C&S to create new branches in the Atlanta suburbs, and to furnish them with information about service charges or credit terms (or even to tell them what prices to charge), would raise no issue of antitrust illegality.

(2) Were it not for a loophole in the Federal Bank Holding Company Act, plugged in 1970, the relationship between C&S and the five percent banks would clearly have been subject to the primary jurisdiction of the Federal Reserve Board, and the principal issues concerning the propriety of that relationship might never have become the subject of an antitrust suit.[6]

---

[5] The Jurisdictional Statement implicitly concedes this. The only reference to either the intrinsic or the precedential significance of the case is a boilerplate recital that the questions presented "are of substantial importance to the banking community and to the administration of the antitrust laws." (J.S. 16.)

[6] Under the 1970 amendments to the Federal Bank Holding Company Act, a bank over which another bank has a "controlling influence" is deemed a "subsidiary" of that bank (12 U.S.C. § 1841 (d)), and the Federal Reserve Board must approve their relationship (see § 1842(a)). This provision of the 1970 amendments is inapplicable to relationships commenced prior to 1970; that is why the approval of the Federal Reserve Board did not have to be and was not sought when C&S sponsored each of the five percent banks. With respect to post-1970 relationships, the required Board proceed-

(3) Although the Department of Justice has challenged other proposed mergers between previously affiliated banks, in no other case has it challenged the previous affiliation as a violation of the Sherman Act, and we shall see that the Department's challenge to the proposed mergers in the present case depends on the Sherman Act count.

In light of these considerations, the case does not merit plenary review by this Court—especially since, thanks to the Expediting Act, the case comes to this Court without the benefit of intermediate appellate review, and at a time when the Court's docket has become extremely heavy and burdensome.[7] At all events, the decision below is clearly correct; further briefing and argument are not required to dispose of the appeal. A controlling consideration is that the dispositive issues in the case are factual and the Department does not contend that any of the district court's factfindings are clearly erroneous.[8]

---

ing would provide an important, and arguably controlling, input into the determinations of whether an informal relationship between two banks so united them that a formal merger would not alter the substance of their relationship and whether the informal relationship represented an improper restriction of competition—the two issues in this case.

[7] For a recent study of the Court's workload problem, and a review of the earlier literature, see Gerhard Casper & Richard A. Posner, *A Study of the Supreme Court's Caseload*, 3 J. Legal Studies 339 (1974).

[8] The absence from the Jurisdictional Statement of any reference to the clearly-erroneous standard, though it is plain that the Department is seeking mainly to overturn the district court's factfindings, suggests that the Department has not yet taken to heart this Court's admonition in *United States v. General Dynamics Corp.*, No. 72-402, March 19, 1974, that: "The findings and conclusions of the District Court are, of course, governed by the 'clearly erroneous' standard of Fed. Rule Civ. Proc. 52(a) just as fully on direct appeal to this Court as when a civil case is being reviewed by a court of appeals." (Slip opinion, p. 21.)

It should be noted that the district court in this case did not adopt proposed findings submitted by the defendants—the practice criticized

II. The Department Failed to Prove That C&S's Proposed Acquisition of the Five Percent Banks Was Likely to Lessen Competition Substantially.

It is undisputed that from the day the five percent banks opened their doors to the present day only a negligible amount of competition between these banks and C&S occurred (J.S. 11a, 64a; Tr. 533-34; GX 33B, GX 33C). The five percent banks were created by C&S and they considered themselves extensions rather than competitors of C&S (Tr. 533, 601, 783). How, then, could the acquisition of these banks by C&S—a mere formalization of the existing relationships—affect the amount or vigor of competition in the relevant market? The answer that the government offered at trial was that, if the acquisitions were prevented, the five percent banks would eventually separate themselves from the C&S system and become substantial independent competitors. This contention framed a precise factual issue for the district court to resolve, an issue upon which the section 7 charge turned: was it likely that, if not acquired by C&S, the five percent banks would within some reasonable period of time break away from C&S and begin to compete with it? The district court, like the FDIC before it, found the answer to this factual question to be "no" (J.S. 65a). Since the Jurisdictional Statement does not challenge this finding as clearly erroneous, the section 7 appeal must fail.

In this Court, the Department, trying to convert a factual into a legal issue, seeks a rule that unless the parties to a pro-

---

in *United States v. Marine Bancorporation, Inc., supra,* slip opinion, pp. 11-12, n. 13, where the Court nonetheless affirmed. The district court prepared its own findings. It should also be noted that the Federal Deposit Insurance Corporation, the banking agency that approved the proposed acquisitions challenged in this case, is extremely conscientious in weighing the competitive effects of a proposed acquisition—so much so that in one recent case it was rebuked for applying a stricter standard than the antitrust laws themselves. See *Washington Mutual Savings Bank v. Federal Deposit Insurance Corporation,* 482 F.2d 459 (9th Cir. 1973).

posed merger were under common ownership prior to the merger, they should be treated as if they were wholly unrelated and fully competitive entities, regardless of the actual facts of their relationship (see J.S. 28-29). This Court rejected that approach in *United States v. Trans Texas Bancorporation*, 412 U.S. 946 (1973), affirming per curiam 1972 Trade Cases ¶ 74,257 (W.D. Tex. 1972), which the government vainly tries to distinguish. In *Trans Texas* the government had challenged a proposed merger among several banks in which members of an informal group of 49 individuals were majority stockholders. The group was not a single entity in any formal legal sense—no contractual or other formal obligations united its members. The only cement of the relationship was loyalty to an individual who at the time of trial was 75 years old.[9] The banks both held themselves out to the public as separate entities and in fact competed among themselves.[10] Nonetheless the district court found that probability that the ties among the banks would dissolve, and hence that formal merger of the banks would result in a future reduction in competition, was too remote to justify the conclusion that the merger would violate section 7. This Court affirmed. It thereby rejected the proposition urged by the government in the present case that so long as the parties to a proposed merger have the formal legal capacity to compete, the competive effects of the merger are to be analyzed on the

---

[9] The Department's statement that the banks involved in *Trans Texas* "never had the capacity to make independent decisions" (J.S. 28) is a reversal of its position in its Jurisdictional Statement in *Trans Texas*. There, the Department argued that "the banks have been independent entities which made their own decisions and significantly competed with each other." (P. 17.) The Department pointed out that the members of the group "were not bound together by any written agreement; they did not claim to have any legally binding arrangement among them to vote in concert; they never held a formal meeting; and they did not act in concert to control the competitive efforts of the banks." (P. 18, record citations omitted.)

[10] For examples, see the Jurisdictional Statement in *Trans Texas*, pp. 8, 22.

fictitious premise that the parties are fully independent competitors in fact.

The government's proposition is also in conflict with this Court's recent decisions in *United States v. General Dynamics Corp., supra,* and *United States v. Marine Bancorporation, supra.* Those decisions hold that statistics showing that a merger would substantially increase concentration in the relevant market establish a prima facie case of a section 7 violation, but that the defendant may rebut by showing that in the particular circumstances of the case the statistics lack their usual significance in predicting adverse competitive consequences. See, *e.g., Marine* slip opinion, p. 27. The defendant's burden on rebuttal was carried in *General Dynamics* by proof that the acquired firm's mineral reserves were too depleted to enable it to compete in the future on the same scale that it had done in the past, in *Marine* by proof that *de novo* entry by the acquiring firm into the market of the acquired firm would not have enabled the former to compete effectively in that market due to state-law limitations on branching from a branch, and in *Trans Texas* and in the present case by proof that the merger would be in the nature of an internal reorganization that altered the form rather than the substance of the competitive relationships among the parties to the merger.

To require the trier of facts to ignore the elaborate and effective, although informal, linkages between C&S and the five percent banks because those linkages do not amount to formal stock control under the law of corporations would be a return to the mechanical antitrust jurisprudence repudiated in the recent merger decisions. These linkages profoundly affect the competitive significance to be attached to the fact—the only fact on which the government relies to show that the challenged acquisitions are anticompetitive—that the acquisitions would increase the concentration ratio, and the district court was entitled under this Court's decisions to consider them. The major

assets of the five percent banks are the goodwill associated with the C&S name and the proved methods of successful banking available to the five percent banks as participants in the C&S system. It would be unrealistic to expect them to forfeit these assets by voluntarily separating themselves from the C&S system—only once before has a bank done this, and it was under circumstances sharply different from those involved in this case.[11] It would be equally unrealistic to expect C&S to expel the banks from the C&S system and thereby compel them to operate as independent competitors. If it did so, it would have no offices in the Atlanta suburbs—we noted earlier how badly it needed them—unless it were to open new branches there. But any new branches would be competing with the former five percent banks. Thus, the effect of separating them from C&S would turn out to be the creation of new competition for C&S, which is something business firms are loath to do. Furthermore, although state law no longer interposes an absolute bar to C&S's opening new branches in the suburban areas served by the five percent banks, the banking authorities have and exercise broad discretion to deny applications for permission to branch (see GX 33A, GX 33E). There is no assurance that having expelled the five percent banks from the C&S system C&S would be permitted to establish branches in their service areas; those banks would protest vigorously against C&S's opening new branches in competition with them in the precarious state in which they would find themselves if forced to operate as independent competitors. Such uncertainty as to whether C&S

---

[11] The "breakaway" was the Stone Mountain bank. Unlike the five banks proposed to be acquired here, it had a pre-existing independent identity, and other distinguishing features (Tr. 534A-39, 553-54, 561, 597-99, 626, 638-43). The government's statement that Stone Mountain was "organized . . . with C&S's assistance" (J.S. 5) is completely—we hope not intentionally—misleading. The only "assistance" consisted of referring the organizers of Stone Mountain to an ex-employee of C&S for *his* assistance (Tr. 535). C&S did not sponsor Stone Mountain as it did the five banks that it is attempting to acquire.

would be allowed to establish branches in these areas is a potent deterrent against C&S's expelling the five percent banks, lest it find itself wholly excluded from the suburban markets (J.S. 65a).

It is *possible* that the five percent banks might some day separate from C&S and become independent competitive factors. But that is a "mere possibility," which the district court was entitled to disregard. *United States v. General Dynamics, supra,* slip opinion, p. 22.

The government contends, finally, that it is no defense to a challenged merger that the firms previously agreed not to compete with each other, in violation of section 1 of the Sherman Act. There can be no quarrel with the general proposition. But its basic premise—that section 1 has been violated—has not been established here, as we shall soon see. In any event, the proposition has no relevance to the circumstances of this case. If—this seems to be the sort of case the government is thinking of—General Motors and Ford wanted to merge, and anticipating a legal challenge to the merger, agreed not to compete for a period of time preceding the public announcement of the merger, their agreement would not shield the merger from a challenge under section 7 of the Clayton Act. Nothing remotely like that hypothetical case is involved here. The five percent banks that C&S proposes to acquire were not previously independent competitors. They were created by C&S, and they have at all times operated as if they were branches of C&S.[12] Had they been

---

[12] Only the Tucker bank had an independent existence prior to becoming a five percent bank, and it is not involved in the section 7 aspect of the case because the FDIC denied C&S's application to acquire it. The Jurisdictional Statement implies, perhaps inadvertently but in any event incorrectly, that there was some period during which the five percent banks were independent competitive factors. It states, for example, that "soon" after their creation the banks began to behave as if they were branches of C&S (J.S. 5). The district court found that the relationships between the five percent

formal branches of C&S from the outset, no antitrust question would have arisen; and they would have been formal branches of C&S from the beginning, but for the provisions of Georgia banking law. The absence of competition between C&S and the banks it proposes to acquire is not the result of a scheme to defeat a legal challenge to an eventual merger; it is the result of the fact that these banks were created, and from the outset operated, as the nearest thing to branch offices that state law permitted, in order that C&S could enter the suburban Atlanta banking markets. The establishment of the five percent banks by C&S was procompetitive, and the district court found that consummation of the proposed acquisitions will also be procompetitive (J.S. 68a).

III. The Department Failed to Prove a Per Se Violation of Section 1 of the Sherman Act.

The section 1 count in the complaint is an afterthought.[13] It was inserted in order to buttress the government's section 7 case against the argument that the five percent banks had never been, and were unlikely ever to become, independent competitive factors. At all events, the section 1 appeal must fail for two independent reasons: (1) the government failed to prove an agreement not to compete; (2) even if such an agreement had been proved, it would not have been a *per se* violation of

---

banks and C&S on which the section 1 count rests existed without change from the formation of the five per cent banks that C&S proposes to acquire (J.S. 11a; Tr. 533, 600-01). This finding is not challenged.

[13] In the reports that the Department submitted to the banking agencies, as required by the Bank Merger Act, when the acquisitions were first proposed, it made no reference to any Sherman Act problems (GX 36, GX 37, GX 38)—even though its major contention now is that the acquisitions cannot lawfully be approved because of an antecedent violation of that Act.

section 1—and the government in this case proceeded exclusively on a *per se* theory of violation.

(1) It is perfectly lawful under the Sherman Act for two firms in the same market not to compete with each other. It is only agreements not to compete that violate the Act. *Theatre Enterprises, Inc. v. Paramount Film Distributing Corp.*, 346 U.S. 537 (1954). The two firms might be owned by different members of the same family who might decide—independently, without agreement—to compete against the other firms in the market rather than against each other. A small firm might decide that it could make a good profit charging the same price for its product as its largest competitors, and if it did so rather than cut prices, this would be a unilateral decision not to compete in price with that competitor. In neither of these examples would there be a violation of the Sherman Act. This is the same kind of case. The management of the five percent banks *unilaterally* chose to compete as C&S banks. Their choice was hardly surprising or unnatural in the circumstances. There was considerable overlap in the ownership of the common stock of the five percent banks and of C&S; the five percent banks were using C&S's name, logo, and business methods; the public regarded them as C&S banks; and C&S had much greater knowledge of competitive prices and methods, and of market conditions generally, than the five percent banks. In these circumstances, it was natural that the management of the five percent banks would decide not to compete with C&S and their failure to compete therefore gives rise to no inference that there was *an agreement* not to compete. The addition of the five banks to their market areas, competing there as C&S banks, was, without dispute, procompetitive.

There were, to be sure, *agreements* that C&S would own five percent of the common stock of the banks and that C&S would allow them to use the C&S name and methods and would render them advice and assistance. But such agreements, while they

may in fact reduce the likelihood or amount of competition among the parties to them, are not agreements not to compete, and they are not *per se* violations of the Sherman Act. (The government in this case proceeded on a *per se* theory of illegality; it offered no evidence that the challenged practices in fact restricted competition unreasonably.)

This fundamental distinction is illustrated by *United States v. Topco Associates*, 405 U.S. 596 (1972), where competing retail grocers agreed to purchase products jointly for resale under a common trademark, and to cooperate in other ways. These agreements, which may in fact have reduced the intensity of competition among the parties, were not even challenged. Indeed, these agreements, like those in this case, fit the classic definition of a restraint ancillary to a legitimate business objective, and such a restraint is reasonable and not violative of the Sherman Act. *Addyston Pipe and Steel Company v. United States*, 85 F. 271 (6th Cir. 1898) (Taft, J.), *aff'd*, 175 U.S. 211 (1899). But the retail grocers in *Topco* had gone further and agreed not to sell in each other's territories—and it was this agreement that the Court held violated section 1 of the Sherman Act. In the present case there were many elements of cooperation and association between the five percent banks and C&S, but there was no evidence of a further agreement not to compete. The district court found as a fact that the evidence failed to show "the existence of any agreement not to compete" (J.S. 24a). This finding, which has not been challenged as clearly erroneous, is binding on this Court and requires that the judgment of the district court dismissing the section 1 count of the complaint be affirmed.

The section 1 charge in this case has a tortured history. The complaint alleged that the defendants had violated section 1 by maintaining "a close working relationship" (complaint, ¶¶ 34, 38-44)—an absurd theory of *per se* illegality, not mentioned in the Jurisdictional Statement. At trial, the evidence

most favorable to the government showed merely that C&S circulated to the five percent banks the same information regarding service charges and other business practices that it distributed to its branch managers. It was understood—and ordinarily stated on the copies sent to the five percent banks—that so far as those banks were concerned the circulars were for information only.[14] The banks were perfectly free to deviate from the suggestions in the circulars, and sometimes did. Mere dissemination of price information is not a *per se* violation of the Sherman Act—if it were, sellers would be guilty of violating the Act every time they announced a price change publicly! In *United States v. Container Corporation of America*, 393 U.S. 333 (1969), the leading case on information exchanges, this Court found an *agreement* among competing firms to exchange information under *circumstances* where the probable effect of the exchanges was to stabilize the market price. Both elements are missing here. There was no agreement to exchange information—C&S distributed information about its prices to the five percent banks but the latter did not agree to furnish information to C&S in return, nor did they do so.[15]

---

[14] The district court found—and once again its finding is unchallenged—that "there is no suggestion that any advice as to rates amounts to more than an expert appraisal of a market situation from the point of view of a lending institution—a type of opinion to which a lending institution would naturally be expected to pay great attention." (J.S. 24a.)

[15] The Court inferred agreement in *Container* from the exchange of information, reasoning that it was furnished on the implied condition that the recipient would furnish like information in return when the occasion arose. See 393 U.S. at 335. Nothing of that sort was involved here; the information moved in one direction only. The district court expressly found that there was no agreement, stating: "There is no evidence of record to conclude that the utilization by the five percent defendant banks of the services or information received by them from C&S National or C&S Holding was a result of any tacit or explicit combinations rather than the natural deference of the recipient to information from one with greater expertise or better sources." (J.S. 29a.) This finding is not challenged as clearly erroneous.

And the government made no effort in the present case to establish the likelihood that the information dissemination had affected or was likely to affect the market price of banking services. The district court found that it had no effect (J.S. 27a-28a), and its finding, once again, is not challenged.

At trial, the government's theory of the Sherman Act violation was apparently that of the *Container* decision (see Plaintiff's Post-Trial Brief, pp. 12, 58-61; Plaintiff's Proposed Findings of Fact, p. 64). That theory has now been jettisoned[16] and the Jurisdictional Statement characterizes the unlawful conduct as an agreement on the part of the five percent banks to submit to the direction of C&S (*e.g.*, J.S. 24, n. 18)—to become its "vassals" (J.S. 17). No such agreement was either alleged or proved. The banks never agreed to submit to C&S's direction; they never took orders from C&S. What they did do —for obvious reasons stemming from the circumstances under which the banks were created—was unilaterally to conform their business practices to those of C&S.

(2) Even if an agreement to submit to the direction of C&S *had* been proved—we stress that it was not—it would not be a *per se* violation of the Sherman Act. Any agreement creating a subsidiary could be characterized as an agreement by which the subsidiary corporation has submitted to the direction of the parent, but the government does not assert that such an agreement would be a *per se* violation of the Act. The relationship between C&S and the five percent banks was merely a substitute for the formal parent-subsidiary or bank-branch relationships

---

[16] *Container* is not even cited in support of the government's Sherman Act theory, except for the peripheral (and uncontested) point that freedom to withdraw from a price-fixing agreement is no defense to a charge of illegal price-fixing. The point here is that there was no agreement. The only authority that the government offers for its theory of Sherman Act illegality is *Topco* (discussed in the text above) and *Northern Pacific Railway Co. v. United States*, 356 U.S. 1 (1958)—a tying case without any conceivable relevance to the present case.

that state law forbade; it was an attempt to establish branch offices by the only method permissible under the applicable state law. The Department would have applauded C&S's formal establishment of branches in the Atlanta suburbs as new entry that increased banking competition in those markets. Yet it treats their informal establishment as the equivalent of a price-fixing conspiracy. No authority is cited, and none exists, for using the *per se* concept to thwart the fundamental objective of antitrust policy in the banking industry.[17]

IV. **There Is an Irreconcilable Conflict Between the Government's Position Here and in Marine Bancorporation.**

In the *Marine* case, *supra*, the government proposed an ingenious method by which banks could branch *de novo* into a new market, and thereby increase the amount of competition in that market, despite state-law limitations on *de novo* branching. The method it suggested consists of sponsoring a new bank, placing its stock in friendly hands, and eventually acquiring the bank (see Brief for the United States in *Marine*, pp. 16-17, 24, 45-52). This is precisely the method by which C&S expanded into the Atlanta suburbs; that the government should accuse C&S of having thereby violated the Clayton and Sherman Acts suggests to us a profound confusion within the Antitrust Division.

When this inconsistency was pointed out by the Comptroller of the Currency in his brief in *Marine*, the government replied that the method of *de novo* branching adopted by C&S differed

---

[17] In the words of the district court: "The Government has relied upon a claimed per se illegality rather than unreasonableness of the specific practices involved and, for the reasons set forth above, the Court does not believe the evidence will support a finding that such practices in fact were unreasonable restraints of trade. Indeed, the Court is constrained to find that, balancing the evidence, such practices were in fact reasonable." (J.S. 28a.)

from that proposed by the government in two respects. First, since the acquiring bank in *Marine* was located in a different market from the acquired bank, it could have sponsored a new bank in the market of the acquired bank without fear that an eventual acquisition would be challenged as violative of section 7; in the present case the acquiring and acquired banks were alleged to be in the same market at the time of the proposed acquisitions. Second, the government's proposal in *Marine* had envisaged that the sponsoring bank would operate as a "*bona fide* independent" institution during the period preceding its acquisition by the sponsoring bank. (Reply Brief for the United States in *Marine*, pp. 1-2.)

These distinctions are utterly spurious. The government's main argument in *Marine* was that a large bank in one city could not lawfully acquire a major bank in another city within the same state. This implies that if a sponsored bank grew to be a major competitive factor before it could be acquired by the sponsoring bank (and in *Marine* state law required that a newly created bank be in operation for ten years before it could be acquired), the acquisition would violate section 7. Furthermore, the government made no effort in the present case to show that the acquiring and acquired banks had been in the same market at the time of the original sponsorship.[18]

With regard to the second suggested distinction, it is plain that the expression "*bona fide* independence" as used by the

---

[18] The banks in fact were in separate markets at that time, when transportation between Atlanta and its suburbs was not so good as it is today and when C&S had fewer branches in parts of the city adjacent to the suburban areas involved in this case. When the five percent banks were organized, the Federal Reserve Board permitted officers of C&S to serve as directors of the five percent banks, despite the prohibition contained in Section 8 of the Clayton Act (15 U.S.C. § 19). The Board relied on the exception in Section 8 that permits interlocking directorates when the banks are not located in the same town or in contiguous towns (Tr. 593-94, 692-93). Even today, there is considerable question whether C&S and the five percent banks are in the same market (Tr. 985, 472-74; Economic Report, vol. 1, pp. 56-87).

government in *Marine* simply meant not so obvious an evasion of state law as to be unable to withstand attack by the state banking authorities.[19] It could not have meant competitive independence. With the stock of the sponsored bank to be owned by officers, directors, and other associates of the sponsoring bank, plus that bank itself to the extent permitted by state law (see Brief for the United States in *Marine*, pp. 16, 24), the sponsored bank could hardly be expected to compete vigorously against the sponsoring bank.[20] The government's brief quotes approvingly the description of one sponsored bank as a "satellite" of its sponsoring bank (Brief, *supra*, p. 16, n. 16)—a term hardly applicable to an independent competitor, although reasonably descriptive of a "vassal." Here are three other examples, drawn from portions of the record appendix in *Marine* and cited by the government to show how the acquiring bank could have used the sponsorship-followed-by-eventual-acquisition approach (Brief, *supra*, p. 16, n. 16, and p. 45, n. 36, of the meaning of "*bona fide* independence":

---

[19] That is, the sponsored bank had to have enough of the trappings of independent operation to avoid violating the state law forbidding the sponsoring bank to have branches in the market of the sponsored bank. There is no reason to speculate about the legality of the relationship between C&S and the five per cent banks. That issue was resolved in *Independent Bankers Association of Georgia v. Dunn*, 230 Ga. 345, 197 S.E.2d 129 (1973), and in the subsequent order of the Commissioner of Banking and Finance (75a-87a). The district court found that the changes in the relationships between C&S and the five percent banks required by the Commissioner's order did not change its findings with respect to the fundamental character of those relationships (J.S. 70a-72a).

[20] In *Marine* the government suggested that the acquiring bank obtain a 25 percent stock interest in the sponsored bank (see Brief for the United States, p. 24), with the remainder to be owned by officers, directors, and associates of the sponsoring bank (see *id.* at 16). Under the theory that the government is advancing in the Jurisdictional Statement in this case, if those banks had not competed with each other this would be attributed to an unlawful agreement by the sponsored bank to become a "vassal" of its sponsor, an "agreement" inferred from their interlocking relationship.

The . . . selling institution . . . was organized in 1965 under the guidance of the applicant bank . . . Until two years ago, excessive loan loss was a serious problem, but with the applicant bank management virtually taking over all the affairs of the selling bank, this problem has now been solved. Decisions of consequence are presently made by the applicant bank's management. The proposed acquisition will have little if any effect on competition between the two banks . . . [T]he Columbia and Yakima Rivers offer a natural physical barrier to competitive interaction. A more important consideration is the present ties that exist between the management of the purchasing and selling banks. This has served to limit the effective competition between the two institutions. [App. 1294.] . . . Other Bank has been operated more like a branch of applicant than as an independent bank. [App. 1297.]

In 1964, during the organizational state, First received the assistance of Old National, which continues to serve as its principal correspondent and has provided a chief executive officer since about 60 days after that bank began operations . . . Due to the distance separating the offices of the subject banks, the correspondent, managerial, and other relationships existing between them, there appears to be little competition which will be eliminated by this proposal. [App. 1306.]

Tri-Cities National Bank, a satellite of the purchasing bank, opened in 1961 to provide the purchasing bank with access to the Pasco area . . . Due to the interlocking relationship between the purchasing and selling banks, consummation of the purchase and assumption would not have the effect of eliminating significant competition. [App. 1315-16.]

As mentioned before, the complaint in the present case charged that C&S and the five percent banks violated the

Sherman Act by agreeing to establish "a close working relationship". Yet as the record in *Marine* shows, a close working relationship between sponsoring and sponsored bank is of the essence of the method of entering new markets by sponsorship in states where *de novo* branching is constrained. Indeed, the record in the present case shows that a sponsored bank cannot even obtain its charter unless the sponsoring bank assures the banking authorities of its willingness to extend the kinds of managerial assistance and backing that the government now deems conclusive evidence of a *per se* violation of the Sherman Act (J.S. 46a-49a; Tr. 520, 900-01, 818-20, 827).

The government is involved in a flagrant contradiction. Desiring to increase the number of competitors in local banking markets, it seeks to encourage *de novo* branching as an alternative to acquisitions. But state laws severely limit *de novo* branching, and this led the government in *Marine* to suggest the sponsorship-followed-by-eventual-acquisition method of bank expansion. This method is unfeasible if, as now contended by the government, the eventual acquisition of the sponsored by the sponsoring bank is forbidden by section 7 of the Clayton Act, and the failure of the two banks, due to their many close associations, to compete prior to the acquisition is a *per se* violation of section 1 of the Sherman Act. If these contentions were accepted, the result would be to stifle new entry into banking markets subject to restrictive state branch-banking laws.

V. **There Are Additional Grounds for Affirmance.**

There are several technical grounds on which the decision below can be supported, in addition to the factual grounds which we have already discussed. We sketch two of them[21] briefly here.

---

[21] We reserve the right, should probable jurisdiction be noted, to argue that the challenged acquisitions were within the exemption for subsidiaries in section 7 of the Clayton Act (15 U.S.C. § 18).

(1) As an alternative ground for dismissing the section 1 count, the district court held that the relationship between C&S and the five percent banks was subject to the original exclusive jurisdiction of the Federal Reserve Board. In *Whitney National Bank v. Bank of New Orleans & Trust Co.*, 379 U.S. 411, 419 (1965), this Court held that proceedings before the Board were "the sole means by which questions as to the organization or operation of a new bank by a bank holding company may be tested." C&S is a bank holding company, and the relationship between it and the five percent banks[22] arose from, and has continued unchanged since, the chartering of the banks as five percent banks. The Board, which is broadly empowered to enforce the provisions of the Clayton and Bank Holding Company Acts (see 12 U.S.C. §§ 1842(a), 1844(b), 1844(c), and 15 U.S.C. § 21(c)), twice investigated this relationship and found no impropriety (J.S. 16a-20a, 27a), and the Department of Justice failed to seek judicial review of its finding; it is barred by *Whitney* from challenging the relationship in a different kind of proceeding.

(2). Three of the five percent relationships challenged in this case[23] came into being prior to the effective date of the Bank Holding Company Act of 1966 (July 1, 1966). Section 11(d) of that Act (12 U.S.C. § 1849 (d)) "grandfathers" acquisitions completed prior to that date. If the government is correct that the five percent banks agreed when they were formed to become the "vassals" of C&S, those agreements constituted acquisitions within the meaning of the grandfather provision.

We point out, finally, that even if the Court should note probable jurisdiction and eventually reverse the appeal below, it would not end this case. The district court has yet to pass

---

[22] Except the Tucker bank.

[23] Including that with the Tucker bank.

on the defendants' convenience and needs defense (12 U.S.C. § 1828(c)(5)(B)). And the defendants would ask the district court to reopen the relevant market question, since it is plain that the geographical market was incorrectly defined under the standard announced (after the decision below) in *United States v. The Connecticut National Bank*, No. 73-767, June 26, 1974.[24]

---

[24] In the *Connecticut* decision, this Court ruled that the government must produce evidence to show a realistic delineation of any local banking markets in which competition is alleged to be affected. The government cannot rely, without more, on standard metropolitan statistical areas or on political boundaries (slip opinion, pp. 13-14). The government also cannot argue, as it did in this case (Plaintiff's Post-Trial Brief, p. 6), that a geographic area need not be a banking market to qualify as a section of the country (see slip opinion, p. 16). The district court in this case accepted, for purposes of discussion only (J.S. 31a), the district court's delineation of market areas. The record shows, however, that the government failed to prove its alleged market areas as required by *Connecticut*. Even the government's expert witness testified that the market areas alleged by the government were too large to constitute actual banking markets (Tr. 472-74, 491-96, 500-01).

CONCLUSION

For the reasons stated above, the judgment of the district court should be affirmed.

Respectfully submitted,

DANIEL B. HODGSON

MICHAEL A. DOYLE

WALTER M. GRANT
1200 C&S National Bank Building
Atlanta, Georgia 30303

RICHARD A. POSNER
1222 East 56th Street
Chicago, Illinois 60637

Counsel for Appellees

ALSTON, MILLER & GAINES
1200 C&S National Bank Building
Atlanta, Georgia 30303

PHILIP L. ROACHE, JR.
1150 17th Street, N.W.
Washington, D. C. 20036
Of Counsel

August 14, 1974

APPENDIX A

Section 2(d) of the Bank Holding Company Act of 1956, 70 Stat. 133, as amended, 12 U.S.C. § 1841(d), provides in pertinent part:

> "Subsidiary", with respect to a specified bank holding company, means (1) any company 25 per centum or more of whose voting shares (excluding shares owned by the United States or by any company wholly owned by the United States) is directly or indirectly owned or controlled by such bank holding company, or is held by it with power to vote; (2) any company the election of a majority of whose directors is controlled in any manner by such bank holding company; or (3) any company with respect to the management or policies of which such bank holding company has the power, directly or indirectly, to exercise a controlling influence, as determined by the Board, after notice and opportunity for hearing.

Section 3(a) of the Bank Holding Company Act of 1956, 70 Stat. 133, as amended, 12 U.S.C. § 1842(a), provides in pertinent part:

> It shall be unlawful, except with the prior approval of the Board, . . . (2) for any action to be taken that causes a bank to become a subsidiary of a bank holding company.

Section 11(d) of the Bank Holding Company Act of 1956, 70 Stat. 133, as amended, 12 U.S.C. § 1849(d), provides in pertinent part:

> Any acquisition, merger, or consolidation of the kind described in section 3(a) of this Act which was consummated at any time prior or subsequent to May 9, 1956, and as to which no litigation was initiated by the Attorney General

prior to the date of enactment of this amendment, shall be conclusively presumed not to have been in violation of any antitrust laws other than section 2 of the Act of July 2, 1890 (section 2 of the Sherman Antitrust Act, 15 U.S.C. 2).

Section 7 of the Clayton Act, 38 Stat. 731, as amended, 64 Stat. 1125, 15 U.S.C. § 18, provides in pertinent part:

> Nor shall anything contained in this section prevent a corporation engaged in commerce from causing the formation of subsidiary corporations for the actual carrying on of their immediate lawful business, or the natural and legitimate branches or extensions thereof, or from owning and holding all or a part of the stock of such subsidiary corporations, when the effect of such formation is not to substantially lessen competition.

In the Supreme Court of the United States

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA, APPELLANT

v.

CITIZENS AND SOUTHERN NATIONAL BANK, ET AL.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA

BRIEF FOR THE UNITED STATES IN OPPOSITION TO MOTION TO AFFIRM

Appellees' contentions notwithstanding, the issues in this case are of substantial and continuing importance to competition in the banking industry. Their resolution will affect both correspondent relationships among independent banks competing in the same market, and the legality of acquisitions among such banks.

1. Appellees have ignored the fact that the district court's holding here invites widespread resort to similar *de facto* branching arrangements by other banks to avoid the constraints of the antitrust laws. They rely upon an erroneous characterization of such arrangements as an ordinary correspondent relationship (J.S. App. 28a), which is inconsistent not only with the court's other finding that the relationship eliminated all "existing substantial competition" among the banks (J.S. App. 66a), but also with the record and with the general understanding of corres-

pondent relationships. True correspondent relationships are vertical, wholesale, customer-supplier arrangements by which a large bank furnishes services to a smaller bank in return for a fee or for a deposit of a correspondent balance (J.S. 24, n. 18).[1] The arrangement here, however, goes far beyond that, because it extends horizontally so as to change the "five percent banks" from independent customers for C&S' banking services, into *de facto* branches of the C&S system.

Moreover, the arrangement here directly eliminates price competition. For example, in February 1970, C&S National notified the five percent banks of its intent to raise its service charges on regular checking accounts in Atlanta (DX 188). At that time some of the five percent banks had service charges schedules different from C&S National (DX 302). But on April 1, 1970, every defendant bank adopted the identical charges for both regular and special checking accounts (DX 302).

Thus, this case involves not simply the exchange of past price information which affected current pricing practices, as in *United States* v. *Container Corp.*, 393 U.S. 333. It shows a classic arrangement fixing actual current prices.

2. Appellees, like the district court, seriously misconceive the law of agreement under the Sherman Act. While conceding that the five percent banks are legally independent entities "perfectly free to deviate from * * * [C&S'] suggestions" (Motion, p. 16), they simul-

---

[1]See also, Austin and Solomon, *A New Antitrust Problem: Vertical Integration in Correspondent Banking*, 122 U. Pa. L. Rev. 366, 367-373 (1974).

taneously contend, and the district court found, that the banks functioned as *de facto* branches. Such a relationship could not exist without tacit agreement by all concerned as to the day-to-day operation of the banks as integral parts of the C&S system. Whether their arrangement is characterized as "involuntary control," "*de facto* branching," or, to use the latest formulation, "elaborate and effective, although informal, linkages" (*id.* at p. 10), the record compels an inference of agreement. *United States* v. *Singer Mfg. Co.*, 374 U.S. 174, 193-195.

3. The record refutes appellees' theory that the government's charges involve market extension efforts by C&S that eliminate only *potential* competition. The complaint alleged, and the record shows, that these arrangements were challenged because they eliminated actual competition between C&S and the five percent banks, in violation of the Sherman Act,[2] and because they were inconsistent with the standards applicable to horizontal mergers under the Clayton Act.[3]

---

[2]*E.g.*, Complaint, paras. 34, 38-44, which alleged that C&S and others "entered into a combination" with each of the five percent banks and others, pursuant to which "C&S National and each of the five percent banks have, in many instances jointly determined the competitive strategy to be followed in conducting the business of each bank" and thus that the combination violated Section 1.

[3]*E.g.*, Complaint, para. 48, which alleged "that actual competition and the potential for increased competition," was and would be eliminated and restrained, that competition in the banking markets alleged would be lessened, and that concentration would be increased.

4. There is no merit in appellees' attempt to justify the relationship between the banks on the ground that other methods of expansion were barred by Georgia law (Motion, pp. 6, 13). Georgia law required that the banks be operated as independent entities (J.S. 14, n. 10), and the Sherman Act bars agreements eliminating price and service competition between independent firms. The *de facto* branch relationship was thus illegal both under Georgia law and the Sherman Act (J.S. 8, n. 4). It follows that appellees' chief justification for their acquisition of the five percent banks—that the banks do not compete—rests upon an unacceptable premise, because this lack of competition is a direct result of a violation of Section 1 of the Sherman Act.

5. Appellees suggest that this case has no future significance because any similar relationships among competing banks will be subject to scrutiny by the Board of Governors of the Federal Reserve Board under the 1970 Amendments to the Bank Holding Company Act, 12 U.S.C. 1841 *et seq.* (Motion, p. 6, n. 6), declaring that a bank is a holding company if it exercises a controlling influence over the management and policies of the other banks. However, the Board, in determining whether a holding company relationship exists or should be authorized under the Bank Holding Company Act, applies the banking criteria of that Act, not the antitrust laws. Even if the Board were to approve, for purposes of the Bank Holding Company Act, a *de facto* relationship of the kind found by the district court here, that would not provide antitrust immunity (12 U.S.C. 1849(a)), and serious questions would remain about the legality of the

relationship under the Sherman Act. Moreover, if the district court's decision is upheld, other banks may be expected to seek shelter from the antitrust laws by expanding correspondent relationships into "*de facto* branches" and then justifying the acquisition of those "branches" on that ground.[4]

CONCLUSION

For the reasons stated in the jurisdictional statement and this reply brief, probable jurisdiction should be noted.

Respectfully submitted.

ROBERT H. BORK,
Solicitor General.

OCTOBER 1974.

---

[4]Recent examples of this development are shown in *First City Bancorporation of Texas, Inc. - Meyerland Bank*, 60 F.R.B. 506 (1974); *Florida Bancorp., Inc. - Lighthouse Point Bank*, 59 F.R.B. 816 (1973); *Michigan National Corporation - First Nat'l. Bank of East Lansing*, 59 F.R.B. 819 (1973); *First Int'l. Bancshares, Inc. - University State Bank*, 59 F.R.B. 813 (1973); *First Tulsa Bancorporation, Inc. - Southeastern State Bank*, 59 F.R.B. 289 (1972).

MOTION FILED SUPREME COURT, U. S.

NOV 29 1974

73-1933

IN THE

SUPREME COURT OF THE UNITED STATES

NO. 73-193

UNITED STATES,
Appellant,

vs.

CITIZENS & SOUTHERN NATIONAL BANK, ET AL.,
Appellees.

Motion by Independent Bankers Association of Georgia, Inc. for permission to file Brief Amicus Curiae and Brief

CUBBEDGE SNOW,
Attorney for
Independent Bankers
Association of Georgia,
Inc.

Of Counsel:
CHARLES M. STAPLETON
MARTIN, SNOW, GRANT & NAPIER
700 Home Federal Building
P.O. Box 1007
Macon, Georgia 31208

IN THE
SUPREME COURT OF THE UNITED STATES

CASE NO. 73-193

UNITED STATES,
APPELLANT

vs.

CITIZENS & SOUTHERN
NATIONAL BANK, ET AL,
APPELLEES

MOTION OF INDEPENDENT BANKERS ASSOCIATION OF GEORGIA, INC. FOR PERMISSION TO FILE BRIEF AMICUS CURIAE

The Independent Bankers Association of Georgia, Inc., a non-profit corporation composed of 209 independent banks of Georgia, moves this Court to grant it permission to file a brief amicus curiae in the above case; all of the parties not having consented to the filing of said brief.

PETITIONER'S INTEREST

Petitioner is vitally interested in maintaining an independent and competitive banking system in Georgia as provided by the laws of Georgia.

> ". . . It is the intent of this Act to prevent the extension of statewide banking by any institution and to encourage the normal growth of banking units in the local communities . . . It is the intent of this Act to restrict further the acquisition of voting shares of banks by bank holding companies." (Georgia Laws 1960, p. 67)

The decision of the District Court if upheld will bar the enforcement of the judgment of the Supreme Court of Georgia in the case of Petitioner vs. Dunn, Citizens & Southern National Bank, et al, (230 Ga., 345; 197 SE 2d, 129).

This judgment resulted from an action by petitioner for a mandamus against the Superintendent of Banks of Georgia (now the Commissioner of Banking and Finance) naming as co-defendants the Citizens & Southern National Bank, the Citizens & Southern Holding Company and ten other Georgia banks in back of which the Holding Company owned five per cent of the capital stock, one being the Citizens & Southern South DeKalb Bank.

The complaint alleged that the Citizens & Southern National Bank and the Citizens & Southern Holding Company, in violation of the law of Georgia owned or controlled, indirectly or directly, more than five per cent of the voting shares of the ten named banks.

Briefly stated the evidence conclusively proved that (1) the Citizens & Southern National Bank owned all of the stock of the Citizens & Southern Holding Company, (2) whether the bank sponsored the formation of a new bank or purchased five per cent of an established bank, it made certain that additional shares of stock ranging from fifteen to fifty per cent were acquired for its officers, directors, employees and stockholders, (3) that after such acquisition the name of the bank was changed with the letters "C & S" being prominent in the new name, (4) one or more officers of the Citizens & Southern National Bank were placed on the Board of Directors of the bank, (5) no president of any bank so acquired was elected without the prior approval of the President of the Citizens & Southern National Bank, and (6) a designated officer of the Citizens & Southern National Bank exercised direct supervision over the business of the bank to the extent of recommending the salary to be paid to the president of such bank.

The trial judge denied the mandamus absolute. On appeal the Supreme Court reversed, holding:

> ". . . The independence of these ten five per cent defendant banks, which the banking Act seeks to preserve, is lost. We hold that the Citizens & Southern National Bank and the

> Citizens & Southern Holding Company are directly and indirectly holding and controlling more than five per cent of the voting stock of the ten five per cent defendant banks." (P. 363)

It held that the trial judge erred in failing to issue the mandamus prayed for.

On the second appearance of the case (231 Ga., 421; 202 SE 2d, 78) the Supreme Court held that the trial judge erred in giving the Commissioner specific directions as to the manner in which the Commissioner should require compliance with the law, and held that the manner of enforcement should be left to the expertise of the Commissioner.

Thereafter, the trial judge issued a mandamus ordering the Commissioner to take appropriate action against the Citizens & Southern National Bank and the Holding Company to comply with the holding company law of Georgia in accordance with the decision of the Supreme Court.

Pursuant to this order the Commissioner issued a lengthy directive to the Citizens & Southern National Bank requiring it to take described specific actions which the Commissioner "deemed necessary to bring about a divestiture of what the court has determined is direct and indirect control of certain banks by the Citizens & Southern National Bank."

The actions were to be taken over a period ending on May 24, 1975.

On the same date the Commissioner ordered fifteen other Georgia five per cent banks which the Commissioner found had the same relation to the Citizens & Southern National Bank and its Holding Company as the ten named banks to take the same actions. The additional banks included five of the banks named in the caption of this case.

Manifestly, if these six banks are merged into the Citizens & Southern Emory Bank and the Citizens & Southern Bank of East Point respectively, the order of

the Commissioner as to these banks will become abortive as to such banks.

FACTS AND QUESTIONS OF LAW WHICH PETITIONER BELIEVES WILL NOT BE ADEQUATELY ARGUED BY THE PARTIES

Petitioner believes that the Appellant does not place sufficient emphasis on the fact that the Supreme Court of Georgia has unequivocally condemned the deprivation of the independence of these five per cent banks by the Citizens & Southern National Bank.

Neither does the Appellant give sufficient faith to the efficacy of the judgment of the Supreme Court of Georgia and the order of the Commissioner of Banking and Finance to restore the independence of the five per cent banks.

Petitioner believes that the Appellant will not adequately argue that the law of Georgia controls with respect to branch banking and bank holding companies.

Petitioner does not believe the Appellant will adequately argue the principle of law that in gaining control of these banks in violation of the law of Georgia, the Citizens & Southern National Bank's claim of non-competition between these six banks is not tenable.

Respectfully submitted,

CUBBEDGE SNOW,
Attorney for
Independent Bankers
Association of Georgia, Inc.

Of Counsel:
CHARLES M. STAPLETON
MARTIN, SNOW, GRANT & NAPIER
700 Home Federal Building
P.O. Box 4987
Macon, Georgia 31208

IN THE
SUPREME COURT OF THE UNITED STATES

CASE NO. 73-193

UNITED STATES,
APPELLANT

vs.

CITIZENS & SOUTHERN
NATIONAL BANK, ET AL,
APPELLEES

BRIEF AMICUS CURIAE OF INDEPENDENT BANKERS ASSOCIATION OF GEORGIA, INC.

I

DECISION OF SUPREME COURT OF GEORGIA

Petitioner submits that the Supreme Court of Georgia recognized that the Legislature of Georgia had clearly expressed its intent to preserve the independence of the local bank. The Supreme Court said:

> "There are two conflicting philosophies concerning the banking business. There are those who believe that the control of additional banks by large financial interests will ultimately destroy independent banks and result in the domination of the economy by too few persons. There are those who believe that larger financial interests can offer a wider variety of services and can better provide the capital to meet the needs of borrowers. This conflict must be resolved by the legislature and not by this court . . . The legislative intent is expressed clearly in the banking laws which provide in Section 1 (Ga. L. 1960, pp. 67, 68): 'It is the intent of this Act to prevent the extension of statewide banking by any institution and to encourage the normal growth of banking units in the local communities . . . It is the intent of this Act to restrict further the acquisition of voting shares of banks by bank

holding companies . . .' " (Independent Bankers Association of Georgia, Inc. v. Dunn, et al, 230 Ga. 345, p. 360-1, 197 S.E. 2d. 129.)

The reduction of the percentage of stock which a Holding Company could acquire from fifteen per cent (Ga. L. 1956, pp. 309-12) to five per cent indicated the determination of the Legislature of Georgia to preserve the local independent bank.

The court then proceeded to show by undisputed evidence the manner in which the officers of the Citizens & Southern National Bank had distributed the stock of these acquired banks among its directors, officers, wives of officers and employees, how immediately upon the acquisition it placed an officer of the Citizens & Southern National Bank upon the Board of Directors of each of these banks, then elected another officer of the Citizens & Southern National Bank to become president of the controlled bank and generally exercised supervision and control over these banks.

The Supreme Court held:

"The officers and directors are the alter egos of the bank. It is clear under the evidence here that they are doing indirectly that which cannot be done directly. The independence of these ten five per cent defendent banks, which the banking Act seeks to preserve, is lost." (P. 363)

Clearly, it was the intent of the Supreme Court that these five per cent banks be freed from the domination and control of the Citizens & Southern National Bank and its Holding Company.

The argument that the control of these five per cent banks arose from a voluntary desire of the banks is contradicted by the evidence.

Why did the Citizens & Southern National Bank when it organized a new bank like the Citizens & Southern South DeKalb Bank make certain that its officers, employees and their wives held at least fifty per cent of the stock? The same was true with respect to the Citizens & Southern Bank of Dalton. When the Superintendent of Banks refused to issue a charter

since more than fifty per cent of the stock was held by the Citizens & Southern National Bank's officers, employees and their wives, the President of the Citizens & Southern National Bank had local citizens subscribe for additional shares, but in order to make certain that the Citizens & Southern National Bank controlled the bank, had the shares transferred to his wife who paid for them without disclosing this secret arrangement to the Superintendent of Banks. Indeed the President of the Citizens & Southern National Bank admitted that he would not have bought five per cent of the stock of a bank unless he could have obtained additional shares for his officers and directors.

Obviously, the answer is plain that the Citizens & Southern National Bank recognized that the control of these banks rested on substantial stock ownership by the Holding Company and its officers, directors, employees and their wives.

> "The decision of the State that quo warranto lies at the suit of state officials in a State Court to determine whether or not a national bank has violated a state statute is conclusive on the federal courts where the statute is within the power of the state and valid, and the fact that it becomes necessary to determine the rights of the bank under the federal law is immaterial." (*First National Bank of St. Louis vs. State of Missouri* at inf. Barrett, Mo. 1924, 44 S.Ct. 213, 263 U.S. 640, 68 L.Ed. 486)
>
> "Federal courts of equity should exercise their discretionary power with proper regard for the rightful independence of state governments in carrying out their domestic policy, and so as to avoid any unnecessary interference by injunction with the lawful action of state officers." (*Commonwealth of Pennsylvania vs. John C. Williams,* 79 L.Ed. 841; 55 SC, 380)

This court must assume that the Supreme Court of Georgia did not do a vain and useless act. If the court had not believed that the independence of these banks and their ability to compete could be restored and es-

tablished by the termination of indirect and direct control of these banks, it would have never ordered that a mandamus be issued directing the Commissioner to enforce this law.

II

THE ORDER OF THE COMMISSIONER

The directive issued to these banks by the Commissioner of Banking and Finance spelled out in detail the performance of those acts by the Appellees which the Commissioner declared were necessary to terminate the indirect control of these banks.

The first paragraph of his order directed the termination of direct and indirect supervision of these banks beyond that which is available to any normal correspondent bank. To be sure the Commissioner's directive does not require complete performance of this part of his order until May 24, 1975. Obviously, the extension of time was occasioned by his knowledge of the rigidity of the supervision of the Citizens & Southern National Bank and the difficulties which would be sustained by these banks if complete termination was ordered at once.

The directive required the resignation of any officer or director of the Citizens & Southern National Bank who served as director of these five per cent banks.

It also required the policymaking officers of the Citizens & Southern National Bank to dispose of the stock which they had acquired in connection with the acquisition by the Holding Company of its stock.

The Commissioner also ordered all outdoor signs and advertising of the five per cent banks to show that part of the bank's name which distinguished it from the Citizens & Southern National Bank.

The Holding Company was also ordered to divest itself of its five per cent holding in each of these banks if the stockholders of the Citizens & Southern National Bank owned sufficient stock in such banks to make the total of the stock held by the Holding Company and the

stockholders exceed five per cent of the stock of the banks.

Manifestly, if this directive is fully complied with the control of the Citizens & Southern National Bank of these five per cent banks will be ended. They will be in a position to engage in meaningful competition with each other as well as the Citizens & Southern Emory Bank and the Citizens & Southern Bank of East Point.

Even if this order does not achieve its objectives, this court must assume that the Commissioner of Banking and Finance will issue further directives as are necessary to obtain the result ordered by the Supreme Court.

Therefore, the trial judge grievously erred in holding that the decision of the Supreme Court would not establish competition between the banks.

III

THE SUPREME COURT'S JUDGMENT

The decision of the District Court noted that the jurisdiction of the Court did not relate to the enforcement of the banking laws of the State of Georgia, and that the Citizens & Southern National Bank's disregard of Georgia's banking law "is only relevant to the issue of whether the effect of the proposed mergers 'may be substantially to lessen competition' ".

To be sure federal courts do not enforce the decisions of the Supreme Court of Georgia, but as shown by the decisions hereinbefore cited and many more, the federal courts are bound to respect and give full effect to the decisions construing the bank holding company laws of this state. The Supreme Court's direction that a mandamus issue to require the Commissioner of Banking and Finance to take appropriate action to enforce the bank holding company laws of Georgia is binding upon the federal courts.

Implicit in the recent decision of this court in *United States v. Marine Bancorporation, Inc. et al*, 41 L.Ed.2d, 978 is the conclusion that if the Supreme Court of Washington had held that sponsorship of a new bank

did not violate that State's law, this court would have unhesitatingly followed that rule.

The Supreme Court of Georgia has spoken in no uncertain terms as to the meaning of the Georgia holding company law condemning the acquisition of stock in a bank by a holding company.

Inevitably, the logical result is that if there had not been such illegal control of the five per cent banks by the Citizens & Southern National Bank they would have been independent and competitive banking entities.

IV

THE CITIZENS & SOUTHERN NATIONAL BANK CAN REAP NO BENEFIT FROM ITS ILLEGAL CONTROL OF THESE BANKS

Many years ago Justice Cardoza speaking for this court said:

> "Enough for present purposes that the disability has its roots in a principle more nearly ultimate than either waiver or estoppel, the principle that no one shall be permitted to found any claim upon his own inequity or take advantage of his own wrong." (R. H. Stearns Co. vs. United States, 291 US 54, 61-2; 78 L. Ed. 647, 653)
>
> "No one should be permitted to profit by, or take advantage of his own wrong." (Equity Section 94; 30 CJS 1015)

Apparently, the trial judge was under the belief that if the violation of the law by the Citizens & Southern National Bank was only technical, the resulting stifling of competition by and among these five per cent banks and the two Citizens & Southern Banks was legal.

Petitioner questions the soundness of this conclusion, but what is more important is that there is no basis for the suggestion that the decision of the Supreme Court was a mere slap on the wrist.

> On its second appearance, the Supreme Court said: "In our former decision it was held that two findings were demanded: First . . . Second. The Citizens & Southern Holding Company and the Citizens & Southern National Bank were found to be indirectly controlling more than five per cent of the stock of certain 'five percent' banks. It was held that under the evidence of this finding was demanded by the action of certain of its officers and directors in acquiring such stock, selling it to selected individuals and trusts, and in treating such banks as branch banks of Citizens & Southern. It was this finding of illegal indirect control of these 'five percent' banks by the *Bank* and the *Holding Company* through certain of its officers and directors that was demanded by the evidence. This is the violation that the Commissioner must eliminate." (231 Ga., 421, 424)

To be sure in answer to petitioner's cross appeal, the Supreme Court said:

> "The Commissioner must necessarily be allowed a reasonable time in which to formulate the action required to eliminate the violations. In his discretion a reasonable time for enforcement of his directives may also be indicated in order not to seriously disrupt the financial community or the investments of individuals who purchased 'five percent' bank stock in good faith." (231 Ga., 421, 425)

The fact that the court recognized that the innocent five per cent banks and good faith purchasers of the five per cent bank stock should not be harshly treated is no indication that the Supreme Court regarded the violations of the Citizens & Southern National Bank as merely technical.

Therefore, petitioner most earnestly submits that the assertion of the Citizens & Southern National Bank that there has been no past, present or potential future competition by and among these six banks and the

Citizens & Southern's subsidiary banks should be rejected as baseless and utterly sterile.

Respectfully submitted,

CUBBEDGE SNOW,
Attorney for
Independent Bankers
Association of Georgia, Inc.

Of Counsel:
CHARLES M. STAPLETON
MARTIN, SNOW, GRANT & NAPIER
700 Home Federal Building
P.O. Box 4987
Macon, Georgia 31208

SUPREME COURT, U. S.

FILED

MICHAEL RODAK, JR., CLERK

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

THE CITIZENS AND SOUTHERN NATIONAL BANK, et al.,
Appellees.

On Appeal from the United States District Court for the Northern District of Georgia

BRIEF FOR APPELLEES

ALSTON, MILLER & GAINES
1200 Citizens and Southern
National Bank Building
35 Broad Street
Atlanta, Georgia 30303

PHILIP L. ROACHE, JR.
1150 Seventeenth Street, N. W.
Washington, D. C. 20036

Of Counsel

DANIEL B. HODGSON
MICHAEL A. DOYLE
WALTER M. GRANT
1200 Citizens and Southern
National Bank Building
35 Broad Street
Atlanta, Georgia 30303

RICHARD A. POSNER
1222 East 56th Street
Chicago, Illinois 60637

Counsel for Appellees

St. Louis Law Printing Co., Inc., 312 Olive Street 63101 314-231-4477

INDEX

	Page
Opinion below	1
Jurisdiction	1
Statutes involved	2
Questions presented	5
Statement	6
Introduction	6
Background to the Department's suit	6
The correspondent-associate program	9
The proposed acquisitions and the proceedings before the FDIC	15
The proceeding in the district court	20
The IBA suit and the district court's amended order	25
Summary of argument	26
Argument	35
I. The correspondent-associate program that the Justice Department is attacking in this case was a necessary and appropriate method of increasing bank competition	35
II. The correspondent-associate program has not been shown to restrain trade unreasonably, in violation of section 1 of the Sherman Act	43
A. Introduction	43
1. The government has no theory as to how the appellees might have violated section 1	43

2. Only naked agreements not to compete are *per se* violations of section 1; other kinds of agreement must be tested under the Rule of Reason 45

B. Price fixing 47

1. The government has not proved that C&S and the correspondent associates agreed not to compete 47

2. Even if C&S had dictated the five percent banks' prices there would be no violation of section 1 under the Department's description of the five percent banks as *de facto* branches of C&S 49

C. Exchanges of price information 53

D. The totality of relationships between C&S and the correspondent associates 56

1. The correspondent-associate system does not constitute a *per se* violation of section 1 56

2. The correspondent-associate program is reasonable and procompetitive 60

E. Conclusion: affirmance will open no "floodgates" 63

III. The correspondent-associate relationship is in any event subject to the original exclusive jurisdiction of the Federal Reserve Board 64

IV. There is no basis in law or fact for overturning the district court's finding that the acquisition of the five sponsored banks by C&S was unlikely to reduce competition substantially and hence would not violate section 7 of the Clayton Act 67

A. The alleged violations of Georgia law and of the Sherman Act cannot support a finding that the proposed acquisitions would violate section 7 of the Clayton Act 68

B. There is no other ground upon which the district court's finding that the acquisition would not substantially lessen competition can be overturned 72

V. The issues that the district court did not reach ... 79

A. The Justice Department is barred by the grandfather clause of the Bank Holding Company Act from challenging the relationship between C&S and three of its correspondent associates 80

B. The challenged relationships are protected by the subsidiary exemption of section 7 of the Clayton Act 81

C. The government failed to establish the relevant sections of the country in which the competitive effects of the acquisitions should be analyzed .. 83

VI. Conclusion 86

Appendix

DX 316—Picture of formal C&S branch A-1

DX 316—Picture of correspondent-associate bank (C&S North Fulton) A-2

TABLE OF CITATIONS

Cases

Addyston Pipe and Steel Co. v. United States, 85 F. 271 (6th Cir. 1898) (Taft, J.), aff'd, 175 U.S. 211 (1899) .. 46

Belliston v. Texaco, Inc., 455 F.2d 175 (10th Cir. 1972).. 55
Board of Trade of City of Chicago v. United States, 246 U.S. 231 (1918) 62

Citizen Publishing Co. v. United States, 394 U.S. 131 (1969) 31, 57, 64

Delaware Valley Marine Supply Co. v. American Tobacco Co., 297 F.2d 199 (3rd Cir. 1961) 49

Gray v. Shell Oil Co., 469 F.2d 742 (9th Cir. 1972) 55

Independent Bankers Ass'n v. Dunn, 230 Ga. 345, 197 S.E. 2d 129 (1973), modified sub nom. Citizens & Southern Nat'l Bank v. Independent Bankers Ass'n, 231 Ga. 421, 202 S.E. 2d 78 (1973) 26, 69

Kiefer-Stewart Co. v. Joseph E. Seagram & Sons, Inc., 340 U.S. 211 (1951) 50

Maple Flooring Manufacturers Association v. United States, 268 U.S. 563 (1925) 55

Northern Pacific Railway Co. v. United States, 356 U.S. 1 (1958) 57, 59

Perma-Life Mufflers, Inc. v. International Parts Corp., 392 U.S. 134 (1968) 50
Pevely Dairy Co. v. United States, 178 F.2d 363 (8th Cir. 1949) 49

Siegel v. Chicken Delight, Inc., 448 F.2d 43 (9th Cir. 1971) 57

Theatre Enterprises, Inc. v. Paramount Film Distrib. Corp., 346 U.S. 537 (1954) 45
Timken Roller Bearing Co. v. United States, 341 U.S. 593 (1951) 50
Trust Co. of Georgia, 57 Fed. Res. Bull. 517 (1971) ... 42

United States v. Chas. Pfizer & Co., 367 F. Supp. 91 (S.D.N.Y. 1973) 49

United States v. Connecticut National Bank, 418 U.S. 656 (1974) 34, 39, 85

United States v. Container Corp. of America, 393 U.S. 333 (1969) 21, 30, 44, 53, 54, 55

United States v. Falstaff Brewing Corp., 410 U.S. 526 (1973) 79

United States v. General Motors Corp., 1974-2 Trade Cases ¶ 75,253 (E.D. Mich.) 49

United States v. General Dynamics Corp., 415 U.S. 486 (1974) 33, 47, 67, 75, 76, 78

United States v. Marine Bancorporation, 418 U.S. 602 (1974) 7, 24, 28, 35, 36, 37, 38, 40, 67, 76, 78, 85

United States v. National Malleable & Steel Castings Co., 1957 Trade Cases ¶ 66,890 (N.D. Ohio), aff'd, 358 U.S. 38 (1958) 49

United States v. Penn-Olin Chem. Co., 378 U.S. 158 (1964) 58

United States v. Philadelphia National Bank, 374 U.S. 321 (1963) 59

United States v. Sealy, Inc., 388 U.S. 350 (1967) 31, 57

United States v. Third National Bank in Nashville, 390 U.S. 171 (1968) 79

United States v. Topco Associates, Inc., 405 U.S. 596 (1972) 31, 57

United States v. Trans Texas Bancorporation, 412 U.S. 946 (1973), affirming per curiam 1972 Trade Cases ¶ 74,257 (W.D. Tex.) 24, 67, 77, 78, 80

United States v. Yellow Cab Co., 332 U.S. 218 (1947) .. 50

Washington Mutual Savings Bank v. Federal Deposit Insurance Corporation, 482 F.2d 459 (9th Cir. 1973) 67

Whitney National Bank v. Bank of New Orleans & Trust Co., 379 U.S. 411 (1965) 32, 64, 65

Statutes

Clayton Act, as amended, 15 U.S.C. § 18 . . 2, 6, 21, 33, 42, 83

Clayton Act, as amended, 15 U.S.C. § 19 39

Clayton Act, as amended, 15 U.S.C. § 25 1

Expediting Act of February 11, 1903, as amended, 15 U.S.C. § 29 2

Sherman Antitrust Act, as amended, 15 U.S.C. § 1 . . . . . 2, 9, 20, 33, 42, 80, 83

Bank Holding Act of 1956, as amended, 12 U.S.C. § 1841(d) 3, 29, 42, 52, 66

Bank Holding Act of 1956, as amended, 12 U.S.C. § 1842(a) 3, 42

Bank Holding Act of 1956, as amended, 12 U.S.C. § 1844 . . . . . 3, 65

Bank Holding Act of 1956, as amended, 12 U.S.C. § 1848 . . . . . 3, 65

Bank Holding Act of 1956, as amended, 12 U.S.C. § 1849 . . . . . 4, 80, 81

Bank Merger Act of 1966, as amended, 12 U.S.C. § 1828(c)(5) 3

Rules

Fed. R. Civ. Proc. 52(a) 47, 67

Miscellaneous

Arthur D. Austin & Elinor Harris Solomon, A New Antitrust Problem: Vertical Integration in Correspondent Banking, 122 U. Pa. L. Rev. 366 (1973) 59

79 Banking Law Journal 530 (1962) 12

Brief for the United States in United States v. Marine Bancorporation 36, 37

CCH Fed. Banking Law Rep. ¶ 3179 74

112 Cong. Rec. 11792 (1966) 81

Department of Justice Merger Guidelines, 1 CCH Trade Reg. Rep. ¶ 4510, p. 6884 (1968) 76

Donald I. Baker, Antitrust and Correspondent Banking—A Look at Tomorrow's Competition, remarks prepared for American Bankers Association Annual Convention, Oct. 19, 1971 60

Donald I. Baker, The "Affiliation" Problem in Banking, remarks prepared for the Federal Bar Association Convention, Sept. 14, 1972 51

H. Rep. No. 609, 84th Cong., 1st Sess., pp. 2-3 66

Jurisdictional Statement for United States in United States v. Trans Texas Bancorporation 77, 78

Kenneth Culp Davis, Administrative Law Treatise § 4.04 (1958) 66

Letter to Thomas J. O'Connell, General Counsel, Federal Reserve Board, from Richard W. McLaren, Assistant Attorney General, Antitrust Division, Feb. 22, 1971, reported in 516 Antitrust & Trade Reg. Reptr., at D-1 ..51, 52

Report of Attorney General's National Committee to Study the Antitrust Laws, 1955 .....82, 83

Richard A. Posner, Antitrust: Cases, Economic Notes, and Other Materials (1974) 55, 61

Robert H. Bork, The Rule of Reason and the Per Se Concept: Price Fixing and Market Division, II, 75 Yale L. J. 375 (1966) 46

S. Rep. No. 1095, 84th Cong., 1st Sess., p. 1 66

Statement of Assistant Attorney General Richard W. McLaren Before the House Banking and Currency Committee, June 21, 1969 45

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA,
Appellant,

v.

THE CITIZENS AND SOUTHERN NATIONAL BANK, et al.,
Appellees.

On Appeal from the United States District Court for the Northern District of Georgia

BRIEF FOR APPELLEES

OPINION BELOW

The opinion of the district court (J.S. App. 1a-69a) is reported at 372 F. Supp. 616.

JURISDICTION

This action was brought under section 15 of the Clayton Act, as amended, 15 U.S.C. § 25. The judgment of the district court was entered on January 25, 1974 (J.S. App. 69a)

and the notice of appeal to this Court was filed on March 25, 1974 (J.S. App. 73a-74a). Probable jurisdiction was noted on October 21, 1974 (App. E-1842). The jurisdiction of this Court is predicated on section 2 of the Expediting Act of February 11, 1903, as amended, 15 U.S.C. § 29.

STATUTES INVOLVED

Section 1 of the Sherman Antitrust Act, as amended, 15 U.S.C. § 1, provides in pertinent part:

> "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. . . ."

Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, provides in pertinent part:

> "That no corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly.
>
> . . . . . .
>
> ". . . Nor shall anything contained in this section prevent a corporation engaged in commerce from causing the formation of subsidiary corporations for the actual carrying on of their immediate lawful business, or the natural and legitimate branches or extensions thereof, or from owning and holding all or a part of the stock of

such subsidiary corporations, when the effect of such formation is not to substantially lessen competition."

Section 5 of the Bank Merger Act of 1966, as amended, 12 U.S.C. § 1828(c)(5), provides in pertinent part:

"The [Federal Deposit Insurance Corporation] . . . shall not approve—

"(B) any other proposed merger transaction whose effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless it finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

"In every case, the [Federal Deposit Insurance Corporation] . . . shall take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served."

Section 2(d) of the Bank Holding Company Act of 1956, as amended, 12 U.S.C. § 1841(d), provides in pertinent part:

" 'Subsidiary,' with respect to a specified bank holding company, means (1) any company 25 per centum or more of whose voting shares (excluding shares owned by the United States or by any company wholly owned by the United States) is directly or indirectly owned or controlled by such bank holding company, or is held by it with power to vote; (2) any company the election of a majority of whose directors is controlled in any manner by such bank holding company; or (3) any company with respect to the management or policies of which such bank

holding company has the power, directly or indirectly, to exercise a controlling influence, as determined by the Board, after notice and opportunity for hearing."

Section 3(a) of the Bank Holding Company Act of 1956, 12 U.S.C. § 1842(a), provides in pertinent part:

"It shall be unlawful, except with the prior approval of the Board, . . . (2) for any action to be taken that causes a bank to become a subsidiary of a bank holding company."

Sections 5(a) and 5(b) of the Bank Holding Company Act of 1956, 12 U.S.C. § 1844, provide in pertinent part:

"(a) . . . [E]ach bank holding company shall register with the Board on forms prescribed by the Board, which shall include such information with respect to the financial condition and operations, management, and intercompany relationships of the bank holding company and its subsidiaries, and related matters, as the Board may deem necessary or appropriate to carry out the purposes of this chapter. . . .

"(b) The Board is authorized to issue such regulations and orders as may be necessary to enable it to administer and carry out the purposes of this chapter and prevent evasions thereof."

Section 9 of the Bank Holding Company Act of 1956, 12 U.S.C. § 1848, provides in pertinent part:

"Any party aggrieved by an order of the Board under this chapter may obtain a review of such order in the United States Court of Appeals within any circuit wherein such party has its principal place of business, or in the Court of Appeals in the District of Columbia, by filing in the court, within thirty days after the entry of the Board's order, a petition praying that the order of the Board be set aside."

Section 11(d) of the Bank Holding Company Act of 1956, as amended, 12 U.S.C. § 1849(d), provides in pertinent part:

> "Any acquisition, merger, or consolidation of the kind described in section 3(a) of this Act which was consummated at any time prior or subsequent to May 9, 1956, and as to which no litigation was initiated by the Attorney General prior to the date of enactment of this amendment [July 1, 1966], shall be conclusively presumed not to have been in violation of any antitrust laws other than section 2 of the . . . [Sherman Act]."

QUESTIONS PRESENTED

An urban bank, in order to retain the business of those of its customers who had moved to the suburbs, without violating a state law that forbade the bank to open branch offices there, devised the following approach: It organized new banks in the suburbs, taking back a five percent stock interest in each new bank (the maximum allowed by state law) and providing each bank with staff, advice, and guidance. The new banks used the name and distinctive logogram of the organizing bank and were identified in the public mind as branches of that bank. The stockholders of the new banks anticipated that the banks would be formally acquired by the organizing bank if and when state law was liberalized. In the interim, the several banks involved competed mainly with the other banks in their markets rather than with each other. The questions presented are:

1. Whether the foregoing course of conduct constituted, as a matter of law, a *per se* violation of section 1 of the Sherman Act.

2. Whether that issue was within the primary jurisdiction of the Federal Reserve Board.

3. Whether the formal acquisition of the banks by the organizing bank would be likely to lessen competition substantially, in violation of section 7 of the Clayton Act.

4. Whether the conduct described is immune from challenge under the antitrust laws by virtue of either (a) the grandfather clause of the Bank Holding Company Act or (b) the subsidiary exemption in section 7 of the Clayton Act.

STATEMENT

Introduction

The Department of Justice brought this civil antitrust suit to enjoin (1) the proposed acquisition of five small banks in the Atlanta metropolitan area by The Citizens and Southern National Bank ("C&S"),[1] as a violation of section 7 of the Clayton Act, and (2) the present relationship between C&S and the five small banks (plus another small bank not involved in the proposed acquisition), as a violation of section 1 of the Sherman Act. After complete discovery and a full trial, the district court entered judgment for the defendants. The Department has appealed to this Court under the Expediting Act.

Background to the Department's Suit

Prior to 1927, Georgia law permitted banks to establish branch offices anywhere in the state, and C&S, whose home office was (and is) located in Savannah, Georgia, had established three offices in Atlanta (J.S. App. 9a). A law passed that year, as

---

[1] Technically, the proposal was for an acquisition of the assets and an assumption of the liabilities of the five banks, and the acquisition was to be made not by the C&S National Bank but by two subsidiaries (C&S East Point and C&S Emory) of a subsidiary of C&S National Bank (C&S Holding Company). Nothing in this case turns on these technicalities, so we shall ignore them.

The five banks to be acquired are C&S Sandy Springs, C&S Chamblee, C&S Park National, C&S North Fulton and C&S South DeKalb.

modified in 1929, forbade any bank to establish a branch outside of the city in which the bank's home office was located (J.S. App. 8a), although previously established branches could be retained.

This type of law—which treats branching by the opening of new offices (*de novo* branching) just like the acquisition of existing bank offices and which forbids branching regardless of the needs or competitive situation of the affected market—has been widely criticized as protectionist[2] and anticompetitive, notably by the Antitrust Division of the Justice Department.[3] It is also discriminatory: by freezing C&S at three offices in Atlanta, while allowing its competitors whose home offices are in Atlanta to branch freely throughout the city, the 1929 law placed C&S at a serious competitive disadvantage. Initially, however, C&S was able to use a method of internal expansion not dealt with by the 1929 law: the formation of a bank holding company followed by the organization of a new bank as a wholly owned subsidiary of the holding company (J.S. App. 9a-10a). Eventually, the state eliminated this method of internal expansion too: a statute passed in 1956 forbade a bank holding company to own more than 15 percent of the stock of another bank, and in 1960 the law was amended to reduce the maximum amount of stock ownership to five percent (J.S. App. 8a).[4]

---

[2] The plain purpose of the 1929 Act was to protect the banks that were headquartered in a city from the competition of banks headquartered in other cities. Judging from C&S's growth (discussed in the text below) notwithstanding the 1929 Act and successor statutes, the effect of the Act, at least in Atlanta, was indeed to protect local banks against a more efficient competitor.

[3] See, with specific reference to Georgia's branch-banking law, App. E-836, and App. 294-95 (testimony of the government's expert economic witness). These criticisms of restrictive branch-banking laws were noted sympathetically in this Court's recent opinion in *United States v. Marine Bancorporation*, 418 U.S. 602, —, n. 8 (1974).

[4] As under the 1929 Act, existing relationships were grandfathered.

By this time, however, the establishment of additional branches within the city limits of Atlanta had ceased to be of pressing concern to C&S. The general movement of population, both residential and commercial, from Atlanta to its suburbs (App. 877) was creating a more acute problem for C&S than its lack of adequate branch offices within the city limits of Atlanta (see App. 345-47, 355, 853-55). C&S could not hope to retain the business of its customers who were moving outside of the city limits unless it established branches there, because these customers were unwilling to drive into the city to conduct their banking business (App. 347, 796).[5] Yet the combined effect of the 1929, 1956, and 1960 laws, it seemed, was to foreclose C&S from branching either directly or indirectly beyond the city limits of Atlanta.[6] This limitation affected all Atlanta banks, but C&S most acutely because its business success has been built largely on emphasizing the retail side of the banking business—*i.e.*, serving the needs of individuals and small firms (App. 351, 600, 863). The retail segment of the business is the most localized. The retail customer can be served effectively only by an office convenient to him.

It is a remarkable fact, and compelling testimony to C&S's competitive attitude and energies, that despite the very unequal impact of restrictive branch-banking laws on C&S compared to its major competitors, C&S became the largest bank in the City of Atlanta. Indeed, though C&S's home office is in Savannah and it has offices elsewhere in the state as well, today most of

---

[5] Although many suburban residents commuted to downtown Atlanta and continued to patronize downtown banks, their families needed a suburban banking office. Moreover, businesses have increasingly been relocating in the suburbs, thereby eliminating commutation to the central city (App. 796).

[6] Although the state's branch-banking law had been changed in 1960 to permit branching throughout any city in which a bank had an office (J.S. App. 8a) this change of law did not enable C&S to establish branches outside of the city limits of Atlanta.

its business is in Atlanta. And its growth in Atlanta has been almost entirely a result of internal expansion rather than acquisition. Only about 12 percent of C&S's total demand deposits in the Atlanta area are accounted for by branches that it acquired rather than created *de novo*; only five of its 49 offices in the Atlanta area were acquired, and they were acquired over a period of time from 1929 to 1970.[7] All of C&S's acquisitions, moreover, have been of banks that were experiencing serious business difficulties (App. 344, E-476-78).

But the movement of people and business to the suburbs beyond the city limits of Atlanta could not be ignored. Beginning in 1959 C&S developed a method of expanding into the suburbs without (it believed) violating the state's branch-banking laws. This method—the "correspondent associate" system—is the basis of the Sherman Act charge in this case, and the background to the challenged acquisitions.

The Correspondent-Associate Program

The method used by C&S to enter the suburban Atlanta banking markets within the constraints imposed by state law involved the organization of new banks that would enjoy from the outset the special status of "correspondent associates" of C&S and the use of the C&S name and goodwill.

C&S was intimately involved in all aspects of the organization of the five banks that it is seeking to acquire formally (J.S. App. 42a; App. 461-62, E-590-92, E-604, E-644-45, E-653-56, E-677).[8] C&S prepared and filed the charter ap-

---

[7] These computations are based on the evidence contained in GX 78 and GX 4 and exclude the pre-1927 acquisitions by which C&S first obtained a toehold in the Atlanta market.

[8] In one instance relevant to this case, C&S made an existing bank a correspondent associate. This bank, the C&S Bank of Tucker, is not involved in the Clayton Act phase of the case because the Federal Deposit Insurance Corporation denied C&S's application to acquire it (App. E-7-9), but its relationship with C&S is challenged as a violation of section 1 of the Sherman Act.

plications (J.S. App. 49a; App. 395, E-330, E-705) and placed the stock of the new banks with officers and employees of C&S, members of their families, and loyal customers of C&S (J.S. App. 43a-44a; App. 680, E-574-88), retaining for itself five percent of the stock of each bank (hence the term "five percent bank").[9] This was the maximum amount that state law permitted C&S to own directly (J.S. App. 43a-45a).

An especially important aspect of C&S's organizational role was its assurances to the chartering agencies that C&S was backing each new bank with its own financial resources and banking experience and would assist the new bank to become and remain a healthy and effective competitor. This commitment was frequently a controlling factor in the agency's decision to issue the charter (App. 349, 527, 576, E-331-36).[10]

To implement its commitment to the banking authorities (and to the local businessmen who had supported efforts to get the banks started), C&S undertook to furnish the principal executives of the banks from C&S's own executive ranks (J.S. App. 46a; App. 794-98, 813-15). These executives retained their C&S employment benefits while serving with a correspondent associate; indeed, for pension and promotion purposes, service with one of the correspondent associates was considered the same thing as working for C&S (J.S. App. 51a; App. 686-87, E-553-2 to E-555-2). C&S furnished assistance to the correspondent associates in many other forms as well. It

---

[9] In some instances not involved in this case C&S obtained a five percent interest in a bank for investment purposes only, without making the bank a correspondent associate of C&S (App. 578-79). All subsequent references to "five percent banks" are to C&S's correspondent associates.

[10] In two instances, the bank regulators had refused to charter banks in areas where C&S then organized a correspondent associate (for which it obtained a charter) because the initial applicants had lacked adequate financial backing or banking experience (App. 740-41, 762-63, 850).

saw to the selection of qualified directors (J.S. App. 42a; App. 362-64, 427, 502, E-330). It selected the locations for the banks' offices (J.S. App. 49a; App. E-305-329, E-703-04). An executive of C&S was designated as an "advisory director" to meet with and counsel the board of directors of each bank (J.S. App. 53a; App. 811-12, 851). C&S furnished capital and managerial assistance to any correspondent associate that had special problems (J.S. App. 53a; App. 348-49, E-567-2, 568-2),[11] and to prevent problems from developing in the first place it not only conducted "surprise" audits of the banks (App. 169-70) but participated in credit checks of the banks' loans after they had been made, to assure that the banks' loan officers were not making unduly risky loans (App. 487-88, 728).

Further, C&S provided each bank with comprehensive and continuing advice, counsel, and information on all phases of the banking business. Much of this information was embodied in detailed operating manuals (J.S. App. 52a-53a; App. 503).[12] Some was contained in memoranda that the C&S head office in Atlanta circulated both to its formal branches and to the correspondent associates. It was bank policy to place the legend "FOR INFORMATION ONLY" clearly and conspicuously on all copies of memoranda that were distributed to the correspondent associates, including the few memoranda that related to prices or other terms and conditions of doing business (App. 754, 829-30). Occasionally, this legend was inadvertently omitted, but the five percent banks clearly un-

---

[11] The record shows that C&S provided a substantial percentage of the capital for each correspondent associate through the purchase of common stock and capital notes and debentures. The percentage of total capital provided by C&S ranged from 33.7 percent for Chamblee to 41 percent for Tucker (App. E-691).

[12] As an example of the kind of valuable information furnished by C&S to the correspondent associates in the manuals, see App. E-692 (foreclosure of second mortgages on real estate) and App. E-693-98 (summary of Regulation Z of Federal Reserve Board); App. E-878-80 (audit procedures for certain kinds of loans); and App. E-1100-10 (summary of bankruptcy procedures).

derstood that such memoranda were intended for their information in making their own decisions (App. 776-77, 806-09, 829-30).

A very important element of the correspondent-associate relationship was the use by each correspondent associate of the C&S name and distinctive (bright-green lollipop-shaped) logogram (J.S. App. 50a; App. 774-75, 811, E-1804-15). The effect of the common name and logogram was that the average banking customer assumed that the correspondent associates were formal branch offices of C&S (J.S. App. 54a; App. 577-78, 617). Indeed, C&S and the correspondent associates are physically indistinguishable. (See pp. A-1, A-2, *infra*, photographs from the record of a formal C&S branch and a correspondent associate.)

Although C&S had reason to believe that the Justice Department interpreted the Sherman Act as authorizing C&S to determine the prices of the five percent banks,[13] it instructed its personnel, out of an abundance of caution and complete respect for the antitrust laws, never to attempt to direct or agree upon the prices or terms and conditions on which the five percent banks conducted their business (App. E-243-50, E-699-702A).[14] The C&S policy forbade agreements with or between the five percent banks on prices or customer or territorial allocation—all in an effort to carve out of the correspondent-associate relationship activities that might be

---

[13] App. E-1830-35; see pp. 51-53, *infra*.

[14] Prior to 1962, some banks were unaware of the need to comply with the antitrust laws. They were first awakened to this need when Comptroller of the Currency James Saxon, on February 28, 1962, published his famous "clearing house letter" warning banks to avoid antitrust violations. See 79 Banking Law Journal 530 (1962). Although the applicability of this warning to the correspondent associate relationship was uncertain, C&S and the five percent banks placed restrictions on the relationship explicitly designed to avoid even an appearance of violation of the antitrust laws (App. E-243-50, E-699-702A).

regarded as violations of the Sherman Act (*ibid.*). This policy was scrupulously obeyed, and it was clearly understood by all concerned that the five percent banks had complete freedom and responsibility to adopt whatever prices, credit conditions, business hours, etc., that they thought best (*e.g.*, App. 478-79, 507-14, 731-32). The officers and directors of the five percent banks exercised this freedom and responsibility in light of the competitive conditions in their markets and their own unilateral business judgment (App. 690-91, 820-22). However, as a natural consequence of the C&S background and training of the five percent banks' executives, C&S's superior knowledge and experience with respect to competitive conditions in the banking industry, and the common name, logogram, and business methods, which identified the five percent banks in the public mind as branches of C&S, the five percent banks chose to compete *as* C&S banks rather than *with* C&S (*e.g.*, App. 480-81, 758). That is, they viewed themselves as offering a common service in competition with the services offered by non-C&S banks (App. 480-81).[15]

The extensive network of relationships between C&S and its correspondent associates went beyond the ordinary relationship between a bank and its correspondents (App. 89-95, 118-23, 143, 145-47).[16] The effect was to bring C&S banking

---

[15] It must be remembered that the five percent banks were offering C&S services in geographical market areas in which C&S National and its majority affiliates were prohibited by law from operating.

[16] A large bank offering correspondent banking services does not routinely and systematically offer its correspondents a number of the services provided by C&S to the five percent banks, including the use of its name, goodwill, and personnel, the review and evaluation of management performance and credit reports, analyses of earning and expense ratios and other indices of effective performance, the use of general operating and credit guidelines and manuals, participation in pension and profit-sharing and other incentive plans, access to an emergency personnel pool, periodic and surprise continu-

methods to areas in which C&S was forbidden to have formal branches, and was therefore procompetitive (J.S. App. 28a).

The correspondent-associate program was at all times fully disclosed to, and understood and approved by, the state and federal banking agencies having regulatory authority over the banks (J.S. App. 46a-49a; App. 577, E-331-36). There was no concealment—quite the contrary, the relationship was viewed as a favorable, and frequently as a controlling, factor in the decision whether to issue a bank charter (*ibid.*).

In 1968 the Federal Reserve Board conducted an investigation (App. E-166-231) to determine whether C&S directly or indirectly controlled more than five percent of the stock of the five percent banks, which under the Bank Holding Company Act of 1956 would have required the Board's approval.[17] A hearing was held in which a representative of the Antitrust Division participated (App. E-217-18). The Board found no evidence of a violation of the Bank Holding Company Act and neither the Board nor the Antitrust Division suggested that the relationship between C&S and the five percent banks raised any question under the Sherman Act (App. 437-38, E-206-16, E-232-39).

---

ing internal audits of operating procedures, preparation and analysis of budget and performance projections or goals, memoranda regarding changes in the laws affecting banking, an opportunity to attend training programs, etc. (compare App. 89-95, 118-23, 143, 145-47 with J.S. App. 46a-56a).

[17] In 1970, the statutory test of indirect control was expanded to embrace the exercise of a "controlling influence over management and policies." Existing relationships were grandfathered. See Bank Holding Company Act of 1956, as amended, §§ 2(d), 3(a), 11(d), pp. 3-5, *supra*.

The Proposed Acquisitions and the Proceedings Before the FDIC

The purpose of creating the correspondent associates was to give C&S the closest thing to branch offices that state law would permit it to have in the Atlanta suburbs. The system was viewed by all concerned as a distinctly second-best alternative to outright branching. Hence from the outset it was anticipated both by C&S and by an overwhelming majority of the other shareholders of each of the correspondent associates that if and when the limitations of Georgia law on branch banking were relaxed (or alternatively the city limits of Atlanta were expanded to include the suburban areas in which the five percent banks were located) the banks would be formally acquired by C&S (J.S. App. 45a-46a; App. 352-53, 424).[18] When on March 28, 1970, Georgia law finally was changed (effective January 1, 1971) to permit banks to branch throughout the counties in which they had offices, C&S applied to the Federal Deposit Insurance Corporation for permission to acquire the five sponsored banks plus a sixth correspondent associate (C&S Bank of Tucker) which it had not organized.

As required by the Bank Merger Act, the Department of Justice submitted to the FDIC a report on the competitive effects of the proposed acquisition (App. E-24-37). The Department's report advised that the proposed acquisition of the five sponsored banks would have "no adverse effect on competition" (App. E-26), since "no competition has ever existed between these banks" (*ibid.*). Indeed, the Department advised that "[t]hese mergers constitute what is essentially an internal reorganization" (App. E-25). The Department had taken the same

---

[18] A 1971 survey of the stockholders of the correspondent associates showed that the overwhelming majority of them expressly anticipated that C&S would provide management for their bank and that their bank would be merged into C&S as soon as possible (J.S. App. 45a-46a).

position with respect to an earlier acquisition by C&S of a five percent bank (App. 431-32, E-1830-35); the Department had described the formation of the five percent banks as a form of *de novo* branching (App. E-1832).

The Department advised against approval of the proposed acquisition of C&S Bank of Tucker, however, emphasizing that it had been in existence for 50 years prior to its "affiliation" (the Department's term; see App. E-32) with C&S. It distinguished the proposed acquisition of the five sponsored banks in the following words:

> "There seems to be no question that these banks have always been 'affiliated' with the C&S system and have never represented independent competitors in DeKalb County banking. Thus, these mergers, standing alone, would have little or no effect on competition." [App. E-34.]

In none of the competitive reports was it alleged that the relationships between C&S and the five percent banks might violate the Sherman Act.[19]

Several months later, the Department withdrew its competitive report with respect to the proposed acquisition of the five sponsored banks and submitted a revised report based on a further investigation that it had conducted in Atlanta (App. E-38-56). The investigation had revealed that another bank that had once been a correspondent associate of C&S—Stone Mountain—had later severed its relationship with C&S. The episode persuaded the Department that the relationships between C&S and the sponsored banks were less permanent than it had previously thought. Again the Department did not allege that these relationships violated the Sherman Act.

---

[19] Had the Department thought there was a Sherman Act problem, that would—by the government's present theory—have supplied a compelling reason for advising the FDIC not to approve the application.

The FDIC, after a detailed and thorough consideration of the matter, approved the acquisition by C&S of the five sponsored banks (App. E-1-6), but disapproved the proposed acquisition of Tucker (App. E-7-9). It found that C&S and the sponsored banks did not compete with one another and never had and that the possibility that the ties between them would dissolve was too remote to warrant a finding that the merger would eliminate a substantial potential for competition between them in the future:[20]

> "The banks involved in the proposed mergers do not compete today and never have competed in the past. The two smaller banks were both organized under C&S guidance and direction at a time when Georgia law did not permit C&S National or any other Atlanta bank to branch outside the City of Atlanta. A close working relationship has existed ever since and a majority of the stock in each bank has been held continuously by directors, officers and employees of C&S National, directors, officers and employees of subsidiary banks of C&S Holding, and a number of influential customers who maintain significant banking relationships with one or more such banks. The remaining stock is well dispersed, with no significant blocs held independently of the C&S system. From the inception of both banks, their management has been drawn from the C&S system, C&S National has hired all their employees, and these employees participate fully in the various employee benefits provided by the C&S system. Customers seeking services not provided by Sandy Springs Bank or North Fulton Bank are referred to C&S National, and that bank provides credit services, investment advice and numerous other services

---

[20] The quotations that follow are from the FDIC's report with respect to acquisition of two of the five sponsored banks (App. E-1-4). The findings and conclusions in that report were incorporated by reference in the FDIC's report on the acquisition of the other three sponsored banks (App. E-5-6).

for the two smaller banks in much the same manner as it does for its own branches or subsidiary banks. Like the other banks in the C&S system, these 5 percent banks use the C&S name and logo and advertise jointly. More than 40 percent of their respective loan portfolios are loans purchased from C&S National, while their buildings have been leased from other C&S entities. When additional capital became desirable, C&S National subscribed to capital notes of each bank. In short, North Fulton Bank and Sandy Springs Bank have been recognized by the public and the C&S National as part of the C&S system since their inception.

". . .[T]he Corporation finds no reasonable probability that North Fulton Bank or Sandy Springs Bank would become disassociated from the C&S system in the future if the proposed mergers are denied. This conclusion is based in part on the close working relationship described above and the continuing nature of that relationship throughout the history of both banks. The following considerations also appear relevant.

"The relationship between each bank and the C&S system has been mutually advantageous; voluntary disaffiliation would run the risk of significant transfers of banking relationships and official staff, and a consequent weakening of the ability of both banks to compete in the new and intensely competitive climate of county-wide branching.

"Neither bank has had significant transfers of stock since they were organized, and there is some evidence that persons who bought shares initially expected a merger into C&S National or a C&S majority-owned subsidiary whenever Georgia law was changed to permit it. The virtually unanimous vote of the shareholders of both banks approving the proposed merger into East Point Bank tends to

confirm this expectation and attests to the complete acceptance of C&S direction by shareholders as well as directors of the two banks." [App. E-2-3.]

The voluntary disaffiliation of C&S Stone Mountain was distinguished:

> "In the one recent example of voluntary disaffiliation by a five percent bank from the C&S system—out of more than 30 possibilities Statewide—that bank had a very significant bloc of stock held independently of C&S influence and a history of local independence on the part of its Board of Directors and top management. Its disaffiliation does not increase the likelihood of disaffiliation of North Fulton Bank or Sandy Springs Bank if the present mergers are denied.
>
> "If voluntary disaffiliation represents no more than an unlikely possibility, the Corporation finds itself unable to conclude that the proposed mergers would eliminate any significant potential for increased competition between the two banks or between either of them and the rest of the C&S system banks.
>
> "The Corporation concludes that the proposed mergers would not be anticompetitive either as to existing or as to potential competition." [App. E-3].

However, the FDIC disapproved C&S's proposed acquisition of Tucker on the ground that the establishment of the correspondent associate relationship—which the FDIC treated as a *de facto* acquisition of C&S Tucker—had been anticompetitive when made in 1965, in view of Tucker's substantial position in the market at that time (App. E-7-9).

The Proceeding in the District Court

Following the FDIC approval, the Department of Justice brought suit challenging the proposed acquisition of the five sponsored banks by C&S as a violation of section 7 of the Clayton Act. For the first time, the Department suggested that the relationships between C&S and the five banks (plus Tucker) that comprised the correspondent-associate system violated the Sherman Act. Specifically, the complaint (App. 17-20) alleged that the "close working relationship" between C&S and the five percent banks noted by the FDIC in its report approving the proposed acquisition was a conspiracy to eliminate competition, in violation of section 1 of the Act.

Pursuant to the Bank Merger Act, the acquisition of the five sponsored banks by C&S was automatically stayed upon the filing of the government's suit. The stay remains in effect.

At trial, the government introduced two sorts of evidence in its attempt to demonstrate a violation of section 7 of the Clayton Act. The first related to the government's claim that the Atlanta area, and certain counties or parts of counties within the area, were appropriate geographical markets in which to appraise the competitive effects of the proposed acquisitions. The second consisted of statistics showing the percentages of loans and deposits accounted for by the parties to the proposed acquisitions in the various alleged markets. The statistics showed that C&S had about 30 percent of total deposits, and the five sponsored banks together about two percent, in the Atlanta area (J.S. App. 39a). In the other markets proposed by the government, C&S's percentage was somewhat lower and the sponsored banks' somewhat higher (J.S. App. 31a-38a).

No attempt was made to prove that C&S and the sponsored banks had been in the same geographical market at the time

that the sponsored banks were originally formed. The government conceded that, treating their formation as the equivalent of their having been acquired by C&S (the approach taken by the FDIC), the acquisitions could not have raised any question under section 7 of the Clayton Act (J.S. App. 64a-65a).

With respect to the Sherman Act, the government offered no evidence except communications between C&S and the five percent banks—in particular communications with respect to rates and hours of business of C&S. The government's apparent theory of the section 1 violation at trial was that the communication of any information and advice with respect to the terms and conditions of the sale of banking services constituted a *per se* violation of section 1 as the government interpreted *United States v. Container Corp. of America*, 393 U.S. 333 (1969).

In its opinion finding for the defendants, the district court dealt first with the Sherman Act charge. It did not reach the defendants' arguments that the relationships among them were protected from antitrust attack by the subsidiary exemption of section 7 of the Clayton Act and by the grandfather provisions of the Bank Holding Company Act. The court held, in the alternative, that the government had failed to prove an agreement in unreasonable restraint of trade and that the question was in any event within the exclusive primary jurisdiction of the Federal Reserve Board, since it related to the organization and operation of a bank by a bank holding company.

The court first observed:

> "Generally, only unreasonable restraints of trade violate Section 1 of the Sherman Act. Some practices, such as agreements not to compete, collusive price fixing, agreements for market division, group boycotts, tie-in agreements (perhaps), and pooling of profits and losses, however, have been found to be so intrinsically unreasonable as to

constitute what have come to be called per se restraints or violations of the Act." [J.S. App. 20a-21a.]

But all the government had alleged was:

"1. The routine and systematic practice of furnishing to one another comprehensive information as to past, present and future competitive practices and policies with a purpose of achieving uniformity among the defendants;

"2. The provision by C&S National to the five percent defendants of various manuals and memoranda;

"3. The provision by C&S National to the five percent defendants of suggestions and advice on such matters as rates, hours of operation, types of loan to discourage and minimum loan rates. [Plaintiff's post-trial brief, pp. 57-64]." [J.S. App. 24a.]

After observing that the advice and suggestions had generally been followed, the court then found that the defendants' behavior did not constitute a *per se* violation:

"These activities, however, do not amount to collusive price fixing. For example, there is no suggestion that any advice as to rates amounts to more than an expert appraisal of a market situation from the point of view of a lending institution—a type of opinion to which a lending institution would naturally be expected to pay great attention. Likewise, the Court does not view the pleadings or evidence as suggesting the existence of any agreements not to compete or for market division." [J.S. App. 24a.]

. . . . . .

"The practices involved here do not conform to the accepted definition or description of *per se* antitrust violations where no resort to context or circumstances is required (or permitted)." [J.S. App. 25a.]

Having found that there was no *per se* violation, the court then addressed the question whether the alleged information exchanges might violate the Rule of Reason, and held that

> "The Government has not sustained its burden of proof as to the unreasonableness of the practices involved or with respect to any adverse impact upon competition. There was no evidence that any customers or potential customers were being adversely affected, and the heads of each competitor organization testified that the operation of the five percent defendant banks as 100 percent C&S banks would not adversely affect them or change the competitive impact on them in any way. There is no evidence that the quality of service would have been improved absent the factors of which the Government complains. The Government has relied upon a claimed *per se* illegality rather than unreasonableness of the specific practices involved and, for the reasons set forth above, the Court does not believe the evidence will support a finding that such practices in fact were unreasonable restraints of trade. Indeed, the Court is constrained to find that, balancing the evidence, such practices were in fact reasonable." [J.S. App. 27a-28a.]

Summarizing, the court stated:

> "There is no evidence of record to conclude that the utilization by the five percent defendant banks of the services or information received by them from C&S National or C&S Holding was a result of any tacit or explicit combinations rather than the natural deference of the recipient to information from one with greater expertise or better sources. In either case there is the flow of information as to rates, practices, etc., which the Government apparently applauds or at least condones in a correspondent banking relationship. Taking this into consideration, as well as the Government's previously-quoted statement in ***Marine Bancorporation,***

supra,[21] the Court finds as a fact that the relationship between C&S National, C&S Holding, and the five percent defendant banks, and the interchange of information between them, have been reasonable under the circumstances and not in violation of Section 1 of the Sherman Act. The Court also finds that the Government has not sustained its burden of proof to the contrary." [J.S. App. 29a.]

Having disposed of the section 1 charge, the court turned next to the section 7 charge. It did not reach the defendants' arguments that the government had defined the geographical markets incorrectly and that the acquisition was protected by the convenience and needs defense of the Bank Merger Act. The court held that the government had failed to prove that the proposed acquisitions were likely to lessen competition substantially, in light of the existing relationships between C&S and the five percent banks that it proposed to acquire.

After a lengthy review of those relationships (J.S. App. 42a-55a), and a discussion of *United States v. Trans Texas Bancorporation*, 412 U.S. 946 (1973), *affirming per curiam* 1972 Trade Cases ¶ 74,257 (W.D. Tex.), where this Court had affirmed the dismissal of a complaint challenging a merger between related banks—a decision "almost squarely in point" (J.S. App. 60a)—the district court stated:

"The Government admits that it did not challenge the initial acquisition by C&S Holding of its five percent in-

[21] The court here was referring to the government's jurisdictional statement in *United States v. Marine Bancorporation*, 418 U.S. 602 (1974), where the government had applauded the method used by C&S to gain entry into the Atlanta suburbs in the following words, quoted by the district court in the present case at J.S. App. 22a-23a (emphasis the court's):

> "*Banks in the State of Washington have, however, achieved de novo entry into areas foreclosed to de novo branching by sponsoring the organization of an affiliate bank, and later acquiring the bank. This method of expansion is a legal (Tr. 732-733) and a well-recognized practice used by large statewide banking organizations (GX I, Tr. 280, 298) and recognized by the federal banking authorities (GX H).*"

terest in each of the five percent defendant banks because those acquisitions 'were competitively insignificant when made.' [Plaintiff's post-trial brief, p. 14] The Government has not carried its burden of demonstrating any substantial increase in the degree of control or change in quantity of competition between the date of the initial acquisitions and the date of the trial. The Government has postulated that if the mergers are denied, C&S may establish *de novo* branches in direct competition with the five percent defendants. To find a viable competitive result from such a postulate, the Court would have to speculate that (1) the five percent defendant banks actually would break away from C&S, (2) they would become successful independent banks despite their past reliance on C&S, and (3) the regulatory agencies would approve directly competitive branching by C&S. The evidence of record does not support, individually or collectively, such postulates or speculations." [J.S. App. 64a-65a.]

In summary, the court found that since the five percent banks did not compete with each other or with C&S (except for the sort of "friendly rivalry" often carried on within an organization [J.S. App. 64a; App 480-81, 705-07]), and were unlikely ever to do so, the proposed acquisition would be (as the Justice Department had initially advised the FDIC) in the nature of an internal reorganization, and would not affect the competitive situation in the Atlanta banking markets.[22]

The IBA Suit and the District Court's Amended Order

Simultaneously with this antitrust action, a suit brought by a trade association of C&S's competitors, the Independent Bank-

[22] The court observed that the government had not produced a single witness to testify that the proposed acquisition would adversely affect competition. Even the government's expert economic witness failed to testify on the competitive implications of the acquisitions. (J.S. App. 55a-56a.) The government's case thus rested entirely on concentration statistics.

ers Association of Georgia, challenging the relationship between C&S and the five percent banks as a violation of Georgia's bank holding company law, was wending its way through the Georgia courts. Shortly after the district court rendered its decision in the antitrust suit, the state-court litigation was finally terminated by the issuance of a decree by the Commissioner of Banking and Finance for the State of Georgia pursuant to a mandamus issued by the Supreme Court of Georgia in *Independent Bankers Ass'n v. Dunn*, 230 Ga. 345, 197 S.E. 2d 129 (1973), modified *sub nom. Citizens & Southern Nat'l Bank v. Independent Bankers Ass'n*, 231 Ga. 421, 202 S.E. 2d 78 (1973). That decree (J.S. App. 75a-87a) required the divestiture of certain stock in the five percent banks owned by some officers of C&S and certain other nominal changes in the correspondent-associate system (see pp. 69-70 *infra*). On a motion by the defendants in the antitrust suit—to which the Department of Justice made no objection—the district court entered an order *nunc pro tunc* amending its opinion to state that the changes in the five percent system required by the Commissioner's order did not alter the court's conclusion that the proposed acquisitions would not substantially lessen competition (J.S. App. 70a-72a).

SUMMARY OF ARGUMENT

During the 1960s The Citizens and Southern National Bank, a major bank in Atlanta, was barred from opening branch offices in metropolitan Atlanta beyond its tight city limits by a Georgia law that the Justice Department has denounced as anticompetitive. C&S developed, however, a method of expanding into the suburbs notwithstanding the provisions of the state law. The method, which was fully understood and sanctioned by the federal and state bank regulators, involved organizing new banks in the suburbs, taking back a five percent stock interest (the maximum that C&S was permitted by the state bank-holding-

company law to own directly), placing the remaining stock with friends of C&S (officers, employees, loyal customers, etc.), staffing the banks, and furnishing them with voluminous advice, guidance, and information with respect to all phases of the banking business. The new banks were given the C&S name and permitted to use C&S's distinctive logogram; as a result the "five percent banks" became identified in the public mind as branches of C&S.

This system of indirect branching was regarded as a stopgap: it was anticipated that as soon as the restrictions against branching beyond Atlanta's city limits were relaxed, C&S would formally acquire its "correspondent associates" (the five percent banks). But when the restrictions were relaxed and C&S attempted to acquire the five percent banks in 1971, it was met by a double-barreled attack by the Justice Department, which charged that the proposed acquisitions violated section 7 of the Clayton Act and that the correspondent-associate relationship violated section 1 of the Sherman Act.

I

The position of the Justice Department in this case is anticompetitive. C&S used the only method open to it to expand internally into the Atlanta suburbs. The Justice Department generally regards internal expansion as procompetitive and laws that block it as anticompetitive, yet it asks this Court to place conditions on the use of indirect branching in this case that would make this form of internal expansion utterly unusable. Although the prospect of eventually being able to acquire the five percent banks was a critical inducement to C&S when it organized them, the Justice Department seeks to destroy that prospect by attacking the eventual acquisition as a violation of section 7 of the Clayton Act. Moreover, although the intimate relationship that existed from the outset

between C&S and the five percent banks was a decisive factor in the decision of the banking agencies to charter those banks, the Justice Department seeks to preclude the development of such a relationship by attacking it as a *per se* violation of the Sherman Act.

The Department's position in this case is not only inconsistent with the policy of the antitrust laws themselves, which is to foster internal growth, especially in markets impeded by regulatory barriers to entry, but it is also inconsistent with the position the Department urged in this Court less than a year ago in *United States v. Marine Bancorporation*, 418 U.S. 602 (1974). There the Department asked the Court to encourage banks to use just the method of internal growth that C&S used in this case—and that the Department has now unaccountably attacked.

Besides failing to interpret the antitrust laws consistently and purposively, the Department in this case has exalted form over substance. Were it not for the provisions of Georgia law that the Department deplores, the five percent banks would have been formal branches of C&S from the outset and no conceivable issue of antitrust illegality would have been raised by their failure to compete with C&S. Georgia law forced C&S to take an indirect route and defer obtaining formal corporate control of the five percent banks for a period of years. There is no basis for condemning a practice under the antitrust laws because it is unconventional—especially when it is procompetitive. The Justice Department's apparent concern that if C&S's conduct is sanctioned General Motors will somehow be able to acquire Ford without committing a violation of the antitrust laws suggests a remarkably gloomy assessment of the ability of courts to make distinctions—and, as to banking, completely ignores the statutory requirement since 1970 that relationships similar to those involved here must be

approved by the Federal Reserve Board, after notice, opportunity for hearing, and consideration of the views of the Department of Justice (12 U.S.C. §§ 1841(d), 1842 (a)(2)).

II

Quite apart from the perversity of its position in this case, the Justice Department has failed to present any basis in logic or precedent for reversing the district court's decision, which found for the defendants on all counts after a full trial. With respect to the alleged violation of section 1 of the Sherman Act, the Department has experimented in the course of this proceeding with a variety of theories, and all are untenable. Its brief on the merits advances three theories. One is that there was an actual price-fixing conspiracy between C&S and the five percent banks. This theory appeared for the first time in the Brief in Opposition to Motion to Affirm. It is foreclosed by a finding of fact of the district court that there was no agreement between C&S and the five percent banks not to compete. The only evidence the government points to in support of this theory is C&S's communication of some price information to the five percent banks followed in a few instances by changes in the prices charged by the latter banks. Such evidence is plainly insufficient to warrant (let alone compel) an inference of price fixing—else anytime a firm publicly announced a price change that a competitor followed it would be guilty of a crime. The government has ignored undisputed evidence that the price communications were purely informational, that they were not attempts either to dictate or to invite agreement upon prices, and that the five percent banks made their pricing decisions unilaterally.

Even if C&S had attempted to dictate the prices charged by the five percent banks, it would not be guilty of violating the Sherman Act. So extensive were the linkages between C&S and

the five percent banks that the Department accepts the description of the latter as "*de facto* branches" of C&S. Indeed, it describes C&S plus the five percent banks as constituting a "single economic enterprise." The control of pricing within a single economic enterprise does not violate the Sherman Act. To be sure, if subsidiaries or branches hold themselves out to the public as independent firms, the "intra-enterprise conspiracy doctrine" may require them to determine prices independently (as the five percent banks in fact did here). But since the five percent banks did *not* hold themselves out as being separate and independent from C&S (quite the contrary), the doctrine was not applicable. Indeed, the public position of the Department (conveniently suppressed in its brief in this case) is that the doctrine is inapplicable to the banking industry, unless predatory conduct is involved (it is not here).

The Department's second theory of Sherman Act violation is that the exchange of price information is a *per se* violation under the teachings of this Court's decision in *United States v. Container Corp. of America*, 393 U.S. 333 (1969). But that decision holds that an *agreement* to exchange price information is unlawful where the *circumstances* indicate that the exchange is likely to affect the competitive price level. Both elements are missing here. There was no exchange of information from which an agreement to exchange might have been inferred, as in *Container*; here the only significant information flow was in one direction—from C&S to the five percent banks. And whereas in *Container* the exchange of price information encompassed all of the leading sellers in a market that had structural characteristics which this Court found conducive to the use of information exchanges to stabilize prices, here the recipients of the information (the five percent banks) were not leading sellers whose decisions could affect the market price, and no evidence whatever was introduced to show that the market had such structural characteristics as might enable prices to be stabilized by an exchange of price information.

The Department's final theory of Sherman Act violation is that the totality of the relationships between C&S and the five percent banks was itself a *per se* violation. Apparently in the Department's view any agreement between competing firms which reduces the intensity of their competition is a *per se* violation of the Sherman Act. This is an absurd position, which would make all horizontal mergers, joint ventures and franchise arrangements *per se* violations of the Sherman Act. The elements of cooperation between C&S and the five percent banks that resulted in the latter banks' deciding to compete *as* parts of a C&S system rather than *with* C&S, in particular the decision to use C&S's name, distinctive logogram, and banking methods and services, are far removed from the sorts of practices that this Court has deemed *per se* violations. The distinction is illustrated by such decisions as *United States v. Sealy, Inc.*, 388 U.S. 350 (1967); *United States v. Topco Associates, Inc.*, 405 U.S. 596 (1972); and *Citizen Publishing Co. v. United States*, 394 U.S. 131 (1969). The cooperative-advertising agreements in the first two cases and the joint operating agreement in the third, though they may have reduced the vigor of competition between the parties, were not challenged as antitrust violations, let alone as *per se* violations; challenged were separate agreements between the parties not to compete, and there is no such separate agreement in this case.

The government staked its entire case on a *per se* approach. No evidence was introduced to show that the correspondent-associate system constituted in fact an unreasonable restraint of trade. Plainly, it was reasonable. It enabled C&S to expand into new markets and thereby increase the amount of competition there. Any restraint of competition between C&S and the five percent banks was trivial, since C&S and the five percent banks were in separate markets and since in any event the combined market share of C&S and the five percent banks was too small to confer power over price. And no less restrictive alternative was available. Had C&S not assisted and cooperated

with the five percent banks in the ways that it did, those banks would not have been chartered in the first place and the competitive benefits of C&S's expansion into the Atlanta suburbs would have been lost.

III

The district court held in the alternative that the Sherman Act issue in this case was within the original exclusive jurisdiction of the Federal Reserve Board. This Court's decision in *Whitney National Bank v. Bank of New Orleans & Trust Co.*, 379 U.S. 411 (1965), held that questions relating to the organization and operation of banks by a bank holding company must be tendered to the Board in the first instance. C&S is a registered bank holding company, and the alleged violation of the Sherman Act pertains to its activities in the organization and operation of the five percent banks. The essential elements of the alleged violation were considered in an investigation which the Board, with the participation of the Antitrust Division, conducted in 1967 and 1968. No impropriety was found, and the Division failed to challenge the Board's findings within the 30-day period prescribed by the Bank Holding Company Act. It is barred from challenging them for the first time in this suit.

IV

The government in this Court rests its section 7 case entirely on the defendants' alleged antecedent violations of Georgia law and of section 1 of the Sherman Act. This is a patently inadequate foundation. The issue of C&S's violation of Georgia law has been authoritatively resolved by the entry of an order by the Georgia Commissioner of Banking and Finance rectifying what the district court described as C&S's "technical" violations of Georgia law. The order does not mandate substantial changes in the correspondent-associate system, and its probable impact was in any event fully considered by the dis-

trict court which found as a fact that the order did not alter its finding that the five percent banks were unlikely ever to become independent competitive factors.

Even if a violation of section 1 of the Sherman Act had been proved in this case, it would not bar the merger. The section 7 issue is not whether the defendants violated the Sherman Act, but whether, if so, enjoining the violation will make the five percent banks independent competitive factors. The Department, however, introduced no evidence to show that the alleged Sherman Act violation was a substantial cause of the noncompetitive relationship between C&S and the five percent banks. The record shows, in fact, that the specific acts on which the section 1 charge rests, mainly C&S's price communications to the five percent banks, were an irrelevant factor in the noncompetitive relationship between the banks. The glue that holds the five percent banks to C&S is made up of the various components of the correspondent-associate relationship, such as the common name. That is why the government in this Court is forced to argue that the entire relationship between C&S and the five percent banks constitutes the *per se* violation of the Sherman Act—otherwise it cannot prevail under section 7.

Apart from the alleged antecedent violations, there is no basis whatever for the government's appeal on the section 7 phase of the case, as the government in this Court seems virtually to concede. Since it is agreed that the five percent banks do not compete with C&S and will not do so unless and until the correspondent-associate relationship is terminated, the formal acquisition of the five percent banks by C&S can lessen competition only if there is some basis for predicting that the relationship is in fact likely to be terminated in the foreseeable future. This presents a factual issue (analogous to the prediction of the future competitive potential of the acquired firm in *United States v. General Dynamics Corp.*, 415 U.S. 486 (1974)), which the district court resolved in the defendants' favor. Since the government does not challenge the

finding as clearly erroneous, that is the end of the matter. In any event the court's finding was clearly correct. A voluntary severing of the correspondent-associate relationship by the five percent banks is extremely unlikely because it would deprive them of their principal assets—the C&S name and goodwill. Only once before has a correspondent associate withdrawn from the C&S system and that was in circumstances wholly different from those at bar. Nor will C&S expel the five percent banks. That would deprive it of branches in the Atlanta suburbs, and while C&S is no longer barred by state law from opening formal branches there, it is uncertain at best whether the banking agencies would permit it to do so in view of the precarious position in which the (former) five percent banks would be placed if, having lost their C&S affiliation, they were compelled to compete against C&S. At all events, C&S has no incentive to create new competitors for itself—the consequence if, after expelling the five percent banks, it opens new offices, in competition with them, in order to retain its foothold in the Atlanta suburbs.

V

There are additional grounds, not reached by the district court, for sustaining the judgment of the district court in favor of the appellees. First, three of the correspondent-associate relationships were created prior to June 1, 1966, and are therefore immunized from antitrust attack (other than under section 2 of the Sherman Act) by the broad grandfather provisions of the Bank Holding Company Act. Second, the creation by C&S of *de facto* subsidiaries was protected by the subsidiary exemption in section 7 of the Clayton Act. Third, the government failed utterly to establish a relevant geographical market in which to appraise the competitive effects of the challenged acquisitions, under the standards set forth by this Court last Term in *United States v. Connecticut National Bank*, 418 U.S. 656 (1974).

ARGUMENT

I. The Correspondent-Associate Program That the Justice Department Is Attacking in This Case Was a Necessary and Appropriate Method of Increasing Bank Competition.

We take it as axiomatic that the antitrust laws should not be interpreted in a fashion that defeats their purpose, which is to promote competition. But that is the interpretation that the Justice Department necessarily urges on this Court in attacking C&S's correspondent-associate program as a violation of section 1 of the Sherman Act and C&S's proposed acquisition of the correspondent associates as a violation of section 7 of the Clayton Act. We shall demonstrate that if the attack succeeds, the result will be that in the future banks that are subject to anticompetitive restrictions on branching similar to those that confronted C&S will not be able to overcome those restrictions and competition among banks will therefore be lessened.

The Justice Department has been a justifiably harsh critic of state laws that prevent banks from opening new branch offices regardless of the needs or competitive situation of the banking market involved (*e.g.*, App. E-836). It has specifically included Georgia's branch-banking laws in this condemnation (*ibid.*).[23] Logically, therefore, the Department should be encouraging rather than attacking the efforts of banks to overcome such restrictions, and in fact the Department's policy has been one of encouragement, except in the present case.

In *United States v. Marine Bancorporation*, 418 U.S. 602 (1974), the Department argued for an interpretation of the antitrust laws under which a bank desiring to enter a new

---

[23] Not a breath of such criticism appears in the government's brief in the present case. Evidently the Justice Department is more concerned with winning a case than with administering a consistent antitrust policy.

banking market in which it was forbidden by state law to open an office would be encouraged to sponsor a new bank, place the stock of that bank in friendly hands, and formally acquire the bank as soon as state law permitted.[24] The argument failed to carry the day for the Department, but for reasons unrelated to the merits of sponsoring and later acquiring a bank as a method of entering banking markets.[25] C&S has done just what the Justice Department proposed in *Marine*. Unable to enter the suburban Atlanta banking markets directly, it sponsored the formation of five small banks in those markets in the expectation of acquiring them if and when the state law preventing such acquisition was relaxed (or when the city limits of Atlanta were extended). When state law did change C&S tried to acquire the banks, only to encounter a double-barreled attack by the Justice Department: its relationship with the sponsored banks during the period between sponsorship and acquisition was claimed to violate the Sherman Act and the acquisition itself the Clayton Act.

The Justice Department complains[26] that its position in *Marine* has been misunderstood—that it did not say a bank was free to sponsor and later acquire a bank in the same market or that the sponsored bank could refrain from competition with the sponsoring bank. But that is precisely what it said. Under the Department's theory that an entire state is a relevant market in

---

[24] See Brief for the U.S. in *Marine*, 16-17, 24, 45-52. An alternative also suggested by the Department in that case was the acquisition of a very small bank. State law eliminated that alternative in the present case.

[25] This Court held in *Marine* that the method suggested by the Department was unlikely to produce a substantial increase in competition in the market of the sponsored bank, since once it was acquired by the sponsoring bank it would be precluded, under Washington law, from establishing any new branch offices. There is no comparable state-law restriction in the present case.

[26] Although apparently with diminishing conviction. See Brief for the U.S. 39, n. 23.

which to appraise the competitive effects of a bank merger,[27] the sponsoring and sponsored banks in *Marine* would have been in the same market from the outset even though they were located in different cities. And the examples of how the sponsorship approach operates in practice that the Department cited to this Court in *Marine* explicitly assumed that the relationship between sponsoring and sponsored bank precluded competition between them: the Department described the sponsored bank as a "satellite" of the sponsoring bank.[28]

---

[27] This theory was rejected by the Court in *Marine*. But whether sponsoring and sponsored banks located in different cities are regarded as being in the same relevant market is actually a detail, since the government has challenged many bank mergers on the theory (the principal theory, indeed, urged by the government in *Marine*) that they eliminate potential competition. The government has not abandoned this theory despite its loss of the *Marine* case. Thus a merger between a sponsoring and sponsored bank located in different cities would always be in antitrust jeopardy under the potential-competition doctrine, if the government's position in the present case were upheld. Such jeopardy would discourage use of the sponsorship method of entering bank markets, contrary to the urgings of the Department in *Marine*.

[28] See Brief for the U.S. in *Marine*, 16, n. 16. The Department specifically suggested that the sponsoring bank acquire 25 percent of the common stock of the sponsored bank (the maximum permitted by the applicable state law) and place the remaining stock with officers, directors, and associates of the sponsoring bank (*id.* 24, 16). Yet under the theory advanced by the Department in the present case, this procedure would constitute an illegal agreement to make the sponsored bank a "vassal" of the sponsoring bank (Brief for the U.S. in instant case, p. 42).

Here are some other examples—drawn from the portions of the *Marine* appendix which the government cited in illustration of how the sponsorship-followed-by-eventual-acquisition approach operated (Brief for the U.S. in *Marine* 16, n. 16; p. 45, n. 36)—of the relationship approved by the government between a sponsoring and a sponsored bank:

> "The . . . selling institution . . . was organized in 1965 under the guidance of the applicant bank. . . . Until two years ago, excessive loan loss was a serious problem, but with the applicant bank management virtually taking over all the affairs of the selling bank, this problem has now been solved. Decisions of consequence are presently made by the applicant

Not only is the Justice Department taking inconsistent positions before this Court in cases argued less than a year apart, but the conditions that it is now asking the Court to place on the use of the sponsorship method of entry are unrealistic and will cripple it, to the detriment of competition in the banking industry. The method is not practicable if the banks involved must speculate on whether—if and when a merger between them becomes permissible under the applicable state law—a court will decide that they are *at that time* in the same market. This is the relevant time in the government's view. It offered no evidence that when C&S sponsored the five percent banks the

---

bank's management. The proposed acquisition will have little if any effect on competition between the two banks. . . . [T]he present ties that exist between the management of the purchasing and selling banks . . . [have] served to limit the effective competition between the two institutions. [App. 1294.] . . . Other Bank has been operated more like a branch of applicant than as an independent bank [App. 1297].

. . . . . .

"In 1964, during the organizational state, First received the assistance of Old National, which continues to serve as its principal correspondent and has provided a chief executive officer since about 60 days after that bank began operations. . . . Due to the distance separating the offices of the subject banks, the correspondent, managerial, and other relationships existing between them, there appears to be little competition which will be eliminated by this proposal. [App. 1306.]

. . . . . .

"Tri-Cities National Bank, a satellite of the purchasing bank, opened in 1961 to provide the purchasing bank with access to the Pasco area. . . . Due to the interlocking relationship between the purchasing and selling banks, consummation of the purchase and assumption would not have the effect of eliminating significant competition. [App. 1315-16.]"

The Department apparently has forgotten its competitive report to the Comptroller of the Currency in *Marine*, where after first noting that "NBC cannot establish *de novo* branch offices in the City of Spokane," the Department stated: "Nonetheless, NBC could enter Spokane in a manner competitively tantamount to *de novo* branching. Specifically, NBC could acquire the city's smallest bank, or through nominees it could assist in chartering a new bank in Spokane, with which it might subsequently merge." In the present case the Department refuses to treat C&S's use of this suggested method as "tantamount to *de novo* branching."

latter were in the former's market; and what evidence there is on the question is to the contrary.[29] Since the probability that the markets of sponsored and sponsoring banks will converge is of course greater the more rapidly the banks are growing, the government's approach is designed to discourage, by penalizing, competitive success achieved through offering better service or lower prices.

The sponsorship method of bank entry is also impracticable if, as the government now insists, the relationship between sponsored and sponsoring bank must be so structured as to assure that the two compete with each other as aggressively as they would if they were completely unrelated firms. The elements of cooperation that are fundamental to the sponsorship method—the initial backing of the sponsored bank with people and funds, a commitment to foster its competitive success, the placing of its stock in friendly hands to smooth the way for an eventual acquisition—are treated by the Justice Department as evidence of an illegal conspiracy to suppress competition between sponsoring and sponsored banks. Yet these elements of cooperation are essential to using the approach. Without C&S's commitment to the banking agencies to take responsibility for the management and policies of the five percent banks, the banks would not have obtained charters and so would not exist (J.S. 45a-49a; App.

---

[29] We show below (in Part V(C)) that, under the standards for defining geographical markets set forth in last Term's *Connecticut National Bank* decision, the banks were not in the same market even at the time of trial. The banks were clearly in separate markets at the time of original sponsorship, when (1) transportation between Atlanta and its suburbs was not so good as it is today; (2) C&S had fewer branches in parts of the city adjacent to the suburban areas involved in this case; and (3) because branch banking laws forbade it, C&S had no branches beyond the city limits of Atlanta. Thus, when the five percent banks were organized, the Federal Reserve Board permitted officers of C&S to serve as directors of the five percent banks, despite the prohibition contained in section 8 of the Clayton Act, 15 U.S.C. § 19. The Board relied on the exception in section 8 that permits interlocking directorates when the banks are not located in the same town or in contiguous towns (App. 392, 450-51).

349, 527, 531-32, 576, E-331-36), but given such a commitment the banks were not likely to compete vigorously with C&S.

The artificiality of the Department's position emerges even more clearly when it is recalled that the method urged by the Department in *Marine* contemplates, from the outset, the eventual acquisition of the sponsored by the sponsoring bank.[30] Firms that intend to merge as soon as some artificial obstacle is removed are not likely to compete vigorously in the interim. Placing the stock of the sponsored bank in friendly hands (friendly to the sponsoring bank, that is) is another essential step in the plan of eventual acquisition—as C&S's experience with Stone Mountain attests[31]—but of course it greatly reduces the probability that the sponsored and sponsoring banks will compete. Thus the Department's position in this case, by precluding use of the very method of indirect branching proposed by the Department in *Marine*, will, if accepted, deter the internal expansion of banks in C&S's situation, contrary to the Department's own policy and to the purposes of the antitrust laws.

Besides not reading statutes purposively, the Justice Department in this case is guilty of the further sin of exalting form over substance. Were it not for the restrictions that Georgia law placed on *de novo* branching—restrictions that the Department rightly regards as anticompetitive and unjustified—the sponsored banks would have been formal branches of C&S from the outset; and no conceivable issue of antitrust illegality would have been raised by C&S's opening branch offices, albeit they would not have competed with each other or with C&S's other officies. Georgia law compelled C&S to adopt an indirect ap-

---

[30] As the record in this case shows, the prospect of eventual acquisition is an important inducement to both the sponsoring bank and the other organizers of and investors in the sponsored bank (App. E-590-91, E-617-18, E-644-45; see also note 18, *supra*).

[31] See p. 19, *supra*, and pp 73-74, *infra*.

proach, in which the vesting of formal ownership of the branch offices in C&S had to be deferred for a period of years. The result was a form of transaction that was, at worst, unconventional; it should not on that account be held to violate the antitrust laws.

The inescapable conclusion is that the Justice Department in this case is attacking internal expansion, although its usual and correct position is that internal expansion in the banking industry is procompetitive. The only conceivable reason for the Department's espousing a different position in this case is a desire for mechanically simple rules of antitrust law. The Department evidently distrusts its ability, and that of the banking agencies and the courts, to make even the grossest factual distinctions, for example between the situation in this case and one where two competing firms seek to thwart antitrust policy by first agreeing not to compete and then using that agreement as the basis for arguing that a merger between them will not affect competition. A sufficient distinction is the absence from the hypothetical case of the sorts of artificial restrictions on internal growth that compel banks situated like C&S to resort to unconventional methods of expansion and justify them in doing so.[32] Nor is there any basis for the Department's apparent fear

---

[32] In its Brief in Opposition to the Motion to Affirm, and again in its brief on the merits (p. 61, n. 61), the Department cites five recent decisions of the Federal Reserve Board in support of the proposition that if the district court's decision in the present case is upheld, "other banks may be expected to seek shelter from the antitrust laws by expanding correspondent relationships into '*de facto* branches' and then justifying the acquisition of those 'branches' on that ground." (Brief in Opp. 5.) What the decisions in fact show is that the banking agencies have no need for the kind of rigid rule urged by the Department. In one of the cited cases, the Board denied approval of the acquisition (*First Int'l*). In another, the acquiring bank had majority stock control, and so the acquisition was permissible under the approach taken by the Department (see Brief for the U.S. 55, 57) (*First Int'l*). In the third case the Board denied one application and granted the other on the ground that the acquired bank was an insignificant competitive factor (*First City*). The other

(Brief for the U.S. 34-35) that if it does not prevail on the section 1 charge in this case, C&S will be free to arrange to operate its offices in Atlanta as *de facto* branches of its largest competitor. A *de facto* merger is of course subject to legal scrutiny under section 1 of the Sherman Act and section 7 of the Clayton Act. The government does not need mechanical and anticompetitive antitrust rules to prevent genuine abuses of the competitive process. This is particularly true now that the Bank Holding Company Act has been amended to require formal Federal Reserve Board proceedings before a subsidiary relationship based upon a controlling influence over management and policies of a bank may be established, and these proceedings include formal notice to the Department of Justice and an opportunity for it to participate in the proceedings (12 U.S.C. §§ 1841(d), 1842(a)(2)).

---

two cases, like the present case, involved attempts to acquire banks that the acquiring bank had originally sponsored as a method of expanding in the face of state home-office-protection laws. None of the five cases involves an attempt to evade the antitrust laws by "expanding" ordinary correspondent relationships into correspondent-associate relationships, or supports the Department's claim that affirming the district court's decision in this case would be an invitation to abuses. We point out that in the single instance of an attempt to acquire a correspondent associate that had not been sponsored by C&S (C&S Bank of Tucker), the FDIC turned down the acquisition. There is thus no evidence that either the banking agencies or the courts are incapable of handling the problem soundly on a case-by-case basis. See also the reasoned defense of that approach by the Federal Reserve Board in *Trust Co. of Georgia*, 57 Fed. Res. Bull. 517 (1971).

II. The Correspondent-Associate Program Has Not Been Shown to Restrain Trade Unreasonably, in Violation of Section 1 of the Sherman Act.

A. Introduction

1. The government has no theory as to how the appellees might have violated section 1.

The government has never made up its mind what conduct of C&S and the correspondent associates it considers to be in violation of section 1 of the Sherman Act. Perhaps this is because, until the case reached this Court, the role of the section 1 charge in the government's overall strategy was as a tactical adjunct to the section 7 charge.

The Justice Department had known of the correspondent-associate relationship since at least 1968 (App. E-217-18) yet had raised no question about it until it filed this suit. Even in its reports to the FDIC concerning the competitive effects of the proposed acquisition by C&S of the correspondent associates (App. E-24-37) the Department did not allege a section 1 violation, although such a violation would have constituted (under the Department's present thinking) a compelling reason for the FDIC to disapprove the acquisition. The section 1 charge first appeared in the complaint, but, as alleged, was clearly insufficient as a matter of law: the charge (since abandoned) was that the defendants had committed a *per se* violation of section 1 by maintaining "a close working relationship" (App. 17-20). The obvious purpose of including a section 1 charge was to impale the defendants on the horns of a dilemma: either the defendants were in competition, and therefore the proposed acquisition would eliminate substantial competition in violation of section 7 of the Clayton Act, or they were not competing, in which event they must be violating section 1 of the Sherman Act.

But the government overlooked the possibility that the defendants might not be competing without thereby violating the Sherman Act.

At trial, the only evidence introduced by the government in support of the section 1 charge consisted of descriptions of the correspondent-associate relationship. No evidence with respect to the actual or probable effect of that relationship on prices or services was presented (J.S. App. 27a), and it was therefore clear that the government was proceeding exclusively on a *per se* theory of illegality. That was all that was clear since the government never indicated precisely what aspects of the correspondent-associate relationship it considered to be illegal *per se*. But it seemed most interested in the distribution by C&S to the correspondent associates of memoranda containing information on prices and hours of service, which indicated that it was basing the section 1 charge on *United States v. Container Corp. of America*, 393 U.S. 333 (1969). (See Plaintiff's Post-Trial Brief 12, 58-61; Plaintiff's Proposed Findings of Fact, p. 64.) This was certainly the district court's impression (J.S. App. 24a).

In this Court the government has jettisoned the "close working relationship" theory of the complaint. The *Container* theory of the trial and post-trial submission was dropped in the Jurisdictional Statement but reappears fitfully and imprecisely in the brief on the merits. The Jurisdictional Statement advanced (for the first time) the theory that C&S and the correspondent associates had agreed that the latter would be "vassals" of C&S (J.S. 17), and the Brief in Opposition to Motion to Affirm rang still another change on the section 1 charge: for the first time the defendants were accused of "a classic arrangement fixing actual current prices." (P. 2.) The brief on the merits repeats this charge but downplays the "vassal" theory and substitutes "mutual agreement or understanding that the . . . [five percent] banks will 'voluntarily' submit to C&S's direction." (Brief for the U.S. 27.)

The government's confusion is evident. It may therefore be helpful to the Court to review very briefly the basic law of section 1 before we demonstrate that each of the theories advanced by the government is either without basis in law or foreclosed by a finding of fact of the district court that the government has not challenged as clearly erroneous.

2. **Only naked agreements not to compete are per se violations of section 1; other kinds of agreement must be tested under the Rule of Reason.**

If two firms enter into agreement the main purpose of which is to eliminate price or other forms of completition between them, the agreement is illegal *per se*, that is, without regard to its actual or probable effect on price levels or other conditions in the relevant market. (The firms might be such small factors in the market that their agreement would have no significant effect on the market price.) The first thing to note about this formulation is that it requires an *agreement* between the competing firms.[33] If a small firm decided that it could

---

[33] Section 1 is, of course, limited to "contracts," "combinations in the form of trust or otherwise," and "conspiracies." These terms denote agreement. *Theatre Enterprises, Inc. v. Paramount Film Distrib. Corp.*, 346 U.S. 537, 540-41 (1954). The holding of that case was explained by a recent head of the Antitrust Division as follows:

> "One legal point which needs to be made clear at the outset, and one which we have had to bear in mind, is that the antitrust laws do not make uniform prices themselves illegal. The law, as laid down by the Supreme Court, is that an unlawful conspiracy is not established merely by showing that competitors charge the same identical prices or even that they raise their prices in quick succession. Somehow, out of the course of circumstances, the Supreme Court has made clear, the Government must establish that there was collusion in connection with the price change."

Statement of Assistant Attorney General Richard W. McLaren Before the House Banking and Currency Committee, June 21, 1969, p. 2. He was testifying with reference to an investigation of alleged price fixing in banking.

make a good profit charging the same price as one of its large competitors, and did so rather than try to undercut him, this would be a unilateral decision not to compete in price with that competitor and would not violate section 1. The second thing to note is that the rule of *per se* illegality differentiates—and must differentiate—between agreements whose sole or principal object is the elimination of competition and agreements in which the elimination of competition is ancillary to a pro-competitive (or other socially desirable) purpose. Otherwise every agreement to merge previously competing firms, however trivial their share of the market, would be a *per se* violation of section 1 since an incidental effect of the merger would be the elimination of competition between the parties to it.[34]

An agreement that eliminates some competition but is not a naked agreement not to compete is, of course, still subject to section 1. But it is tested under a different standard—some form of "Rule of Reason" which permits the reasons for the agreement, its effects on the vigor of competition in the relevant market, and the possibility of achieving its legitimate purposes by means less restrictive of competition, to be weighed in arriving at a decision whether the agreement violates section 1.

The following subparts apply these precepts to the facts of the present case.

---

[34] The doctrine of ancillary restraints stems from *Addyston Pipe and Steel Co. v. United States*, 85 F. 271 (6th Cir. 1898) (Taft, J.), *aff'd*, 175 U.S. 211 (1899), and has been much emphasized in the academic writings of the present Solicitor General of the United States. See Robert H. Bork, The Rule of Reason and the Per Se Concept: Price Fixing and Market Division, II, 75 Yale L. J. 375, 377-84 (1966).

B. Price Fixing

1. The government has not proved that C&S and the correspondent associates agreed not to compete.

The government has alleged that C&S and the correspondent associates agreed to charge the same prices.[35] But it failed to prove the existence of any such agreement; the district court found that there was no collusive price fixing (J.S. App. 24a) and no other agreement not to compete (J.S. App. 29a); and the government does not challenge these findings as clearly erroneous. Accordingly, they are binding on this Court. Fed. Rule Civ. Proc. 52(a); *United States v. General Dynamics Corp.*, 415 U.S. 486, 508 (1974). In any event, the findings are clearly correct.

The government points to two sorts of evidence in support of its contention that the case "shows a mutual understanding to fix actual current prices which constitutes a classic *per se* offense." (Brief for the U.S. 34.) The first (see *id.* 33-34) is simply the totality of the relationships between C&S and the five percent banks, which "eliminated, or precluded the development of, any substantial competition among the appellee banks . . . and constituted a system of price fixing designed to achieve uniformity among them." (*Id.* 34.) By this reasoning, any merger between competing firms would constitute a price-fixing agreement since it would preclude the development of substantial competition between the parties. We discuss later whether the totality of the relationships between C&S and its correspondent associates can be considered a *per se* violation of section 1; it is plainly not simple price fixing, as the Justice Department alleges for the first time in this Court.

---

[35] We confess to some astonishment that such a charge should be made for the first time in the brief in opposition to the motion to affirm the district court's decision.

The only actual evidence on which the government relies to prove price fixing consists of communications by C&S to the correspondent associates regarding price or other business changes by C&S, followed in a few instances by similar changes on the part of one or more correspondent associate.[36] The government does not contend that these communications were in the nature of directives or invitations to agree on a common price policy. The undisputed evidence is that the communications were distributed to the correspondent associates for their information only[37] and with a strict admonition to set prices and other terms and conditions of business independently;[38] the

---

[36] This evidence is inaccurately summarized in the government's brief (pp. 10-11, n. 2), which neglects to mention that all memoranda distributed to the correspondent associates were either marked "FOR INFORMATION ONLY" or understood as such (many of these memoranda were copies of directives to C&S branches). (See pp. 11-12, *supra*.) An example of the government's distorted reading of the record is its use of GX 188 (App. E-240) for the proposition that "C&S notified the five percent banks of its intent to raise its service charges" (Brief for the U.S. 11, n. 2). GX 188 is a memorandum from one officer of C&S to another which was *not* distributed to the five percent banks and which states: "At this point, this [reduction in the charge for checking accounts] applies to C&S National Bank in Atlanta only. I'll let you know as the affiliate and 5% banks make their decisions which are affected." This is hardly evidence of concerted action to raise prices; if anything, it is evidence to the contrary. The government, citing DX 302 (App. E-840-59), then states that after C&S "notified" the five percent banks, the latter adopted charges identical to C&S's. What the evidence in fact shows is that the change in service charges was initiated by the Trust Company of Georgia and followed both by C&S and by the five percent banks as well as by a number of other Atlanta banks (App. 697-98, 824, E-840-59). DX 302 also shows that service charges were lowered, not—as claimed by the government—raised.

[37] As mentioned in the preceding note, the statement "FOR INFORMATION ONLY" was stamped on the memoranda (App. 754, 829-30). In a few cases it was inadvertently omitted but the undisputed evidence is that the contents of the memoranda were in all cases solely for the information of the correspondent associates and were so understood by everyone concerned (App. 776-77, 807-08, 829-30). Although the government does not mention the fact, the legend "FOR INFORMATION ONLY" is clearly stamped on several of the memoranda specifically cited by the government as showing price fixing (see App. E-125, E-145-48, E-155).

[38] See pp. 12-13, *supra*.

district court so found (J.S. App. 24a); and the government, far from challenging that finding, refers approvingly to the fact that "the directors and chief officers [of the five percent banks] who testified on the subject all denied that C&S can or does dictate policies or practices to them, or control their actions." (Brief for the U.S. 26.) The issue, therefore, is whether the bare communication of one seller's price to another, followed by the latter's changing his price to conform to the former's, compels an inference of an agreement to fix prices. There is no basis in precedent or policy for such a result. See, *e.g.*, *United States v. National Malleable & Steel Castings Co.*, 1957 Trade Cases ¶ 66,890 (N.D. Ohio), *aff'd*, 358 U.S. 38 (1958); *Delaware Valley Marine Supply Co. v. American Tobacco Co.*, 297 F.2d 199 (3rd Cir. 1961); *Pevely Dairy Co. v. United States*, 178 F.2d 363 (8th Cir. 1949); *United States v. Chas. Pfizer & Co.*, 367 F. Supp. 91 (S.D.N.Y. 1973); *United States v. General Motors Corp.*, 1974-2 Trade Cases ¶ 75,253 (E.D. Mich.) It would place a seller in jeopardy of committing a criminal violation of section 1 every time he announced a price change publicly, since a competitor might decide to follow his lead, which under the government's theory in this case would be conclusive evidence of a price-fixing conspiracy. At all events, the district court expressly found that there was no agreement not to compete (J.S. App. 29a), and this finding, not challenged by the government as clearly erroneous, is binding on this Court.

2. **Even if C&S had dictated the five percent banks' prices there would be no violation of section 1 under the department's description of the five percent banks as de facto branches of C&S.**

The Department's own description of the relationship between C&S and the five percent banks precludes a finding of an actionable agreement to fix prices. It describes the five percent

banks as *de facto* branches of C&S. We agree with this characterization, while insisting that the five percent banks were autonomous in matters relating to pricing, terms and conditions of sale, and solicitation of customers.[39] That a firm may be at once a branch or subsidiary of another firm and fully independent in matters of price and selling terms is not the paradox that the Justice Department would have this Court believe. It is, indeed, the condition required by this Court's decisions establishing the intra-enterprise conspiracy doctrine, although that doctrine is inapplicable to the facts of the present case.

The intra-enterprise conspiracy cases hold that where affiliated firms hold themselves out to the public as independent competitors, they may not agree on the prices that they charge (or make other agreements that independent competitors would be forbidden to make). *United States v. Yellow Cab Co.*, 332 U.S. 218 (1947); *Kiefer-Stewart Co. v. Joseph E. Seagram & Sons, Inc.*, 340 U.S. 211 (1951); *Timken Roller Bearing Co. v. United States*, 341 U.S. 593 (1951); *Perma-Life Mufflers, Inc. v. International Parts Corp.*, 392 U.S. 134 (1968). These cases require in certain circumstances that a subsidiary set prices inde-

---

[39] The sense in which the five percent banks may be regarded as "*de facto* branches" of C&S was explained by a C&S executive, who testified that "there's no difference between our relationships with the [formal C&S] branches and the five percenters because what we had to offer was solicited, invited, wanted, received, and our recommendations were readily accepted" (App. 398 quoted at p. 27, n. 16 of the government's brief). This quotation makes clear that there *was* a difference—C&S did not dictate terms and conditions of sale to the five percent banks as it did to its formal branches—and thus that the Department's characterization of the relationship between the five percent banks and C&S as one of "mutual agreement or understanding that the [five percent] banks will 'voluntarily' submit to C&S's direction" (Brief for the U.S. 27) is a distortion. The district judge, who heard all of the evidence on the subject, concluded that there was "no evidence of record to conclude that the utilization by the five percent defendant banks of the services or information received by them from C&S National or C&S Holding was a result of any tacit or explicit combinations rather than the natural deference of the recipient to information from one with greater expertise or better sources" (J.S. App. 29a).

pendently of its parent, as the five percent banks did here. But *these banks were not required* to do this, because the intra-enterprise doctrine was not applicable to them. An essential element of the doctrine—the subsidiary's holding itself out to the public as an independent competitor—was missing here. Far from holding themselves out to be separate and independent firms, the five percent banks held themselves out to the banking public as branches of C&S.

In insisting that the intra-enterprise conspiracy doctrine requires that the subsidiary hold itself out to the public as an independent competitor, we are not indulging in an eccentric interpretation of the cases. That is the Justice Department's own interpretation.[40] But the Department has gone much further. It has stated publicly and authoritatively both (1) that it considers the doctrine applicable only when the challenged conduct involves predatory conduct toward nonmembers of the affiliated group and (2) that it will not enforce the doctrine in the banking industry (unless predatory conduct is shown).[41] It is a matter of more than passing interest that the publicly stated position of the Justice Department with regard to the meaning and application of the intra-enterprise conspiracy doctrine is nowhere mentioned in the government's brief in this case, which, indeed, takes a contrary position (p. 30).

If, then, in the circumstances presented here (no holding out as independent competitors, and no predatory behavior directed against nonmembers of the affiliated group), C&S could lawfully

---

[40] Donald I. Baker, *The "Affiliation" Problem in Banking*, remarks prepared for the Federal Bar Association Convention, Sept. 14, 1972, pp. 5, 14. Mr. Baker is the Director of Policy Planning in the Antitrust Division. Nowhere in the remarks is it suggested that Mr. Baker is speaking personally rather than as a high policy-making official of the Antitrust Division.

[41] Letter to Thomas J. O'Connell, General Counsel, Federal Reserve Board, from Richard W. McLaren, Assistant Attorney General, Antitrust Division, Feb. 22, 1971, reported in 516 Antitrust & Trade Reg. Reptr., at D-1.

dictate the prices of a wholly owned subsidiary, can it dictate the prices of a *de facto* subsidiary? We see no reason in law or policy why it cannot. The issue is substance not form. And the substance is that C&S and the five percent banks constitute a "single economic enterprise" (Brief for the U.S. 10, 42). In the banking industry, control relationships are possible without majority stock ownership—indeed, without any stock ownership at all. That is the reason why the Bank Holding Company Act was amended in 1970 to provide that the Federal Reserve Board may, after notice and opportunity for hearing, find that a bank over whose management and policies another bank (or a bank holding company) has a "controlling influence" is a subsidiary of the latter (12 U.S.C. § 1841(d)).

The Justice Department, which has described the five percent banks as "vassals" of C&S, can have no doubt that one bank can control another without owning a majority of its common stock. In its original competitive reports to the Federal Deposit Insurance Corporation with respect to the proposed acquisition, it described the five percent banks as affiliates of C&S and the acquisition as an internal reorganization (see pp. 15-16, *supra*). And in an official policy statement the Department has taken the position that whether a bank shall be permitted to dictate the prices of a less than wholly owned subsidiary will be treated on a case-by-case basis—not by a *per se* rule, as the Department now urges.[42] According to the Depart-

[42] The McLaren letter, note 41, *supra*, states, at n. 3:

> "Under the Bank Holding Company Act as amended, a corporation can be treated as a bank holding company even though it owns only minority interests in some or all of its 'subsidiaries.' Compare *Yellow Cab, Timken.* In such situations any exchange of information would have to be considered on a case by case basis."

The letter talks about "exchange of information" because that was the practice under discussion in the text to which the footnote pertains. The entire context makes clear that the passage is equally applicable to price fixing or other practices that the intra-enterprise conspiracy doctrine, where applicable, forbids.

ment's own construction of the Sherman Act, C&S would not have committed a *per se* violation of the Sherman Act had it dictated the prices charged by the five percent banks, although out of an abundance of caution it avoided doing so, as the trial court found.

C. Exchanges of Price Information

In *United States v. Container Corp. of America*, 393 U.S. 333 (1969), this Court held that a practice whereby competing manufacturers of shipping containers exchanged information about the prices that they were quoting to purchasers violated section 1 of the Sherman Act.[43] There was no express agreement to exchange information, but agreement was inferred from the fact that each seller provided price information to his competitors in the expectation that the recipient would provide similar information to him when he requested it (*id.* at 335). There was thus a bilateral, bargained-for exchange.

The Court did not hold that such an exchange constitutes a *per se* violation of the Sherman Act: "Price information exchanged in some markets may have no effect on a truly competitive price." (*Id.* at 337.) But in the particular conditions of the corrugated-container industry in the Southeast, the Court found that the exchange was unlawful because it had operated to stabilize the price level. The Court emphasized that the exchange had involved the major sellers in what the Court deemed to be a concentrated market.

In the present case no agreement to exchange information was or could have been proved. The only significant information flow was in one direction—from C&S to the correspondent as-

---

[43] We emphasize that the agreement in issue in that case was not an agreement to fix prices, but an agreement to exchange price information. The government's brief in the present case tends to blur the distinction.

sociates. There was no understanding that the correspondent associates would reciprocate. Also unlike *Container*, there was no showing here that the provision of information was likely to affect ("stabilize" in *Container*) prices in the relevant market (J.S. App. 27a-28a). Nor could have an effect have been proved. In *Container* price information was exchanged by the leading sellers in the relevant market; in this case it was not. Under any plausible conception of the relevant market the recipients of the information in this case were simply too small for their pricing decisions to affect the market price. While the defendants in *Container* were viewed as occupying a commanding position in a concentrated market, and in those circumstances the exchange of information might have affected the price level, the defendants here do not enjoy, individually or collectively, anything like monopoly power.[44] But there is no need to rely on conjecture: the evidence is undisputed that the five percent banks' prices were set by the market and not by any communications from C&S (see, *e.g.*, App. 690-91, 726, 746-49, 820-22).

Since, moreover, except for C&S Bank of Tucker,[45] the correspondent associates involved in this case had originally been

---

[44] Even accepting the government's (incorrect) method of determining the relevant geographical market, the maximum combined market share of C&S and the five percent banks was 34 percent (J.S. App. 33a), except in the (alleged) market in which it competed with the Tucker bank, where the combined market share was 42 percent (Plaintiff's Post-Trial Brief 33). In properly defined markets, the combined share of the defendants would be much smaller. In any event, a market share of 34 percent, or even of 42 percent, is not large enough to confer power over price.

[45] C&S's relationship with the Tucker bank presents somewhat different issues under section 1 from its relationship with the other five correspondent associates involved in this case, owing to the fact that Tucker was not originally sponsored by C&S. Although our case is stronger with respect to the other banks, the Department has not established a basis for overturning the district court's finding that the government failed to prove that C&S's relationship with Tucker violated section 1.

created by C&S in geographical markets where C&S could not open new offices by any other method, under no view is this a case in which a firm conspires with its major competitors to reduce the vigor of competition. In short, *Container* requires evidence that the exchange of information occurred under circumstances where it was likely to stabilize or otherwise affect the market price level and no such evidence was offered in this case —just as no evidence of an *exchange* of information was offered either. The evidence in the record, in fact, is to the contrary on both points.[46]

Conscious of its lack of evidence, the government reads *Container* as establishing a *per se* rule banning price communications among competitors[47]—or, more plausibly, would like this Court to adopt such a rule. Apart from the merits of such a rule in general—which would be few[48]—it would cause massive dislocation in the banking industry, where a degree of cooperation among competitors unusual in industrial markets has long been accepted and should not be casually outlawed. The Justice Department is incorrect in arguing that "true" correspondent-banking relationships are purely "vertical." The record refutes this statement (App. 61, 114, 141-42, 148, 247, 250). Small

---

[46] For example, one reason why the exchange of information may have had some effect on the price level in the *Container* case was that the information exchanged (bids on orders) was not publicly available. The contrary is true in this case (see App. 734).

[47] This position is refuted by the emphasis that the Court in *Container* placed on concentration and other market-structure variables (irrelevant in a *per se* case) and has been rejected by the circuits. See *Belliston v. Texaco, Inc.*, 455 F.2d 175 (10th Cir. 1972); *Gray v. Shell Oil Co.*, 469 F.2d 742 (9th Cir. 1972).

[48] Such a rule would ignore the importance of information in the competitive process. Competition cannot operate effectively in a context of pervasive ignorance about what competing firms are charging. See *United States v. Container Corp. of America, supra,* at 342 (Mr. Justice Marshall, dissenting); *Maple Flooring Manufacturers Association v. United States,* 268 U.S. 563 (1925); Richard A. Posner, Antitrust: Cases, Economic Notes, and Other Materials 221-22 (1974).

banks commonly enter into correspondent relationships with large banks in the same market (*ibid.*)—with competitors, in other words—and these relationships, while a good deal less extensive than the correspondent-associate relationship involved in this case, involve communications that the Department would be obliged to view as illegal *per se* under the augmented *Container* rule being sought in this case (see App. 51-85, 99-114, 138-39, 271-72).

D. The Totality of Relationships Between C&S and the Correspondent Associates

1. The correspondent-associate system does not constitute a per se violation of section 1.

Although the government accuses the defendants of price fixing and of exchanging price information, it does so in order to have familiar pegs on which to hang its section 1 charge; its real objection is to the correspondent-associate system itself. When the government charges that the correspondent associates agreed to become "vassals" of C&S or to "submit to C&S's direction," it cannot mean that they delegated managerial or financial responsibilities to C&S. The record conclusively refutes any such inference (App. 513-14, 689-94, 731-32, 747-50, 820-22). The Department accepts the five percent banks' denial "that C&S can or does dictate policies or proposals to them, or control their actions." (Brief for the U.S. 26.) The accusation must be, rather, that the network of relationships between C&S and the correspondent associates made it unlikely that the latter would conduct themselves as active competitors of C&S. The correspondent associates were staffed by former executives of C&S; they were using the C&S name and distinctive logogram and their customers thought they were formal branches of C&S; they expected eventually to be acquired formally by C&S; and their stock was owned by C&S and by people friendly to C&S,

including its officers and their families. As a result of these factors, there was little competition between C&S and the correspondent associates, but it does not follow that there was a violation of the Sherman Act—let alone a *per se* violation, the only kind alleged.

Not every agreement that restrains competition is a *per se* violation of section 1; an outright merger of the correspondent associates into C&S would not have constituted a *per se* violation of section 1. The *per se* category is reserved for "certain agreements or practices which because of their pernicious effect on competition and lack of any redeeming virtue are conclusively presumed to be unreasonable and therefore illegal without elaborate inquiry as to the precise harm they have caused or the business excuse for their use." *Northern Pacific Railway Co. v. United States*, 356 U.S. 1, 5 (1958). The transactions that comprise the correspondent-associate relationship are not the sorts of things that have ever been thought to belong in the *per se* category. Furnishing assistance to a new firm in staffing and operating methods has never been regarded as a *per se* violation of section 1. Nor has acquiring stock in a competing firm, even a controlling interest—otherwise there would be no need for section 7 of the Clayton Act. Nor has the sale of competitors' products under a common trade name—a common and heretofore unquestioned practice in industries as diverse as mattresses and groceries.[49]

---

[49] See *United States v. Sealy, Inc.*, 388 U.S. 350 (1967); *United States v. Topco Associates, Inc.*, 405 U.S. 596 (1972). These are cases where this Court found violations of section 1 of the Sherman Act because of the presence of explicit agreements to divide sales territories (*i.e.*, not to compete). No suggestion was made in these cases that the underlying decision of a group of competitors to sell their products under a common trade name was unlawful, even though such a decision reduces the amount of competition among the firms quite apart from the separate agreement not to compete. See also *Siegel v. Chicken Delight, Inc.*, 448 F.2d 43 (9th Cir. 1971).

Citizen Publishing Co. v. United States, 394 U.S. 131 (1969)—a case repeatedly cited in the government's brief—illustrates the same

Nor is the aggregation of these relationships somehow more sinister than each considered by itself. On the contrary, when they are aggregated it becomes clear that what is involved here is nothing remotely like cartelizing, the core practice at which the *per se* rule of section 1 is aimed, but is instead best described as a *de facto* merger or joint venture[50]—formal merger having been barred by the state law limiting branch banking. The Justice Department itself has characterized the five percent banks as "affiliates" of C&S and the proposed formal acquisition as nothing more than an "internal reorganization" (App. E-25, E-33-34). Mergers have never been considered *per se* violations of section 1 and it is instructive to consider why. Unlike a price-fixing conspiracy a merger is not a naked agreement to refrain from competing. There is no presumption that firms merge in order to eliminate competition between them—though that is a possible purpose, and an inevitable effect.[51] Similarly, the correspondent-associate relationship was not created in order to enable C&S and the five percent banks to eliminate competi-

---

point. Two newspaper companies combined certain functions, such as advertising, in a jointly owned subsidiary. There was no suggestion that the joint venture constituted a *per se* violation of the Sherman Act (even though the parties had no other competitors). But the parties went further and entered into an agreement to fix prices, divide markets, and pool profits, and this further agreement was held to be a *per se* violation. It is just such a further agreement that is absent in the present case.

[50] With the major difference that, to minimize legal risk, C&S did not attempt to dictate the prices or terms at which the five percent banks conducted business.

[51] Cf. *United States v. Penn-Olin Chem. Co.*, 378 U.S. 158, 169 (1964), where the Court pointed out: "it may be assumed that neither [party to a joint venture] will compete with the progeny [*i.e.*, the jointly owned subsidiary]." This did not make the joint venture a *per se* violation of the Sherman Act, but under the government's present theory it would be, since it eliminated competition between each parent and the subsidiary and each parent owned only 50 percent of the common stock of the subsidiary and thus lacked legal control.

tion between them. Such a theory is not only wrong, but as applied to the five banks that C&S sponsored it is fantastic—the correspondent-associate relationship provided the framework for creating these banks. Unlike a price-fixing conspiracy, but like some mergers, the correspondent-associate system had a "redeeming virtue" (*Northern Pacific*, *supra*, at 5): it enabled C&S to expand in the face of anticompetitive state branch-banking restrictions and thereby increased competition. For this reason alone, the relationship invites a deeper inquiry than is appropriate in price-fixing cases.

Caution must be exercised in the application of the *per se* rules to cooperative relationships in the banking field. The distinctive public interest in bank solvency has led this Court to conclude that the ordinary rules of antitrust law might have to be modified when applied to banking. *United States v. Philadelphia National Bank*, 374 U.S. 321, 372, n. 46 (1963). But we are not even suggesting a modification of the antitrust rules; we urge only that they be interpreted no more broadly in banking than they have heretofore been interpreted in other industries. The unprecedented rule urged by the Department in this case—that cooperation between competitors which results in a diminution of competition is illegal *per se*—would have an especially dislocating impact in the banking industry, where the special concern with bank solvency has resulted in cooperative relationships, fostered and monitored (as here) by the regulatory agencies, that go far beyond what is normally found in industrial markets. Thus a recent article on correspondent banking, cited approvingly by the Justice Department (Brief for the U.S. 37, n. 21), notes the small bank's "frequent reliance on its correspondent for counseling on officer and personnel recruitment, advice on operations methodology and guidance on executive training." Arthur D. Austin & Elinor Harris Solomon, *A New Antitrust Problem: Vertical Integration in Correspondent Banking*, 122 U. Pa. L. Rev. 366, 369 (1973). Although the

Justice Department applauds correspondent banking,[52] its blunderbuss attack on the "close working relationship" between C&S and the correspondent associates places all correspondent relationships in antitrust jeopardy.

2. **The correspondent-associate program is reasonable and procompetitive.**

The government staked its entire case on a *per se* approach. No evidence was introduced to show that the correspondent-associate system in fact restricted competition unreasonably. But had the Rule of Reason been applied, the government could not have established a violation of the Sherman Act by that route either.

First, any restrictive effect of the correspondent-associate relationship was ancillary to a main purpose that was procompetitive: the expansion of C&S in the face of anticompetitive state-law restrictions on branch banking. Whether the five percent banks are viewed as extensions of C&S or simply as the recipients of C&S's support and assistance, it is undisputed that the correspondent-associate status, by giving the five percent banks the use of C&S's name, personnel, operating methods, advice, and other assistance, enabled them to compete more effectively against the other banks in their markets (App. 527, 532-33, 616-17).

Second, any restriction of competition resulting from the fact that the correspondent associates competed *as* C&S banks rather than *with* C&S was surely minimal in extent and significance. Since, as we demonstrate in Part V(C) of our argument, C&S

---

[52] See Donald I. Baker, *Antitrust and Correspondent Banking—A Look at Tomorrow's Competition*, remarks prepared for American Bankers Association Annual Convention, Oct. 19, 1971, p. 4. Mr. Baker, as mentioned in a previous note, is the Antitrust Division's Director of Policy Planning.

and the five percent banks were not even in the same banking markets (properly defined), it follows that the amount of competitive overlap between C&S and these banks was very slight, and so the possible competition eliminated by their relationship must have been very slight also. Even if they were in the same markets, the combined market share of C&S and the five percent banks was much too small to enable them, by eliminating competition *inter se*, to affect the price level significantly (see p. 54 and note 44, *supra*). The acquisition of a small firm may violate section 7, a statute that seeks to prevent concentration from reaching levels at which tacit or express collusion becomes feasible, but it can have no immediate effect on price. If two firms each with 40 percent of the sales in a market merge, giving them a combined market share of 80 percent, the resulting firm may be able to raise its price above the competitive level.[53] But a firm that has 30 percent of the market and acquires competing firms that have in the aggregate only two percent of the market cannot, as a result of the acquisition, raise its price above the market level without disastrous consequences for its sales; its market share is too small to confer power over price.[54] Moreover, it is incorrect to view the correspondent-associate relationship as an agreement among previously competing firms. These firms, with the single exception of the Tucker bank, were created by C&S and the fact that they did not compete with C&S did not reduce the amount

---

[53] Its customers would try to switch to the other firms in the market, but these firms might be incapable of supplying the entire market at costs comparable to those of the dominant firm. See Richard A. Posner, *supra* note 48 at 376-77.

[54] In discussing market-share percentages in the context of the section 1 issue in this case, we are not suggesting that a showing of a monopoly market share is a necessary element in the proof of illegal price fixing. It is not. But it is relevant to characterizing an ambiguous agreement and to ascertaining motive. Price-fixing agreements are ineffectual unless the parties have power over price. The lack of anything approaching a monopoly market share in the present case is evidence that the purpose of the challenged arrangements was not to fix prices.

of competition in the market at all. On the contrary, competition was greater by virtue of the correspondent-associate program than it would have been in the absence of the program.

Third, no less restrictive method of achieving the main purpose of the correspondent-associate system—which was to increase the amount of banking competition in the Atlanta suburbs—was feasible. The government suggests that C&S could have sponsored the five percent banks without entering into a continuing relationship with them. The suggestion is completely unrealistic. Apart from C&S's lack of interest in sponsoring banks not identified with C&S when its goal was to introduce C&S banking into the Atlanta suburbs, the record shows that the continuing relationship that C&S had promised to the five percent banks at the time of their organization was an influential, and frequently a controlling, factor in the decision of the banking authorities to issue charters for the new banks (see p. 10, *supra*). The government itself concedes that a sponsoring bank may properly play a "significant role in determining" a new bank's policies (Brief for the U.S. 43, n. 26).

This case thus fits squarely Mr. Justice Brandeis' classic definition of a reasonable restraint of trade in *Board of Trade of City of Chicago v. United States*, 246 U.S. 231, 238 (1918):

> "[T]he legality of an agreement or regulation cannot be determined by so simple a test, as whether it restrains competition. Every agreement concerning trade, every regulation of trade, restrains. To bind, to restrain, is of the very essence. The true test of legality is whether the restraint imposed is such as merely regulates and perhaps thereby promotes competition or whether it is such as may suppress or even destroy competition."

The correspondent-associate relationship promoted competition by enabling C&S to enter the suburban Atlanta banking markets and is lawful under the standard of the *Board of Trade* case.

We ask the Court not to lose sight of the fundamental purpose and character of the correspondent-associate relationship. It was a second-best alternative to the opening of formal C&S branches, a route blocked by state law. It was not an attempt to cartelize the suburban Atlanta banking market; it bears no resemblance to the kinds of agreement that have been held to be *per se* violations of section 1 of the Sherman Act; and tested under the Rule of Reason its lawfulness is manifest.[55]

E. Conclusion: Affirmance Will Open No "Floodgates"

There is no basis for the government's apparent concern that unless the correspondent-associate program is suppressed, banks (or other types of firms) having sinister objectives will enter into agreements that will be difficult to distinguish from the relationship between C&S and the five percent banks. The restrictions on branching that underlay the adoption of the correspondent-associate system are unique to the banking industry, and within that industry there is absolutely no evidence that the method used by C&S in this case has ever been or ever will be used abusively, *i.e.*, as a mask for price fixing or division of markets. The Antitrust Division has been very vigilant and active in the banking field and is well aware of arrangements comparable to the correspondent-associate system but has not produced a single example where such an arrangement was used improperly.[56] The present case is the only one in which the Department has challenged such an arrangement, and similar arrangements cannot be initiated in the future without the express prior approval of the Federal Reserve Board after giving notice to the Department (12 U.S.C. §§1841(d), 1842(a)(2)).

The Department's real concern is presumably with other industries. But the court below did not adopt, and we do not

---

[55] The government has never suggested that the correspondent-associate system is *in fact* an unreasonable restraint of trade.

[56] See note 32 *supra*, and accompanying text.

contend for, a rule under which (say) General Motors could give the use of its name to Ford, provide Ford with GM executives, operating manuals, etc., without violating the Sherman Act. The combined market shares of the firms involved in such a case, and the lack of a compelling justification for the arrangement rooted in the special constraints imposed by state banking laws, would clearly distinguish that case from this one. Cf. *Citizen Publishing Co. v. United States*, 394 U.S. 131 (1969). The courts are competent to discriminate between the type of arrangement challenged in this case and arrangements that are designed to veil naked restraints of trade.

III. The Correspondent-Associate Relationship Is in Any Event Subject to the Original Exclusive Jurisdiction of the Federal Reserve Board.

In addition to finding that the government had failed to prove that the correspondent-associate relationship unreasonably restrained trade in violation of section 1 of the Sherman Act, the district court also found, in the alternative, that the relationship was subject to the original exclusive jurisdiction of the Federal Reserve Board. The court based its alternative holding on this Court's decision in *Whitney National Bank v. Bank of New Orleans & Trust Co.*, 379 U.S. 411 (1965), which held that proceedings before the Board are "the sole means by which questions as to the *organization or operation of a new bank by a bank holding company* may be tested." (*Id.* at 419; emphasis added.)

C&S is a registered bank holding company, and the relationship between it and the five percent banks (except for the C&S Bank of Tucker) arose from, and has continued unchanged since, the organization of those banks by C&S. The bank regulators were fully aware of the correspondent-associate relationship when C&S organized the five banks it is now seeking

to acquire and when it acquired its five percent interest in Tucker. In addition, the Federal Reserve Board conducted an extensive investigation of these relationships in 1967 and 1968 and found no impropriety (J.S. App. 16a-20a, 27a). The district court found that this investigation involved "the more substantial elements of what it [the government] now claims to be section 1 violations" (J.S. App. 27a). The Justice Department, which participated in the investigation, did not object to the Board's conclusion. It did not consider itself aggrieved by the Board's order and did not seek judicial review of that order in a court of appeals within 30 days as required by section 9 of the Bank Holding Company Act, 12 U.S.C. § 1848. Under *Whitney*, it is barred from challenging that relationship for the first time in this case.

The orderly accommodation of the banking and the antitrust laws mandated by *Whitney* requires that the Federal Reserve Board, the agency responsible for administering the Bank Holding Company Act, be afforded an opportunity to consider and if necessary rectify alleged improprieties in the creation of a bank holding company relationship. If the government's present theory of antitrust illegality is correct, C&S, when it established the correspondent-associate relationship with the six five percent banks involved in the section 1 phase of this case, created *de facto* subsidiaries—a matter of utmost interest and concern to the Federal Reserve Board, in view of its comprehensive responsibilities with respect to the "operations, management, and intercompany relationships of the bank holding company and its subsidiaries, and related matters. . . ." 12 U.S.C. § 1844(a).[37] The Board performed its responsibility un-

[37] The Department implies that the Federal Reserve Board has jurisdiction under the Bank Holding Company Act to consider only the structure of bank holding company arrangements, and not the current competitive behavior (even *inter se*) of the parties to the structure (Brief for U.S. 45). Yet section 3(c) of the Bank Holding Company Act directs the Board, in reaching decisions requiring ap-

der the Act by fully considering the correspondent-associate relationship. Its investigation of that relationship was conducted informally in accordance with the "powerful tradition" of banking agencies of "working out controversies by methods of negotiation rather than by formal proceedings."[38] If the Board had found a violation of section 1 of the Sherman Act, it could have brought its influence to bear on C&S to correct the violation. The Board also could have referred the matter to the Justice Department, which was participating in the investigation (App. E-217-18). Since the Department did not follow the statutory procedure for contesting the Board's determination, the legality of the subject matter of the Board's investigation—the correspondent-associate relationship—cannot be challenged by the Department in this proceeding.

---

proval under section 3(a), to consider, among other things, whether the effect of a proposed acquisition or merger would be to lessen competition substantially or to restrain trade. Surely this means that the Board must consider the competitive relationships that will result from an acquisition or merger. The legislative history, moreover, shows that the whole purpose of the Act was to limit and restrict the *control* and *management* of banks by bank holding companies (H. Rep. No. 609, 84th Cong., 1st Sess., pp. 2-3; S. Rep. No. 1095, 84th Cong., 1st Sess., p. 1). Indeed, the Bank Holding Company Act has provided since 1970 that a bank will be deemed a subsidiary of any other bank or bank holding company which has the power to exercise a controlling influence over the bank's management and policies, 12 U.S.C. § 1841(d).

[38] Kenneth Culp Davis, Administrative Law Treatise § 4.04, p. 249 (1958).

IV. **There Is No Basis in Law or Fact for Overturning the District Court's Finding That the Acquisition of the Five Sponsored Banks by C&S Was Unlikely to Reduce Competition Substantially and Hence Would Not Violate Section 7 of the Clayton Act.**

The district court, passing a number of other contentions of the defendants, found as a fact that the acquisition of the five sponsored banks by C&S[59] was unlikely to lessen competition substantially, since there was not at present, or likely ever to be, substantial competition between C&S and the sponsored banks, due to the network of relationships involved in the correspondent-associate system. Apparently convinced that this finding is unassailable[60]—especially after this Court's decision in *United States v. Trans Texas Bancorporation*, 412 U.S. 946 (1973), *affirming per curiam* 1972 Trade Cases ¶ 74,257 (W.D. Tex.)—the Justice Department in this Court bases its challenge to the district court's dismissal of the section 7 charge entirely on the alleged antecedent violations by C&S of Georgia's branch-banking law and of section 1 of the

---

[59] It will be recalled that the FDIC denied C&S's application for permission to merge with the C&S Bank of Tucker, which C&S had not sponsored (App. E-7-9). That acquisition is accordingly not before this Court.

[60] This finding is, of course, governed by the clearly-erroneous standard of Rule 52(a) of the Federal Rules of Civil Procedure. *United States v. General Dynamics Corp.*, 415 U.S. 486, 508 (1974). It should be noted that the district court in this case did not adopt proposed findings submitted by the defendants—the practice criticized in *United States v. Marine Bancorporation*, 418 U.S. 602, — (1974), where the Court nonetheless affirmed; the district court here prepared its own findings. It should also be noted that the Federal Deposit Insurance Corporation, the banking agency that approved the proposed acquisitions challenged in this case, is extremely conscientious in weighing the competitive effects of a proposed acquisition—so much so that in one recent case it was found to have applied a stricter standard than the antitrust laws themselves. See *Washington Mutual Savings Bank v. Federal Deposit Insurance Corporation*, 482 F.2d 459 (9th Cir. 1973).

Sherman Act. We shall show that the alleged violations provide no basis for upsetting the district court's judgment and that there is no other ground for questioning the court's finding that the sponsored banks were unlikely ever to become independent competitive factors.

A. The Alleged Violations of Georgia Law and of the Sherman Act Cannot Support a Finding That the Proposed Acquisitions Would Violate Section 7 of the Clayton Act

The government's present theory of the section 7 violation is that the elements of the correspondent-associate relationship which have operated to eliminate competition between C&S and the five banks that it is proposing to acquire violate both Georgia law and section 1 of the Sherman Act. Therefore, the government's argument continues, once these violations are rectified, C&S and the five percent banks will compete with one another, thereby destroying the factual premise of the district court's judgment that a formal acquisition would not lessen competition substantially.

1. *Georgia Law*—The issue of C&S's violation of Georgia law was fully considered by the district court, which found that the steps necessary to place C&S in full compliance with Georgia law would not significantly affect the elements of the correspondent-associate relationship that make the relationship one of friendly rivalry rather than aggressive competition (J.S. App. 66a-68a, 70a-72a). This finding is not challenged as clearly erroneous, and is in any event plainly correct.

The issue of Georgia law arises out of a suit brought by the Independent Bankers Association of Georgia against the State Commissioner of Banking and Finance. The suit charged that the Commissioner had failed to enforce Georgia's bank holding company law (which limits direct or indirect holdings of bank

stock by a bank holding company to five percent of two or more banks) and sought an order of mandamus compelling him to do so. The procedural context is significant. The scope of judicial review of the Georgia Commissioner's enforcement decisions, limited as it is to mandamus proceedings, is extremely narrow; the only judicially cognizable issue is whether the Commissioner has acted. Now that the Commissioner *has* acted, by issuing an order against C&S as directed by the mandamus issued by the Georgia Supreme Court, we can assume that further efforts to attack the correspondent-associate system through the Georgia courts will be unavailing.

The salient features of the Commissioner's order (J.S. App. 81a-87a) are the following:

First, C&S is ordered to make available the full complement of services that it provides the five percent banks to any other bank that might wish to enter into a like correspondent relationship with it; *i.e.*, it cannot discriminate against banks desiring to become correspondent associates of C&S. This part of the order requires no change in C&S's relationship with existing banks, such as the five banks that it proposes to acquire, so long as it is willing to enter into similar relationships with any other banks desiring them—which it is willing to do.[61]

---

[61] The Independent Bankers Association of Georgia, in its *amicus curiae* brief in this Court, reads the Commissioner's order as requiring C&S to terminate the correspondent-associate relationship (p. 4). This interpretation, which the Justice Department has not adopted, is incorrect. The order requires C&S to "terminate any direct or indirect supervision of the ten five percent banks beyond that which is available from . . . [C&S] to *any bank that wishes to enter into a correspondent relationship with*" C&S. (J.S. App. 81a; emphasis added.) Since C&S is happy to make available to any bank wishing to enter into a correspondent relationship with it the identical services that it furnishes the five percent banks, the order does not require it to terminate its relationship with the five percent banks. Nor is there anything in the opinions of the Georgia Supreme Court requiring or justifying such an interpretation. See *Independent Bankers Ass'n v. Dunn*, 230 Ga. 345, 197 S.E.2d 129 (1973), modified *sub nom. Citizens & Southern Nat'l Bank v. Independent Bankers Ass'n*, 231 Ga. 421, 202 S.E.2d 78 (1973).

Second, no one may simultaneously be an officer (or director) of both C&S and a five percent bank—but none were at the time of trial in this case, and none are now.

Third, certain policy-making officers of C&S are ordered to divest themselves of any stock that they own in the correspondent associates. But such officers own only a very small fraction of that stock (J.S. App. 45a). Further, since they can if they wish divest the stock to customers and other friends of C&S, compliance with this part of the order creates no risk that a controlling stock interest in the five percent banks will come into unfriendly hands. In any event, the district court expressly found that the stock relationship between C&S and the five percent banks was a relatively minor factor in the cooperative, noncompeting relationship between those banks and C&S (J.S. App. 65a).

Fourth, the order requires that the advertising and promotional materials of the five percent banks, including their signs, contain the full name of the bank (*e.g.*, "C&S Bank of North Fulton") rather than just "C&S". The banks may continue to use the name and distinctive logogram of C&S.

It is plain that the order leaves intact the basic features of the correspondent-associate relationship but in any event the impact of the order was a question of fact for the district court, which considered the bearing of the Commissioner's order on the issues in the antitrust case and amended its opinion (J. S. App. 70a-72a) to add an express finding that compliance with the order would not so alter the ties between C&S and the five percent banks as to make it likely that, but for the proposed acquisition, the latter would become independent competitive factors rather than continue as affiliates of C&S. The Justice Department neither objected to the amendment nor challenged the court's finding as clearly erroneous.

2. *Sherman Act*—With respect to the alleged violation of section 1 of the Sherman Act, the government's argument depends, of course, on proving such a violation, which as we have seen it failed to do. But even if a violation of section 1 had been proved, it would not follow that the acquisition of the sponsored banks by C&S was unlawful. The question under section 7 is not whether the defendants have violated the Sherman Act but whether, if so, enjoining the violation will result in substantial competition between C&S and the sponsored banks. The government made no attempt at trial to prove that the alleged section 1 violation was a substantial cause of the noncompetitive relationship between C&S and the five percent banks. That is why in this Court the government declines to identify a specific element of the correspondent-associate relationship as violative of section 1 but instead argues that the entire relationship is the violation: only if the entire relationship is enjoined is there any basis for supposing that the sponsored banks will become independent competitive factors and hence that their acquisition by C&S might result in a lessening of competition.

Suppose, for example, that this Court were to hold that C&S's communication of price information to the sponsored banks violated section 1. Such a finding would not support an inference that but for the section 1 violation C&S and the sponsored banks would have competed, for the price communications were a trivial factor in the noncompetitive relationship between C&S and the other banks.[62] The real cement was the common name, the intention of merging in the future, the fact that the sponsored banks were staffed by former executives of C&S, etc.[63]—not the sporadic distribution of a few memo-

---

[62] See pp. 9-14 *supra*. The communications relied upon by the government represent an insignificant fraction of the information supplied by C&S to the correspondent associate banks on matters which raise no section 1 questions. See p. 11, n. 12, *supra*.

[63] A particularly important element was the public identification of the five percent banks as formal branches of C&S, which resulted from the common name and logogram (see p. 12, *supra* and pp. A-1,

randa containing information about C&S's prices (see App. 515, 678-79, 736-37, 758). Enjoining price communications would not create competition between C&S and the sponsored banks that the formal acquisition would eliminate. To prevail under section 7 on the basis of a violation of section 1 the government must demonstrate that the *entire* correspondent-associate relationship violates section 1, and it has failed to do so.

B. There Is No Other Ground Upon Which the District Court's Finding That the Acquisition Would Not Substantially Lessen Competition Can Be Overturned

Without the alleged antecedent violations of Georgia law and of the Sherman Act, the government's section 7 case has no basis at all, as the government's brief on the merits seems virtually to concede. The government has always conceded that C&S and the five banks it proposes to acquire have not competed with each other since those banks were formed, do not compete at present, and will not compete in the future unless the correspondent-associate relationship is dissolved.[64] Hence the only question is whether the sponsored banks, assuming they are not acquired

---

A-2 *infra*). A consumer is unlikely to shop around among stores that he believes to be under common ownership and management in search of a lower price or better service; nor will stores so identified think it very fruitful to try to persuade him that there are real differences among the stores—the consumer would just be confused or unbelieving.

[64] The only competition between the parties to the proposed acquisition is the sort of friendly rivalry characteristic of the different branches of a single firm (J.S. App. 64a; App. 475, 503-07). The elimination of such competition cannot result in a substantial lessening of competition in the relevant market. Otherwise a firm could not acquire a wholly owned subsidiary without violating section 7, yet the Justice Department admits that a firm can acquire a firm over which it has majority stock control without thereby violating section 7 (see Brief for the U.S. 55, 57).

by C&S, are likely voluntarily or involuntarily to sever the extensive relationships with C&S that constitute the correspondent-associate system. This is a purely factual question. The district court's resolution of it can be disturbed on appeal only if clearly erroneous. The district court found that the sponsored banks were not likely to cease being correspondent associates of C&S (J. S. App. 65a). The government does not challenge this finding as clearly erroneous—nor could it. It is profoundly unlikely either that the sponsored banks would voluntarily withdraw from the C&S system or that C&S would expel them.

The major assets of the sponsored banks are the goodwill associated with the C&S name—which is the name of each of these banks as well—and the proved methods of successful banking available to them as correspondent associates of C&S. They are unlikely to forfeit these assets by giving up their status as correspondent associates of C&S,[65] especially given the background and orientation of their executives[66] and the pattern of ownership of the banks' shares.[67] (See App. 423-26, E-574-88.) The separation of the Stone Mountain bank from the C&S system is the exception that proves the rule, for unlike the banks involved in the proposed acquisition (1) the Stone Mountain bank had not been sponsored by C&S;[68] (2) its stock was

---

[65] And with it the C&S name. It would be an unfair trade practice for a bank that was not a correspondent associate of C&S to use the C&S name. C&S Bank of Stone Mountain gave up the C&S name when it ceased to be a correspondent associate.

[66] Executives of the five percent banks are treated, in effect, as being on leave from C&S, to which they may later return (see p. 10, *supra*).

[67] Nothing in the Georgia Banking Commissioner's recent order requires that stock required to be divested be placed in the hands of individuals not friendly to C&S (see p. 70, *supra*).

[68] The government's statement that Stone Mountain was organized with "some assistance by C&S" (Brief for the U.S. 11) is misleading. All C&S did was refer the organizers of Stone Mountain to a retired employee of C&S for *his* assistance (App. 358, 413).

not dispersed, with C&S the largest stockholder, but instead was controlled by a single family (App. 181-82, 360, 396-97); (3) this family was independent of C&S influence (App. 180, 182-83); (4) there was never any intention to merge Stone Mountain into C&S should state law some day permit such a merger (App. 187, 373); and (5) there was continuing friction between the president that C&S furnished to Stone Mountain when it became a five percent bank and its board of directors, which resisted the introduction of C&S banking methods (App. 171, 182-83, 359-60). None of these conditions has ever occurred at any of the five banks that C&S is proposing to acquire in this case.[69]

Nor is C&S likely to expel the sponsored banks from the C&S system. The immediate effect of expulsion would be to deprive C&S of the suburban outlets that it so badly wants and needs. Now that Georgia's branch-banking law has been liberalized, C&S could apply for permission to open its own branch offices in the suburbs. But the banking authorities might well exercise their discretion to deny permission to branch (see App. E-10-12; CCH Fed. Banking Law Rep. ¶ 3179), since the competition of C&S's branch offices might endanger the survival of the (former) five percent banks, whose position would be a precarious one if they were forced by expulsion from the C&S system to compete without C&S's name and assistance. Thus if C&S expelled the five percent banks it might end up with no suburban outlets at all. And if C&S were given permission to branch, its new branches would be competing with the former

---

[69] The separation of the Peachtree Bank from Trust Company of Georgia, which had some relationships comparable to those of C&S and its correspondent associates (but significantly not the same name) (see App. 219-25, 594-99), is even less in point. The separation occurred after the Justice Department sued Trust Company and Peachtree, and because the defendants were unwilling to bear the expenses of the lawsuit (App. 223). The costs of suit have not led to a dissolution of the relationship between C&S and the five percent banks, even in the case of C&S Bank of Tucker, which is not involved in the section 7 phase of this case.

five per cent banks, so that the net effect of expulsion would have been for C&S to have created competition with itself.

These are forceful reasons against C&S's expelling the five percent banks.[70] It is of course *possible* that the five percent banks might some day separate from C&S and become independent competitive factors. But this is a "mere possibility," which the district court was entitled to disregard. *United States v. General Dynamics Corp.*, 415 U.S. 486, 509-10 (1974).

In this Court, the government argues that the facts which make it unlikely that C&S and the five sponsored banks will ever be in a competitive relationship with one another should be ignored. The government proposes that unless one firm has formal legal power to control another, the effect of their merger on competition should be analyzed on the premise—even if a fictitious one—that the firms are completely independent competitors in fact. The effect on competition in the Atlanta banking markets of C&S's acquisition of firms that in the aggregate do two percent of the business of those markets is to be determined *as if* the acquired firms are competitors of C&S, though in fact they are not.

To base the decision of a merger case on a counterfactual premise has no basis either in the statute or in the decisions of

---

[70] At one point in this case the government argued that C&S would expel the five percent banks if it could not acquire them because the correspondent-associate relationship is not a profitable one for C&S. But there is no evidence to support this conjecture, which is wrong (App. 443-44). C&S can charge the five percent banks, directly or indirectly, for whatever benefits the relationship confers on those banks. It is true that the correspondent-associate relationship is a second-best alternative to an outright acquisition. Had there been no prospect of eventual acquisition at the time the correspondent-associate status was created, C&S might have decided not to create it (even if it had not known that the Justice Department would attack it as a violation of section 1). But that is a different issue from whether, having created the correspondent-associate relationship and maintained it for many years, C&S will now abandon it.

this Court. Only last Term, in *United States v. General Dynamics Corp., supra,* the Court held that market-share percentages establish only a presumption of violation of section 7 which can be rebutted by a showing that the percentages exaggerate the competitive effect of the merger. In that case, proof that the acquired firm's mineral reserves were too depleted to enable it to retain its present market share in the future exonerated the defendants.[71] Any presumption derived from the market shares[72] of C&S and the five percent banks was rebutted here by proof that the market shares of the five percent banks grossly exaggerated the significance of these banks as independent competitive factors in the market. They in fact competed as extensions of, rather than with, C&S and the acquisitions therefore will not increase C&S's market power or reduce the amount of competition in the market.[73]

---

[71] As the Court later explained in *United States v. Marine Bancorporation,* 418 U.S. 602, — (1974):

> "We conclude that by introducing evidence of concentration ratios of the magnitude of those present here the Government established a prima facie case that the Spokane market was a candidate for the potential competition doctrine. On this aspect of the case, the burden was then upon appellees to show that the concentration ratios, which can be unreliable indicators of actual market behavior, see *United States v. General Dynamics Corporation,* 415 U.S. 486 (1974), did not accurately depict the economic characteristics of the Spokane market."

[72] This assumes the market was correctly defined. We show below (Part V(C)) that it was not, and hence that the market-share figures on which the government relies are meaningless in any event.

[73] This case thus presents the converse of the situation described in paragraph 8 of the Department of Justice Merger Guidelines, which provides that the Department may challenge the acquisition of a firm that is too small to be considered a significant competitive factor under the standard criteria set forth in the Guidelines but that is for some reason "unusually competitive." 1 CCH Trade Reg. Rep. ¶ 4510, p. 6884 (1968). In logic, the Department should also recognize the converse case where the acquired firm, despite having a significant market share, is not a significant competitive

Furthermore, the position taken by the government in this case—that unless the parties to a proposed merger were under common ownership prior to the merger they should be treated as if they were wholly unrelated and fully competitive entities regardless of the actual facts of their relationship—has already been rejected by this Court, in *United States v. Trans Texas Bancorporation*, 412 U.S. 946 (1973), *affirming per curiam* 1972 Trade Cases ¶ 74,257 (W.D. Tex.), a case in which the government tendered the identical position to this Court. In *Trans Texas* the government had challenged a proposed merger among several banks. Members of an informal group of 49 individuals were majority stockholders in the banks. This "group" was not a single entity in any formal legal sense —no contractual or other formal obligations, or even family ties, united its members. The only cement holding the group together was loyalty to an individual who at the time of trial was 75 years old. No single member of the group held a controlling share in the stock of more than one bank. The banks held themselves out to the public as separate entities—the public was, indeed, completely unaware of the existence of the controlling group—and competed vigorously with each other.[74]

---

factor due to special factors such as those involved in the present case.

The government's brief expresses concern with the possibility that, under the approach of the district court in this case, leading firms in a highly oligopolistic market might be permitted to merge upon a showing that they had avoided competition through "conscious parallelism." There is no basis for this concern. A refusal to compete is not a proper defense to a challenge to a merger; such a rule would reward firms for not competing. The basis of the district court's position in this case is not the bare fact that C&S and the five percent banks do not and are unlikely in the future to compete; it is rather the relationship between C&S and the five percent banks, which was procompetitive in purpose and effect since it allowed C&S to expand in the face of anticompetitive state-law limitations on branch banking, albeit an unavoidable side effect was that C&S did not compete with the five percent banks, just as a firm that opens a branch office in a new market will not compete with it.

[74] See Jurisdictional Statement in *Trans Texas*, pp. 8, 22, for examples drawn from the record in that case of the vigorous compe-

They were, of course, legally independent firms in the corporate law sense to which the Justice Department attaches controlling significance in this case (see, *e.g.*, Brief for the U.S. 55-56). Nonetheless the district court in *Trans Texas* found that the probability that the ties among the banks would dissolve, and hence that but for the proposed merger the banks might some day be fully independent competitive factors, was too remote to justify the conclusion that the merger would violate section 7. The Justice Department appealed to this Court, which affirmed, thereby rejecting the government's position—the same position it is urging here. Since the future dissolution of the ties binding the correspondent associates to C&S is even less likely than the dissolution of the informal controlling group of shareholders in *Trans Texas*,[75] this is an *a fortiori* case for affirmance.

Even without the recent decisions of this Court reaffirming the application of the clearly-erroneous rule to the review of district court factfindings in antitrust cases (*Marine Bancorporation, General Dynamics, supra*) the government's sole reliance on market-share percentages would be misplaced in a case of this type. The market-share percentage test was developed for, and has heretofore only been applied in, horizontal merger cases, that is, cases in which the challenged merger eliminates existing competition. The present case is a potential-competi-

---

tition between the various banks involved. As the Department correctly pointed out (p. 18), the members of the so-called "control group" "were not bound together by any written agreement; they did not claim to have any legally binding arrangement among them to vote in concert; they never held a formal meeting; and they did not act in concert to control the competitive efforts of the banks." Having lost *Trans Texas*, the Department in arguing the present case has recast the facts of that case (see Brief for the U.S. 54-55).

[75] Because the banks involved in *Trans Texas* were held out to the public as separate and independent competing firms, with different names, etc., dissolution of the relationship among them would not have involved any of the problems discussed at pp. 73-75, *supra*.

tion case, for it is conceded that there is no significant existing competition between the parties to the proposed merger. The contention rather is that the merger eliminates the potential competition of these firms, since although they are not competitors today they might some day become competitors. This is like a case where one firm proposes to acquire another firm that has never sold in the market of the first firm but may some day decide to do so. It has never been thought in a case of that sort that the decision of the acquiring firm to enter the market of the acquired firm could be conclusively presumed. Evidence of the likelihood of the firm's entering (or of exerting competitive pressure on the acquired firm by virtue of the threat of entry) has always been considered an indispensable element of a potential-competition case. See, *e.g.*, *United States v. Falstaff Brewing Corp.*, 410 U.S. 526 (1973). The government introduced no such evidence in this case, and, as we have seen, the record in fact demonstrates that the sponsored banks were unlikely ever to become significant competitors of C&S.

V. The Issues That the District Court Did Not Reach.

The defendants advanced several additional grounds for dismissal of the complaint that the district court did not reach since it found for the defendants on other grounds. We believe that these are grounds that this Court could appropriately decide in the first instance, if necessary in order to terminate this litigation without the necessity of a remand.[76]

---

[76] We do not, however, repeat here our argument that the proposed acquisition is protected by the convenience and needs defense of the Bank Merger Act. That argument involves factual questions that must first be resolved by the district court in order to provide a suitable foundation for appellate review. *United States v. Third National Bank in Nashville*, 390 U.S. 171, 183-84 (1968).

A. **The Justice Department Is Barred by the Grandfather Clause of the Bank Holding Company Act From Challenging the Relationship Between C&S and Three of Its Correspondent Associates**

Three of the correspondent-associate relationships challenged as a violation of section 1 of the Sherman Act were entered into and have existed continuously since prior to July 1, 1966.[77] These relationships are immunized from attack by the government under section 1 of the Sherman Act by the grandfather clause contained in section 11(d) of the Bank Holding Company Act, 12 U.S.C. § 1849(d), which provides that any "acquisition, merger, or consolidation of the kind described in section 3(a)" of the Act which was consummated prior to July 1, 1966, shall be "conclusively presumed" not to have been in violation of any antitrust laws other than section 2 of the Sherman Act. *United States v. Trans Texas Bancorporation*, 1972 Trade Cases ¶ 74,-257, p. 93,214 (W.D. Tex.), *aff'd per curiam*, 412 U.S. 946 (1973).

The government contends that the grandfather clause is inapplicable because the relationships challenged as a violation of section 1 of the Sherman Act do not constitute acquisitions within the meaning of section 3(a) of the Act. It is undisputed, however, that C&S acquired a five percent stock interest in each correspondent associate at the time when the operating relationships were initiated. The government's theory seems to be that the grandfather clause, if it has any meaning at all, protects only the acquisition of the five percent interest but not the relationship that has followed the acquisition. There is no logic to this reasoning. If the grandfather clause did not pro-

---

[77] The three banks are C&S Bank of Sandy Springs and C&S Bank of Chamblee, which were organized as C&S correspondent associates in 1959 and 1960, respectively, and C&S Bank of Tucker, which became a C&S correspondent associate when C&S acquired five percent of its stock in 1965.

tect the relationships that followed acquisitions or mergers, it would not provide effective protection from section 1 of the Sherman Act.

We emphasize that formal approval of the Federal Reserve Board under section 3(a) is not a condition precedent to the grandfather protection. The statute applies to acquisitions "of the kind described" in section 3(a), which includes acquisitions by bank holding companies of stock in banks. Unlike other provisions of the Bank Holding Company Act, the protection of the grandfather clause clearly extends beyond acquisitions that required prior Board approval.[78]

B. The Challenged Relationships Are Protected by the Subsidiary Exemption of Section 7 of the Clayton Act

The record in this case clearly shows that C&S caused the formation of all of the correspondent associate banks involved in this litigation, except for Tucker.[79] We have shown that C&S

---

[78] *E.g.*, section 11(b), which gives the Justice Department 30 days within which to contest Board decisions, and which was amended in 1970 so that it now covers only an "acquisition, merger, or consolidation *approved under section 3* . . ." (12 U.S.C. 1849(b) (emphasis added)). In addition, section 11(c), which authorizes banking agencies to appear as a party in certain antitrust cases, applies only to actions arising out of "any acquisition, merger, or consolidation transaction *approved by the Board under section 3 of this Act*" (12 U.S.C. § 1849(c) (emphasis added)). If Congress had intended to limit the application of the grandfather clause to transactions requiring Board approval under section 3, it would have repeated the language used in sections 11(b) and 11(c). Clearly, its intentions were broader. The grandfather clause was described as an exemption for "all bank holding company formations or acquisitions before the enactment of the provision if no litigation had been initiated at that time." 112 *Cong. Rec.* 11792 (1966).

[79] The district court made extensive findings on the dominant role played by C&S in the organization of the five banks it is seeking to acquire (J.S. App. 49a).

played the dominant role in the organization of these banks in an effort to extend C&S banking services to areas where C&S could not open branch offices. It follows that the correspondent-associate relationships are protected by the exemption for subsidiaries in section 7 of the Clayton Act. The exemption provides that nothing in the statute shall prevent a corporation "from causing the formation of subsidiary corporations in order to carry on its legitimate business, or branches or extensions thereof, provided that the effect of such formation is not substantially to lessen competition."

The subsidiary exemption has not been interpreted by the courts, and the legislative history is not helpful in determining the intent of Congress in enacting it. But it is surely significant that the exemption focuses on the *formation* and *purpose* of the subsidiary corporation rather than on the amount of stock owned by the parent corporation. The whole *purpose* for the *formation* of the correspondent associate banks by C&S was to carry on the legitimate business of C&S. The subsidiary exemption is applicable only when the effect of the formation of a new subsidiary is not to lessen competition substantially, but the government admits that the formation of the correspondent associates by C&S did not lessen competition in any way.[80]

Although the subsidiary exemption by its terms applies only to section 7 of the Clayton Act, it is basic to antitrust law that the merger proscriptions of section 7 are more stringent than those of section 1 of the Sherman Act. *E.g.*, Report of Attorney General's National Committee to Study the Antitrust Laws,

---

[80] In fact, the government admitted in the district court that it did not challenge the initial acquisitions by C&S of its five percent interest in each bank because those acquisitions "were competitively insignificant when made" (J.S. App. 64a; see App. E-744, E-817, E-752, E-821). The district court found that the government did not prove any substantial change in the relationships between the date of the initial acquisitions and the date of trial (J.S. App. 65a).

1955, p. 117. Since the formation of each correspondent associate was expressly sanctioned by section 7, it would be anomalous to conclude that the relationships that have naturally resulted from the exempt formation and purpose violate section 1 of the Sherman Act.

C. The Government Failed to Establish the Relevant Sections of the Country in Which the Competitive Effects of the Acquisitions Should Be Analyzed

The government contended in the district court that the relevant market areas were (a) the Atlanta area (consisting of DeKalb and Fulton Counties), (b) DeKalb County, (c) Fulton County, and (d) North Fulton County (that portion of Fulton County north of the Atlanta city limits). The defendants, on the other hand, produced an abundance of economic evidence showing that banking markets in the Atlanta metropolitan area are highly localized in nature (App. 622-25, 859-61) and that C&S and the five suburban banks it is seeking to acquire serve separate market areas. Even the government's own economic expert witness testified that the market areas alleged by the government were too large to constitute banking markets.[81] He testified, for example, that North Fulton County contains two rea-

---

[81] The government's economic expert testified as follows (App. 320-21):

"Q. Now, these markets which you have located for us in your affidavits, you simply have verified what the Government alleged in its complaint; haven't you?

"A. Not precisely, no.

"Q. Except in one instance, that's where you found two markets in North Fulton County?

"A. I believe there are more instances. I believe that the complaint alleges—draws some very hard lines identifying markets. For example, the complaint alleges that Fulton County is a market. That DeKalb County is a market. As I pointed out in my first affidavit, I think that DeKalb County is probably too large to constitute a banking market. The reason I

sonable approximations of banking markets (App. 321). He also expressed the view that "DeKalb County is probably too large to constitute a banking market" (App. 320). In discussing the alleged Fulton County market, the government's witness testified that the market "would probably be more valid" if the southwestern part of the county were "cut off" (App. 336). If DeKalb and Fulton Counties are each too large to be relevant banking markets, it necessarily follows that the Atlanta area, composed of DeKalb and Fulton Counties combined, is too large.

The only inference that can be drawn from the economic evidence submitted by the government in this case is that suburban banks, such as those involved in this case, are not effective competitors throughout an entire county. This inference, drawn by the government's own witness (App. 320-21, 333-34), is consistent with the evidence submitted by the appellees (App. 626-

---

believe that is that there are areas in DeKalb such as Lithonia that should not probably be considered a part of the metropolitan Atlanta, downtown Atlanta banking market. I think the Peoples Bank of Lithonia serves a different market. I think that it, should not, that part of the county should not probably be included in a rigorous definition of market.

"I believe there are also probably some eastern, some areas of the eastern boundaries of the county that should not probably be included in that market.

* * *

"Q. You found two markets in North Fulton County; is that correct?

"A. I believe that there is at least one market in North Fulton County that can be separated from the Fulton County area. There is up in the section that is roughly in the northern tip of Fulton County, there are a couple of banks, several banking offices that are found to have captured or to serve most of the customers who reside in that area. You can come down farther and find a similar pattern.

"Q. And you state at the present time it appears that the North Fulton area contains two reasonable approximations of banking markets?

"A. It may, yes."

27, 873) and leads to the ultimate conclusion that the appellee banks do not compete with each other in any section of the country (App. 626). At the very least, the government failed to prove that its alleged sections of the country are based on economic or competitive realities. For this reason alone, the judgment of the district court on the section 7 issue must be affirmed.

Clearly, the market areas alleged by the government were not correctly defined according to the standards set forth in *United States v. Connecticut National Bank*, 418 U.S. 656 (1974), decided after the trial in the present case. *Connecticut National Bank* makes clear that the government cannot argue, as it did in this case (Plaintiff's Post-Trial Brief 6), that a geographical area need not be a banking market at all to qualify as a section of the country (418 U.S. at —). Moreover, both in *Connecticut National Bank* and in the *Marine Bancorporation* case decided on the same day, this Court ruled that the relevant geographical market of an acquired bank "is the localized area in which that bank is in significant, direct competition with other banks" (418 U.S. —) and that the government must produce evidence to enable a realistic delineation of any local banking markets in which competition is alleged to be affected (*id.* at —) and cannot simply rely on standard metropolitan statistical areas or on political boundaries (*id.* at —). Here the government failed to establish any economically significant geographical markets or submarkets and instead relied on arbitrary boundaries. The government's failure to establish a relevant market in which to appraise the competitive effects of the challenged acquisitions requires affirmance of the district court's decision.

VI. CONCLUSION

For the reasons stated, we urge that the judgment of the district court in favor of the appellees be affirmed.

Respectfully submitted,

DANIEL B. HODGSON

MICHAEL A. DOYLE

WALTER M. GRANT
1200 Citizens and Southern
National Bank Building
35 Broad Street
Atlanta, Georgia 30303

RICHARD A. POSNER
1222 East 56th Street
Chicago, Illinois 60637
Counsel for Appellees

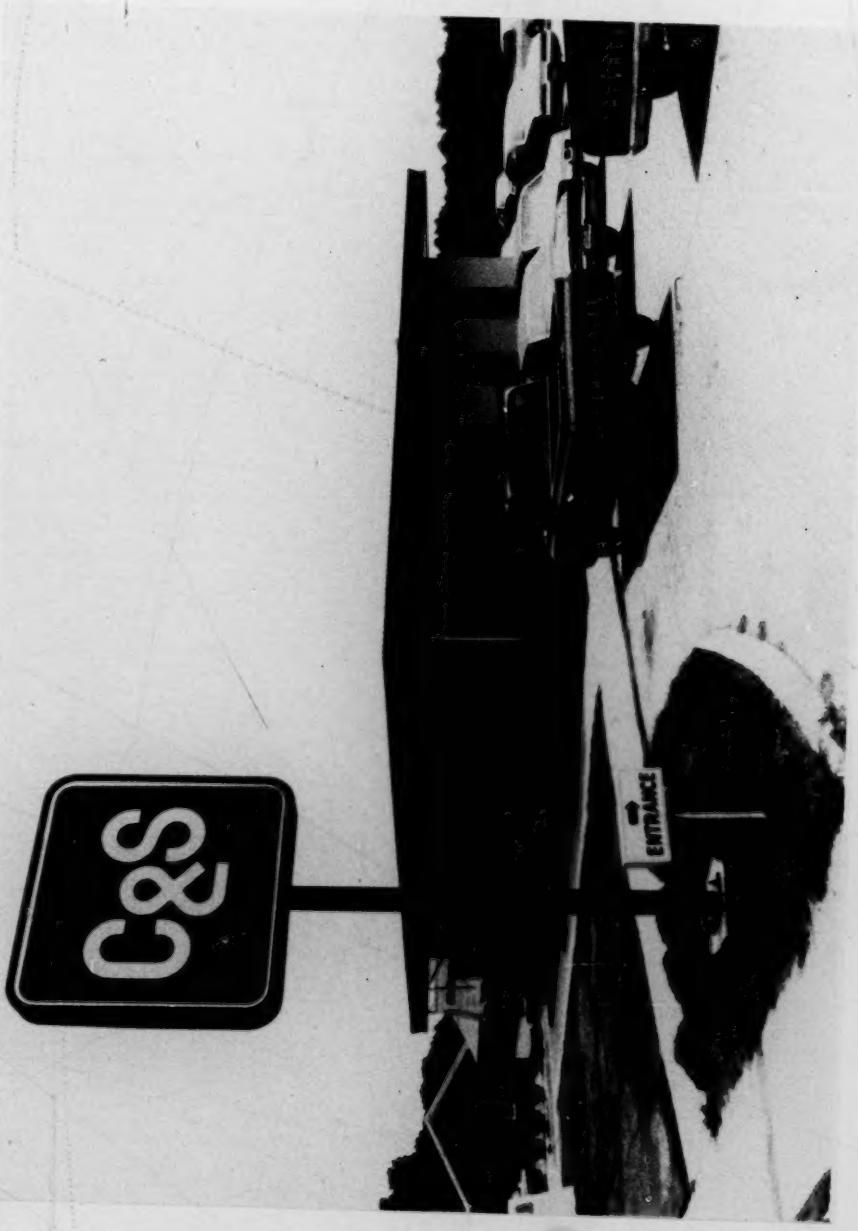
ALSTON, MILLER & GAINES
1200 Citizens and Southern
National Bank Building
35 Broad Street
Atlanta, Georgia 30303

PHILIP L. ROACHE, JR.
1150 Seventeenth Street, N. W.
Washington, D. C. 20036
Of Counsel

February 1975

FORMAL C&S BRANCH
(DX 316)

C&S CORRESPONDENT ASSOCIATE BANK
(C&S North Fulton)
(DX 316)



INDEX

	Page
Opinion below	1
Jurisdiction	1
Questions presented	2
Statutes involved	2
Statement	3
A. The defendants	3
1. The Citizens and Southern banking system	3
2. The "five-percent" defendant banks	4
B. Georgia banking law and C&S's history in the Atlanta area	7
C. C&S's relationships with the five-percent defendant banks	9
D. The Atlanta banking markets	12
E. The acquisition proposal, competitive reports, and the Federal Deposit Insurance Corporation's decision	13
F. The district court's decision	15
1. The Sherman Act claims	16
2. The Clayton Act claims	18
3. The Georgia Supreme Court's decisions concerning the invalidity of C&S's relationship with five-percent banks under state law	20
Summary of argument	21
Argument:	
I. The arrangement between C&S and the legally-independent five-percent banks, whereby they operated as *"de facto"* branches of C&S, violates Section 1 of the Sherman Act	24
A. The arrangement is an agreement under Section 1 of the Sherman Act	24
1. The five-percent banks are and must be treated as independent competitive entities	24

568-264—75——1

Argument—Continued Page

2. The challenged arrangement constitutes an agreement to eliminate price and service competition between C&S and the five-percent banks 32

B. The *de facto* branch arrangement challenged here is materially different from an ordinary correspondent bank relationship 36

C. C&S's role in organizing the five-percent banks does not make the arrangement lawful 38

D. C&S's purpose of avoiding the limitations of state law does not justify its arrangements with the five-percent banks 43

II. The Bank Holding Company Act does not give the Federal Reserve Board exclusive primary jurisdiction over the conduct challenged in the Sherman Act claim 44

III. Section 7 of the Clayton Act prohibits C&S's acquisition of the five-percent banks 52

Conclusion 62

CITATIONS

Cases:

Anderson v. *Abbott*, 321 U.S. 349 ..... 28, 31

Berkey v. *Third Ave. Ry.*, 244 N.Y. 84, 155 N.E. 58 28

Brown Shoe Co. v. *United States*, 370 U.S. 294 ..... 54, 61

California v. *Federal Power Commission*, 369 U.S. 482 49

Citizen Publishing Co. v. *United States*, 394 U.S. 131 ..... 40, 42

Citizens & So. Nat'l Bank v. *Independent Bankers Ass'n of Ga., Inc.*, 202 S.E. 2d 78 ..... 20, 44

Consolidated Rock Prods. Co. v. *Du Bois*, 312 U.S. 510 28

Ekco Prods. Co. v. Federal Trade Commission, 347 F. 2d 745 56

First City Bankcorp. of Texas—Meyerland Bank, 69 F.R.B. 506 61

First Int'l Bancshares, Inc.—University State Bank, 59 F.R.B. 813 61

First Tulsa Bancorp—Southeastern State Bank, 58 F.R.B. 289 61

Florida Bancorp—Lighthouse Point Bank, 59 F.R.B. 816 61

Cases—Continued

	Page
Hughes Tool Co. v. *Trans World Airlines, Inc.*, 409 U.S. 363	50
Independent Bankers Ass'n of Ga., Inc. v. *Dunn*, 230 Ga. 345, 197 S.E. 2d 129	20, 58
Interstate Circuit, Inc. v. *United States*, 306 U.S. 208	33, 35
Kiefer-Stewart Co. v. *Joseph E. Seagram & Sons, Inc.*, 340 U.S. 211	30, 57
National Labor Relations Board v. *Deena Artware, Inc.*, 361 U.S. 398	29
Merrill Lynch, Pierce, Fenner, Smith, Inc. v. *Ware*, 414 U.S. 117	50
Michigan Nat'l Corp.—First Nat'l Bank of East Lansing, 59 F.R.B. 819	61
Nelson Radio & Supply Co. v. *Motorola, Inc.*, 200 F. 2d 911	30
Northern Secs. Co. v. *United States*, 193 U.S. 197	30
Otter Tail Power Co. v. *United States*, 410 U.S. 366	49, 50
Pan American World Airways, Inc. v. *United States*, 371 U.S. 296	49, 50
Pepper v. *Litton*, 308 U.S. 295	28
Perma Life Mufflers, Inc. v. *International Parts Corp.*, 392 U.S. 134	30, 57
Schenley Distillers Corp. v. *United States*, 326 U.S. 432	30
Silver v. *New York Stock Exch.*, 373 U.S. 341	49
Steven v. *Roscoe Turner Aeronautical Corp.*, 324 F. 2d 157	29
Taylor v. *Standard Gas & Elec. Co.*, 306 U.S. 307	28
Times-Picayune Publishing Co. v. *United States*, 345 U.S. 594	39
Timken Roller Bearing Co. v. *United States*, 341 U.S. 593	30
United States v. *Aluminum Co. of America*, 377 U.S. 271	56
United States v. *Bausch & Lomb Optical Co.*, 321 U.S. 707	33, 35
United States v. *Borden Co.*, 308 U.S. 188	49
United States v. *Container Corp. of America*, 393 U.S. 333	22, 33, 34, 36
United States v. *E. I. du Pont de Nemours & Co.*, 353 U.S. 586	54

Cases—Continued Page

United States v. *General Dynamics Corp.*, 415 U.S. 486 24, 56, 61

United States v. *General Motors Corp.*, 384 U.S. 127 33, 35, 36

United States v. *Marine Bancorp.*, No. 73-38, decided June 26, 1974 18, 24, 38, 39, 56, 59

United States v. *Masonite Corp.*, 316 U.S. 265 33, 35

United States v. *New Orleans Chapter, Assoc'd Gen'l Contractors*, 382 U.S. 17, reversing *per curiam* 238 F. Supp. 273 39

United States v. *Parke Davis & Co.*, 362 U.S. 29 34

United States v. *Penn-Olin Chem. Co.*, 378 U.S. 158 61

United States v. *Philadelphia Nat'l Bank*, 374 U.S. 321 48, 49, 50, 52, 56, 61

United States v. *Phillipsburg Bank & Trust Co.*, 399 U.S. 350 53

United States v. *Radio Corp. of America*, 358 U.S. 334 49

United States v. *Singer Mfg. Co.*, 374 U.S. 174 22, 33

United States v. *Socony-Vacuum Oil Co.*, 310 U.S. 150 34, 39

United States v. *Trans-Missouri Freight Ass'n*, 166 U.S. 290 50

United States v. *Trans Texas Bancorp.*, CCH 1972 Trade Cases 74,257, affirmed, 412 U.S. 946 19, 25, 54, 55

United States v. *Yellow Cab Co.*, 332 U.S. 218 30

Whitney Nat'l Bank v. *Bank of New Orleans & Trust Co.*, 379 U.S. 411 16, 22, 51

Statutes and regulations:

Bank Holding Company Act of 1956, 70 Stat. 133, as amended, 12 U.S.C. 1841, *et seq* 16, 22, 44, 45

12 U.S.C. 1841(a) 46

12 U.S.C. 1841(d) 46

12 U.S.C. 1842 46, 47, 48

12 U.S.C. 1842(a) 47, 48

12 U.S.C. (1958 ed.) 1842(c) 52

12 U.S.C. 1844(a) 3

12 U.S.C. (1958 ed.) 1846 52

12 U.S.C. 1849(a) 47

12 U.S.C. 1849(b) 47, 48

Statutes and regulations—Continued Page
Bank Holding Company Act—Continued
12 U.S.C. 1849(d) 48
12 U.S.C. 1849(e) 48
12 U.S.C. 1971 47
12 U.S.C. 1972 47
12 U.S.C. 1978 47
Bank Holding Company Act Amendments of 1970, 84 Stat. 1766 46
Bank Merger Act of 1966, 80 Stat. 7, as amended, 12 U.S.C. 1828, *et seq.*:
12 U.S.C. 1828(c) 13
12 U.S.C. 1828(c)(2)(C) 14
12 U.S.C. 1828(c)(4) 14
12 U.S.C. 1828(c)(5)(B) 2
12 U.S.C. 1828(c)(6) 15
12 U.S.C. 1828(c)(7) 15
12 U.S.C. 1828(c)(7)(A) 16
12 U.S.C. 1828(c)(7)(D) 15
Clayton Act, Section 7, 38 Stat. 731, as amended, 15 U.S.C. 18 2, 3, 15, 16, 20, 21, 22, 23, 40, 52, 53, 54, 55, 56, 57, 58, 59, 60
Federal Aviation Act of 1958, 72 Stat. 737, as amended, Section 414, 49 U.S.C. 1384 51
Internal Revenue Code:
26 U.S.C. 1501 31
26 U.S.C. 1504 31
Sherman Act, 26 Stat. 209, as amended:
Section 1, 15 U.S.C. 1 2, 3, 14, 15–16, 17, 21, 23, 34, 35, 36, 39, 42, 43, 54
Section 2, 15 U.S.C. 2 47
Georgia Bank Holding Company Act, Ga. L. 1956 8
Ga. Code Ann. 13-203(c) (Cum. Supp. 1972) 8
Ga. Code Ann. 12-207(a) 8
17 C.F.R. 210.1-02(l) 31
17 C.F.R. 210.4-02(a)(1) 31
17 C.F.R. 210.4-07 31

Miscellaneous: Page

Austin and Solomon, *A New Antitrust Problem: Vertical Integration in Correspondent Banking*, 122 U. Pa. L. Rev. 366 (1974) ---- 37
Berle, *The Theory of Enterprise Entity*, 47 Colum L. Rev. 343 (1947) ---- 28
Douglas & Shanks, *Insulation from Liability through Subsidiary Corporations*, 39 Yale L.J. 193 (1929) ---- 29
H.R. 6227, 84th Cong., 1st Sess. ---- 45
Knight, *Correspondent Banking, Pt. I, Balances & Services*, Monthly Review of The Federal Reserve Bank of Kansas City (November 1970) ---- 37
Powell, *Parent and Subsidiary Corporations* (1931) ---- 29
Stevens, *Corporations* (2d ed. 1949) ---- 29
Correspondent Relations: A Survey of Banker Opinion, Subcommittee on Domestic Finance, House Committee on Banking and Currency, 88th Cong., 2d Sess. ---- 37
S. 2577, 84th Cong. 1st Sess. ---- 45
S. Rep. No. 1095, 84th Cong., 1st Sess. ---- 45
Wixon, Kell, Bradford, *Accountants Handbook* (5th ed. 1970) ---- 31

In the Supreme Court of the United States

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA, APPELLANT

v.

CITIZENS AND SOUTHERN NATIONAL BANK, ET AL.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA

BRIEF FOR THE UNITED STATES

OPINION BELOW

The district court's findings of fact, conclusions of law and order (J.S. App. A, 1a–69a) are reported at 372 F. Supp. 616.

JURISDICTION

The judgment of the district court (J.S. App. A, 69a) was entered on January 25, 1974. The notice of appeal to this Court (J.S. App. C, 73a–74a) was filed on March 25, 1974. On April 16, 1974, Mr. Justice Powell extended the time for docketing the appeal to June 24, 1974, and the appeal was docketed on that date. The Court noted probable jurisdiction on Oc-

tober 21, 1974 (App. E–1842).[18] The jurisdiction of this Court is conferred by Section 2 of the Expediting Act, 15 U.S.C. 29.

QUESTIONS PRESENTED

1. Whether arrangements whereby six separate and independent banks operate as *de facto* branches of a larger independent bank competing in the same markets, and pursuant to which each such bank and the larger bank exchange information and other resources and jointly determine competitive strategy, violate Section 1 of the Sherman Act.

2. Whether the Bank Holding Company Act of 1956 ousts antitrust courts of jurisdiction to determine the foregoing question, by vesting exclusive jurisdiction over such issues in the Board of Governors of the Federal Reserve System.

3. Whether the acquisition by the largest bank in the Atlanta area of five independent banks there, which are not acting as competitors because they have undertaken to operate as its *de facto* branches, violates Section 7 of the Clayton Act.

STATUTES INVOLVED

Section 7 of the Clayton Act, 38 Stat. 731, as amended, 15 U.S.C. 18; Section 1 of the Sherman Act, 26 Stat. 209, as amended, 15 U.S.C. 1; and Subsection 5(B) of the Bank Merger Act of 1966, 80 Stat. 8, as amended, 12 U.S.C. 1828(c)(5)(B), are set forth in Appendix E to the jurisdictional statement (J.S. App. 88a–89a).

[18] The appendix volumes containing exhibits have been separately paginated. "App. E" references are to the exhibit volumes. "App." references are to the other appendix volumes.

STATEMENT

The United States filed this civil antitrust action challenging the relationships between the Citizens and Southern banking organization ("C&S" or the "C&S System"), the largest banking organization in Atlanta, Georgia, and six legally-independent banks in the Atlanta suburbs, which voluntarily operate as *de facto* branches of C&S, as violating Section 1 of the Sherman Act. The complaint also challenged C&S's proposed acquisition of five of these banks, pursuant to agreements entered into in 1970, as violating Section 7 of the Clayton Act. After trial on the merits, the district court entered judgment for the defendants, appellees here (J.S. App. 1a–69a).

A. THE DEFENDANTS

1. *The Citizens and Southern Banking System.* The C&S System consists of Citizens and Southern National Bank ("C&S National"), its wholly-owned subsidiary Citizens and Southern Holding Company ("C&S Holding"), and eight banks operating in Georgia in which C&S Holding owns a majority stock interest (J.S. App. 2a–3a; DX 266, p. 116; App. E–457).

C&S National, the lead bank in the C&S System, is also a registered bank holding company under federal law (J.S. App. 2a). See 12 U.S.C. 1844(a). Its home office is in Savannah but it operates more than 60 banking offices in six Georgia cities, about 40 of which are located in the Atlanta area (J.S. App. 2a).

Through C&S Holding, the C&S System presently owns a majority stock interest in three state-chartered

banks in the Atlanta area which operate a total of ten offices there. The challenged acquisitions are to be made by two of these banks: "C&S Emory" and "C&S East Point" (J.S. App. 2a–4a, 6a).

C&S's combined assets of $1.7 billion, combined deposits of $1.4 billion, and combined loans and discounts of $1.1 billion as of June 30, 1970, made it Georgia's largest banking organization. In the Atlanta area, C&S on December 31, 1971, had deposits of approximately $1 billion. Its 30 percent share of the total deposits held by the 31 banking organizations operating there made it the largest in the Atlanta area (J.S. App. 2a, 38a–40a).

2. *The "Five-Percent" Defendant Banks.* Between 1957 and 1969, C&S assisted in the organization of a number of independent banks in the Atlanta suburbs. C&S Holding acquired a five percent stock interest in these banks when they were organized, and they are sometimes referred to as the "five-percent banks" (see pp. 5–7, *infra*). There is no dispute that: these five-percent banks are, and always have been, legally-independent institutions (in contrast, for example, to the banks in which C&S Holding owns a majority stock interest, such as C&S Emory and C&S East Point); the management of each five-percent bank owes fiduciary obligations to all of that bank's stockholders; each five-percent bank has the capacity or power to make its competitive decisions independently of C&S; and insofar as the management of each five-percent bank submits to the direction of C&S it does so voluntarily (see pp. 6–12, *infra*). Indeed, appellees have referred to the relationship between C&S and the

five-percent banks as one of "voluntary control" (see, *e.g.,* Defendants' Memorandum Regarding Effect of the Citizens and Southern National Bank, et al. v. Independent Bankers Association of Georgia (Supreme Court of Georgia, November 15, 1973) [202 S.E. 2d 78], dated November 16, 1973, p. 5 ("Memorandum Regarding Effect")).

By means of this "voluntary control" the five-percent banks are operated as though they are branches in the C&S System; thus, although the five-percent banks are legally independent, C&S refers to them as its *de facto* branches (see, *e.g.,* DX 267, p. 2; App. E–462).

Each of the five-percent banks C&S proposes to acquire has "a large number of shareholders * * * and no single shareholder owns a significant number of the shares of any such bank" (J.S. App. 43a).

Sandy Springs. Sandy Springs is a community in Fulton County adjoining the north side of the City of Atlanta. Organized in 1959, the Citizens National Bank of Sandy Springs began operating in 1960. In 1969 it converted from a national to a state-chartered bank and adopted the name Citizens and Southern Bank of Sandy Springs. It has one office, and had assets of $22 million, deposits of $19 million and net loans and discounts of $11.7 million as of December 31, 1970 (*id.* at 5a–6a).

Chamblee. Chamblee is located northeast of Atlanta in DeKalb County. The Chamblee National Bank, organized in 1960, converted in 1969 from a national to a state-chartered bank and adopted the name Citizens and Southern Bank of Chamblee. It has two

offices, and had assets of $21.1 million, deposits of $18.7 million, and loans and discounts of $10.7 million as of December 31, 1970 (*id.* at 4a).

North Fulton. The Citizens and Southern Bank of North Fulton, a state-chartered bank, was organized in 1967 in a community in the portion of Fulton County north of Atlanta. It has one office, and had assets of $7.7 million, deposits of $6.3 million and loans and discounts of $5.6 million as of December 31, 1970 (*id.* at 5a).

Park National. Citizens and Southern Park National Bank was organized in 1967 in Executive Park, located north of Atlanta in DeKalb County. It has one office, and had assets of $11.1 million, deposits of $9.8 million, and loans and discounts of $3.5 million as of December 31, 1970 (*id.* at 4a).

South DeKalb. Citizens and Southern South DeKalb Bank, a state-chartered bank, was organized in 1969 southeast of Atlanta in DeKalb County. It has two offices, and had assets of $5.1 million, deposits of $4.3 million, and loans and discounts of $2.1 million as of December 31, 1970 (*id.* at 4a–5a).

The five banks that C&S proposes to acquire operate seven offices, all in the Atlanta metropolitan area. Combined, they had total assets of $67 million, total deposits of $58.1 million, and total loans and discounts of $33.6 million, as of December 31, 1970. The combined deposits of these banks as of December 31, 1971 ($71.1 million (*id.* at 40a)) are exceeded by only five banks in the Atlanta area, including C&S (*ibid.*), and "Sandy Springs and Chamblee are, alone, the tenth and eleventh largest banking organizations in the Atlanta area, respectively" (*ibid.*).

Tucker. Another five-percent bank, Citizens and Southern Bank of Tucker ("Tucker Bank"), is a defendant in this suit. Tucker Bank, a state-chartered bank located northeast of Atlanta in Tucker, in DeKalb County, and chartered as Bank of Tucker in 1919, was in existence long before its association with C&S in 1965. In that year C&S Holding purchased five percent of the stock of Bank of Tucker, which then adopted its present name. It has two offices and had assets of $26.5 million, deposits of $23 million, and loans and discounts of $14.8 million as of December 31, 1970 (J.S. App. 5a).

Since 1965 Tucker Bank, like the other five-percent defendant banks, has operated as a *de facto* branch in the C&S System (see DX 267, p. 2; App. E–462). It is involved only in the Sherman Act aspect of this case, because the Federal Deposit Insurance Corporation ("FDIC") disapproved C&S's application to acquire it, although its relationship with C&S as a *de facto* branch continues despite criticism by FDIC.[1]

B. GEORGIA BANKING LAW AND C&S'S HISTORY IN THE ATLANTA AREA

Prior to 1927 Georgia permitted statewide branching, and C&S National, whose home office is in Savannah, established three branches in Atlanta. Georgia prohibited branching in 1927, but in 1929 it amended

[1] The FDIC characterized the relationship between C&S and Tucker Bank as being "anticompetitive in its origins" but assumed that it could be terminated only by "compulsory process" (GX 33D, pp. 2–3; App. E–8—E–9).

the branching law to permit banks to open branches in the cities in which their home offices were located (J.S. App. 7a–10a). This amendment, which remained in effect until 1960, precluded C&S National from opening additional branches in Atlanta.

Until 1956, however, Georgia law did not prohibit bank holding companies. Between 1946 and 1954, C&S Holding, formed in 1927, acquired the stock of two banks in the Atlanta area (C&S East Point and C&S DeKalb) and C&S formed a third bank (C&S Emory), virtually all of whose stock is owned by C&S Holding (*id.* at 9a–10a).

Enacted in 1956, the Georgia Bank Holding Company Act, Ga. L. 1956, pp. 309–312, prohibited any holding company from acquiring more than fifteen percent of a bank's stock, and a 1960 amendment further limited such ownership to five percent. Ga. Code Ann. 13–207(a) (J.S. App. 8a). See also p. 20, *infra*.

In 1965, Georgia authorized branching within the limits of any city in which a bank had an office; in 1970 it authorized branching, beginning in 1971, in any county in which a bank has an office. Ga. Code Ann. 13–203(c) (Cum. Supp. 1972). The city of Atlanta covers parts of Fulton and DeKalb counties and prior to 1971 C&S had branches in Atlanta located in both counties. The 1971 amendment of Georgia's branching law thus permitted C&S, for the first time, to open branches in Fulton and DeKalb Counties beyond Atlanta's city limits, and it has done so (J.S. App. 8a, 10a). The 1971 amendment also made the

five acquisitions challenged here possible under state law.

C. C&S'S RELATIONSHIPS WITH THE FIVE-PERCENT DEFENDANT BANKS

In seeking regulatory approval for its acquisitions of the five-percent defendant banks, and in defending this lawsuit, C&S has relied heavily on the existing relationships between it and those banks. It has characterized the five-percent defendant banks as *de facto* branches of C&S (DX 266, pp. 2–3; App. E–340—E–341; DX 267, pp. 2–3; App. E–462—E–463), and has asserted that the operation of these banks as though they are in fact branches of C&S has been achieved by means of "voluntary control" (see p. 4, *supra*). The existence of these relationships, C&S maintains, precludes a finding that the acquisitions will have anticompetitive effects.

The five-percent defendant banks are in fact operated as C&S branches. Appellees stated in their post-trial brief (p. 26) that the five banks it proposes to acquire (termed "correspondent associates" by C&S) "are operated in all significant respects as C&S branches. There is an abundance of testimony showing that there are no significant differences between the C&S correspondent associate banks and C&S National's branches."

This *de facto* branch relationship is the product of the five-percent defendant banks' willingness to be "controlled" by C&S, *i.e.*, the relationship exists because of an understanding or agreement between the parties. As appellees explained below: "The existing relationships were and are sought, valued, and main-

tained by the 5% banks. * * * [C&S has] responded by offering counsel, assistance and advice. * * * [T]hese relationships have resulted in noncompetition between and among defendant banks. The relationships have endured and persisted * * * with the clear and explicit understanding of all parties" (Memorandum Regarding Effect, *supra*, p. 5.) Although the officers and directors of the five-percent defendant banks have the ultimate legal authority to make decisions respecting their banks, appellees pointed out that "the shorthand description of the relationships claims only 'voluntary control' " (*id.* at 5).

The *de facto* branch relationship includes joint determination of competitive strategy by C&S and its *de facto* branches, particularly mutual determinations concerning rates and prices. This was accomplished by exchanges of competitive information, which resulted in such non-competitive uniformity that appellees stated in their post-trial brief (p. 40) "that the defendant banks represent, in effect, a single economic enterprise." For example, memoranda C&S circulated to the five percent defendant banks stated:

> Let's * * * get the rates [on loans] up where they belong [*i.e.*, "rates suggested by the new rate chart"]. [GX 116; App. E–133.]
>
> There could be exceptions to these guidelines [on residential construction loan rates] and if so, they should be cleared through [C&S] Branch Supervision.
>
> In the case of commercial construction loans [C&S] Real Estate Department for the going rate. [GX 120; App. E–139.]

Either the five-percent bank or C&S is free to terminate the existing relationship and to resume or

establish "*de facto*" independence, with or without an ordinary correspondent relationship, as was in fact done by Citizens and Southern Bank of Stone Mountain ("Stone Mountain").

Stone Mountain was organized in 1957 with some assistance by C&S, albeit not as much as in the cases of the other five-percent defendant banks whose organization it assisted (App. 357–361, 368–369, 373, 395–397, 414, 420–423). C&S Holding acquired five percent of Stone Mountain's stock in 1959, and in 1966 the bank changed its name to Citizens and Southern Bank of Stone Mountain, thus becoming a "correspondent associate" of C&S like the five-percent defendant banks.

---

[2] Such memoranda also stated:

> The discount rate increased from 4¾% to 5% effective July 19th. The commercial loan rate chart distributed to you last week carried the old rate of 4¾%. * * * [T]his rate chart reflects minimum rates * * *. [GX 115; App. E–132.]
>
> Let's plan to start keeping our drive-in windows open until four o'clock at every location just as quickly as this can be arranged. [GX 123; App. E–142.]

Another example concerns the establishment of uniform checking account charges. In February 1970, C&S National notified the five-percent banks of its intent to raise its service charges on regular checking accounts in Atlanta, with no date being then specified (GX 188; App. E–240). At that time some of the five-percent banks had service charge schedules different from (usually lower than) C&S National's (DX 302, pp. 2–8; App. E–842—E–848). But on April 1, 1970, every defendant bank adopted identical charges for both regular and special checking accounts (*ibid.*).

See also GX 107–114, 117–119, 121, 122, 125–128, 134, 136, 138–140, 142, 148, 151, 153, 189, 190; App. E–121—E–131, E–134—E–138, E–140, E–141, E–145—E–152, E–155, E–156—E–160, E–161, E–162—E–163, E–164, E–165, E–241, E–242.

568–264—75——3

That bank, however, later declined C&S's offer to acquire it, and has since become completely independent of C&S's influence and no longer uses the C&S name (App. 151–152, 154, 156–157, 165–166, 176–177, 357–359, 369, 395–396, 444). Appellees asserted in their post-trial brief (p. 40) that the difference between C&S's relationship with Stone Mountain and its relationship with the five-percent defendant banks was chiefly one of "attitudes;" Stone Mountain's officials did not permit C&S to manage their bank.[3]

D. THE ATLANTA BANKING MARKETS

The Clayton Act count of the complaint alleged that the proposed acquisitions may substantially lessen competition and would increase concentration (a) in the Atlanta area, consisting of DeKalb and Fulton Counties, in which the City of Atlanta lies; (b) in DeKalb and Fulton Counties separately; and (c) in north Fulton County. Within each of the government's proposed markets, which the district court accepted for "purposes of discussion" (J.S. App. 30a–31a), commercial banking is highly concentrated. For example, in the Atlanta area, the top two banks had 53.2 percent of total deposits and the top four had 84.2 percent. The acquisitions would increase these levels of concentration by two percent, would raise

[3] Mills B. Lane, former president of C&S National and C&S Holding (~~Tr.~~ App. 341, 343–344), was asked to compare C&S's relationship with Stone Mountain and its "voluntary control" of the defendant five-percent banks. He testified that they are as "[d]ifferent as day and night. * * * [Stone Mountain's directors] wanted to * * * [and did] tell him [Stone Mountain's president] what to do" (~~Tr.~~ App. 359–360; see also ~~Tr.~~ 396–397).

C&S's share as market leader from 30 to 32 percent and would reduce the total number of banking organizations in the Atlanta area market by one sixth, from 31 to 26. Similar effects would occur in each of the other markets.[4]

E. THE ACQUISITION PROPOSAL, COMPETITIVE REPORTS, AND THE FEDERAL DEPOSIT INSURANCE CORPORATION'S DECISION

In 1970 C&S applied to the FDIC, pursuant to 12 U.S.C. 1828(c), for approval of its proposed acquisitions of the assets and assumptions of the liabilities of the six "five percent" banks described above (DX 266; App. E–337—E–459; DX 267; App. E–460—E–571B).[5] The applications asserted that the banks to be acquired are "virtually operated and directed as *de facto* branches in the C&S system," that their "[s]tockholders, customers and competitors have recognized that fact," that the proposed acquisitions "can produce no anti-competitive results * * * since no change is contemplated—except as to form," and that, since no competition exists between C&S and the five-percent banks, no competition could be eliminated by the proposed acquisitions (DX 266, pp. 2–3; App. E–340—E–341; DX 267, pp. 2–3; App. E–462—E–463).

[4] Tables setting forth concentration levels and the effect of the acquisitions upon them in each market are contained in the district court's findings (J.S. App. 31a–40a). See also p. 53, *infra*, n. 34.

[5] The applications actually were filed by two C&S subsidiaries: C&S East Point proposed to acquire Sandy Springs Bank and North Fulton Bank, and C&S Emory proposed to acquire Chamblee Bank, Park National Bank, South DeKalb Bank and Tucker Bank. Since a substantial majority of the

Pursuant to 12 U.S.C. 1828(c)(4), the Department of Justice, the Board of Governors of the Federal Reserve System, and the Comptroller of the Currency submitted competitive reports to the FDIC concerning the proposed acquisitions (GX 38; App. E–38—E–56; DX 318; App. E–1822—E–1825; DX 317; App. E–1816—E–1821). The Board of Governors and the Comptroller reported that the acquisitions would not have anticompetitive effects. The Department, after initially also so reporting as to all but Tucker Bank,[6] concluded after further investigation that all six proposed acquisitions "would have a significantly adverse effect on competition" (GX 38, p. 17; App. E–54).[7]

---

two acquiring subsidiaries' stock is owned by C&S Holding, the proposed acquisitions are in substance acquisitions by C&S and have been consistently treated as such (J.S. App. 6a). As each of the acquiring banks is a "nonmember [of the Federal Reserve System] insured bank," the FDIC is responsible for approving the acquisitions in the first instance. 12 U.S.C. 1828(c)(2)(C).

[6] The Department had initially reported that the acquisition by C&S of the five banks C&S had assisted in organizing would have no adverse effect on competition because they had always been "affiliated" with C&S, but that the acquisition of Tucker Bank would injure competition because it had previously been independent. The initial reports were based on the erroneous assumption that, from the time they were organized, C&S completely controlled the "affiliated" banks it sought to acquire and that the latter banks had never been independent competitors. A subsequent field investigation, prompted by information received after the initial reports were submitted, revealed that the assumption of complete control was not correct (GX 38, pp. 3–4; App. E–40—E–41).

[7] The only issue before the FDIC was whether to approve the proposed acquisitions; it was not called upon to determine whether the existing arrangements between C&S and the five-percent banks violate Section 1 of the Sherman Act.

On October 4, 1971, the FDIC approved the acquisition by C&S of the five banks it had assisted in organizing (GX 33B; App. E–1—E–4; GX 33C; App. E–5—E–6), concluding that they do not and never did compete with each other or with C&S (GX 33B, p. 2; App. E–2; GX 33C, p. 2; App. E–6). The FDIC disapproved, however, the acquisition of Tucker Bank (GX 33D; App. E–7—E–9). The FDIC found that, because of the "close * * * working relationship" between the two banks, C&S's acquisition of Tucker Bank would not eliminate any existing competition and that voluntary disaffiliation is unlikely. Nevertheless, it denied approval because "the present affiliation was anticompetitive in its origins and should not now be ratified by the * * * [FDIC's] approval" of the merger (*id.* at 3). It also suggested that disaffiliation depends on "compulsory process to sever the C&S relationship with this bank, rather than the denial of the [acquisition] application * * *" (*id.* at 2).

F. THE DISTRICT COURT'S DECISION

On November 2, 1971, within the 30-day period prescribed for such suits (12 U.S.C. 1828(c)(6), (7)), the United States filed this action. The complaint alleged that C&S's consummation of the five acquisitions approved by the FDIC[8] would violate Section 7 of the Clayton Act, and that C&S and the six five-percent defendant banks (including Tucker Bank) had entered into a combination pursuant to which they

[8] The FDIC did not exercise its statutory right to intervene as a party defendant, 12 U.S.C. 1828(c)(7)(D).

have jointly determined the competitive strategy of each bank in violation of Section 1 of the Sherman Act (App. 9–23). The complaint sought injunctive relief to prohibit the acquisitions and to terminate the Section 1 violations. Pursuant to 12 U.S.C. 1828(c)(7)(A), the commencement of the action automatically stayed the effectiveness of the FDIC's approval and, hence, consummation of the acquisitions.[9]

Following a trial on the merits, the district court entered judgment for the appellees on both the Section 1 and Section 7 claims.

1. *The Sherman Act claims.* The district court held that the Board of Governors of the Federal Reserve System had "exclusive primary jurisdiction" under the Bank Holding Company Act of 1956, 70 Stat. 133, as amended, 12 U.S.C. 1841, *et seq.*, over all questions presented under the Sherman Act concerning the legality of the relationship between C&S and the six five-percent banks. Citing *Whitney Nat'l Bank* v. *Bank of New Orleans & Trust Co.*, 379 U.S. 411, the court ruled that the doctrine of "exclusive primary jurisdiction is applicable * * * not only to questions of organization, but also to questions of operation of banks by bank holding companies" (J.S. App. 26a).

Alternatively, the court held that no violation of Section 1 had been established. Apparently accepting

[9] The district court denied appellees' motions to lift the stay prior to trial and after trial. Mr. Justice Powell denied appellees' motion to lift the stay after the appeal was docketed in this Court.

the premise that the five-percent defendant banks are legally-independent banking institutions, the court, in its analysis of the Section 1 claims, made no finding as to initial responsibility for organization of the five banks in whose creation C&S had participated (see *id.* at 10a). It noted, however, that "C&S's involvement was prompted by hope that it would be the forerunner of much larger interests in the future. It is also clear that such initial C&S participation effectively precluded *ab initio* any real competition between the C&S System and the five percent defendant banks" (*id.* at 11a.). The court also found that C&S's advice and suggestions with respect to rates, hours of operation, types of loans to discourage, and minimum loan rates were generally followed, but concluded that these activities do not amount to collusive price fixing or market division, and hence are not *per se* violations of Section 1 (*id.* at 23a–25a).

Applying the "rule of reason," the court found no adverse effects upon competition nor any significant difference from an ordinary correspondent relationship between banks (*id.* at 29a):

> There is no evidence of record to conclude that the utilization by the five percent defendant banks of the services or information received by them from C&S National or C&S Holding was a result of any tacit or explicit combinations rather than the natural deference of the recipient to information from one with greater expertise or better sources.

In sum, the court concluded that the difference between the challenged arrangement and the usual rela-

tionship between correspondent banks was "merely one of degree" (*id.* at 28a).

2. *The Clayton Act claims.* By contrast, the court's rejection of the Clayton Act claims rested upon the contrary proposition that the relationship between C&S and each five-percent bank was unlike "the normal correspondent banking relationship" in that it was "much closer" (J.S. App. 49a), so that "there is no presently existing substantial competition between the five percent defendant banks and C&S National, or *inter sese,* or with third parties, which would be affected by the proposed merger" (*id.* at 66a).

The court found that C&S had been intimately involved in all aspects of the banks' establishment; that the chartering agencies knew that each bank would be affiliated with a large bank and relied on this fact in granting a charter; and that C&S officials had stock interests in excess of five percent.[10] The court found that C&S had: furnished the president

[10] The court appears to have concluded that C&S's relationship with the five-percent banks was the type endorsed by the government in its jurisdictional statement in *United States* v. *Marine Bancorp.*, No. 73-38, decided June 26, 1974 (J.S. App. 22a-23a, 29a). It also concluded that in 1968 the Department of Justice had acquiesced in the relationship between C&S and the five-percent banks by failing to challenge it after participating in an understanding reached during an investigation by the Federal Reserve Board staff to determine whether C&S had violated the Bank Holding Company Act of 1956 (J.S. App. 27a). The understanding provided that C&S would not be deemed to control a majority of the Board of Directors of a five-percent bank by reason of its furnishing a principal operating officer, that officer's purchase of additional shares, or its placing of one or two directors on the bank's board, if they were not a majority (see J.S. App. 18a-19a).

and other managing officials of each bank; selected directors; arranged for the banks to use the C&S name and logo to increase their public identification with C&S; provided accounting services; set up the same credit administration and controls as for C&S branches; provided for regular credit meetings with C&S officers and affiliates; furnished the five-percent banks with C&S guides and manuals; provided an advisory director to meet with each bank's board of directors; supervised their operations through C&S's branch supervision department; and arranged for customer services to be handled as if each bank were a branch of C&S (*id.* at 42a–55a).

The court found that this relationship "is principally a matter of such intangible factors as the intentions of the principals, and that stock ownership is merely one manifestation along with various implementing operating procedures" (*id.* at 65a), so that "stock ownership is not the most important cement, nor is [it] even necessary to the maintenance of these strong relationships * * *" (*id.* at 55a).

Citing *United States* v. *Trans Texas Bancorp.*, CCH 1972 Trade Cases ¶ 74,257 (W.D. Tex.), affirmed, 412 U.S. 946, the court held that the absence of substantial competition between parties to a proposed horizontal merger precludes a finding that the merger may substantially lessen competition. In the court's view, "it makes no difference whether this absence of competition results from a legally effective stock ownership control, as in *Trans Texas,* or from the more intangible factors present here. It is the absence of

competition which is the crucial factor in a Section 7 case, not the underlying factors producing that situation" (J.S. App. 66a). On this basis it concluded that none of the acquisitions would violate Section 7.

3. *The Georgia Supreme Court's decisions concerning the invalidity of C&S's relationship with five-percent banks under state law.*

Prior to the decision of the district court, the validity, under state law, of the relationship between C&S and a number of five-percent banks (including C&S South DeKalb) was challenged in the Georgia courts. The Supreme Court of Georgia held that C&S had exceeded the five-percent stock limitation in Georgia law, and that C&S was indirectly controlling more than five percent of the stock because of "the action of certain * * * [C&S] officers and directors in acquiring such stock, selling it to selected individuals and trusts, and in treating such banks as branch banks of Citizens and Southern." *Citizens & So. Nat'l Bank* v. *Independent Bankers Ass'n of Ga., Inc.*, 202 S.E. 2d 78, 80. See also *Independent Bankers Ass'n of Ga., Inc.* v. *Dunn*, 230 Ga. 345, 197 S.E. 2d 129. After the district court's decision in this case, the Georgia Commissioner of Banking and Finance, on remand from the Georgia Supreme Court, ordered C&S to take various steps to reduce its connections with and involvement in the affairs of all of its five-percent banks (J.S. App. 75a–87a).[11]

[11] That order provided, among other things, that C&S must terminate supervision of all five-percent banks beyond that which is available to any other bank wishing to enter a correspondent relationship; that no C&S officer or director may serve as a director or officer of a five-percent bank; that cer-

Viewing as only "technical" C&S's violations of the state banking laws, the district court considered those violations irrelevant to its assessment of the anticompetitive nature of the relationship between C&S and the five-percent banks (J.S. App. 66a–68a). In addition, after the order had been issued by the Georgia Commissioner of Banking and Finance, the district court amended its opinion *nunc pro tunc* to state that the order had no effect on the court's decision (J.S. App. 70a–72a).

SUMMARY OF ARGUMENT

This case involves the applicability of Section 1 of the Sherman Act to the relationships between C&S, the largest banking organization in the Atlanta area, and six smaller banks operating there. Under that relationship, those banks, in which C&S could legally own no more than a five-percent stock interest, are operated as though they are branches of C&S. The case also involves the applicability of Section 7 of the Clayton Act to the proposed acquisition of five of those banks by C&S.

1. Appellees argue that the banks should be viewed as if they are parent and subsidiaries in a single economic entity, and that the acquisitions would be little

---

tain C&S officers and directors who acquired stock in the five-percent banks under certain conditions must divest that stock; that C&S Holding must divest its stock in the five-percent banks if that stock, together with stock held by C&S National shareholders in the five-percent bank, exceeds five-percent of the stock of the latter bank; and that signs, advertising and similar written materials disseminated by a five-percent bank must distinguish that bank from C&S, if the C&S logo is used.

more than a formal reorganization of that situation, which would eliminate no competition. We contend that the *de facto* branch arrangements, which comprehend the joint determination of the smaller banks' competitive policies, are themselves illegal combinations or agreements which restrain competition between C&S and the five-percent banks in violation of Section 1 of the Sherman Act and which should therefore be declared invalid and enjoined. We also contend that the permanent, formal union of these banks by acquisition would violate Section 7 of the Clayton Act because, judged by traditional structural criteria, the acquisitions would give C&S control of an undue percentage share of concentrated markets and would significantly increase concentration in those markets, and because the previous elimination of competition among the banks in violation of the Sherman Act cannot constitute a defense under Section 7 of the Clayton Act.

2. In dismissing the Sherman Act claims on the ground that no agreements in restraint of trade had been proved, the court failed to give effect to this Court's decisions, such as *United States* v. *Container Corp. of America,* 393 U.S. 333, and *United States* v. *Singer Mfg. Co.,* 374 U.S. 174, respecting the elements of agreement under the Sherman Act. The court also erroneously relied on *Whitney Nat'l Bank* v. *Bank of New Orleans & Trust Co., supra,* and misapprehended the structure and purpose of the Bank Holding Company Act of 1956, 70 Stat. 133, as amended, 12 U.S.C. 1841, *et seq.,* in ruling, alternatively, that that Act gave the Federal Reserve Board "exclusive

primary jurisdiction" to consider the Sherman Act claims in this case.

3. Appellees claim that the five-percent banks, although independent entities, should be viewed as its branches, for purposes of Section 7, because they have voluntarily become its subsidiaries *de facto*. Appellees concede that, unlike a subsidiary or *de jure* branch bank, it is possible that the five-percent defendant banks would disengage from the C&S System (as Stone Mountain did) and become independent competitive factors. In defending the acquisitions they contend that that possibility is unlikely to occur because of the close existing relationships and elaborate linkages between C&S and the five-percent banks. In short, their defense to the Clayton Act claim is based upon the same arrangements challenged as violating Section 1 of the Sherman Act.

Such a defense is without merit. The purposes of both the Sherman Act and the Clayton Act would be disserved if firms in a market knew that if their anticompetitive agreements with other firms succeeded in eliminating competition they would then be able, regardless of their market shares, to merge and transmute their cartel into a permanent union. Accordingly, by reasoning that the acquisitions could not substantially lessen competition because the parties had already voluntarily eliminated it in their on-going business relations, the district court improperly rejected well-established principles governing the legality, under Section 7, of acquisitions or mergers involving competitive entities in the same market. While this Court has indicated that a *prima facie* case based on

market structure data may in some circumstances be rebutted by evidence of pro-competitive market facts or developments (see *United States* v. *Marine Bancorp.*, No. 73–38, decided June 26, 1974, slip op. 27–28; *United States* v. *General Dynamics Corp.*, 415 U.S. 486, 497–498), here the court erroneously relied upon the absence of competitive behavior resulting from a prior violation of Section 1 to overcome the case made by the government based on market shares.

ARGUMENT

I

THE ARRANGEMENT BETWEEN C&S AND THE LEGALLY-INDEPENDENT FIVE-PERCENT BANKS, WHEREBY THEY OPERATED AS "DE FACTO" BRANCHES OF C&S, VIOLATES SECTION 1 OF THE SHERMAN ACT

A. THE ARRANGEMENT IS AN AGREEMENT UNDER SECTION 1 OF THE SHERMAN ACT

The record, appellees' own submissions before the FDIC and in the district court, and the district court's findings, all establish that C&S and the five-percent defendant banks are operating pursuant to agreements or understandings that violate Section 1 of the Sherman Act.

1. The five-percent banks are and must be treated as independent competitive entities

It is undisputed that each five-percent defendant bank (including Tucker Bank) is a legally and factually independent decision-making entity, subject to control only by, and in the interests of, all of its own shareholders. C&S owns only a five-percent stock interest in these banks and, under Georgia law, cannot

directly or indirectly own or control a greater percentage. C&S therefore lacks the power legally to require the banks to conform their competitive behavior to its wishes or to prevent the banks from competing in a manner that might be inconsistent with C&S's interest.

Unlike the situation in *United States* v. *Trans Texas Bancorp., supra* (discussed at pp. 54–55, *infra*), shareholders common to C&S and the five-percent defendant banks did not have the power to control the competitive behavior both of C&S and any of the five-percent defendant banks, either through majority stock holdings or its equivalent. The stock of the five-percent defendant banks is owned by "a large number of shareholders * * * and no single shareholder owns a significant number of the shares of any such bank" (J.S. App. 43a). These shareholders have no legal or other obligation to act as agents of C&S in setting the policies of their banks.[12]

C&S has always denied having the power to control the competitive behavior of the five-percent defendant banks, a position that is consistent with the banks' legal status as independent competitive entities. Thus, C&S National's president advised the Federal Reserve Board's staff in 1968 that C&S influenced, but did not, and indeed could not, control the five-percent defend-

[12] Substantial amounts of the stock of each five-percent bank are held by persons who are presently officers or employees of C&S or other banks in the C&S System, spouses of such persons, or customers of banks in the C&S System (J.S. App. 43a–44a). None of such connections with C&S is permanent and there is no way of knowing how long they will continue. C&S cannot insure, and the district court should not have assumed, their indefinite existence.

ant banks, which were always free to pursue their own interests.[13]

The record shows that each five-percent defendant bank has an independent board of directors whose members are not officers, employees or directors of C&S or of other banks (see Plaintiff's Proposed Findings of Fact and Conclusions of Law, ¶ 1.23, p. 10; Defendants' Objections to Plaintiff's Proposed Findings of Fact, p. 11). The directors and chief officers who testified on the subject all denied that C&S can or does dictate policies or practices to them, or control their actions.[14] They say they follow C&S's advice only when they believe it is in the best interest of their banks[15]—which, as the district court found (J.S. App. 24a), is in the great majority of instances

[13] In the investigation conducted by the Federal Reserve Board's staff (described more fully at pp. 48–49, *infra*), Mills B. Lane, Jr., President of C&S National, stated that "[t]he five percent investment followed the identical philosophy of my father of *influencing by not controlling* the correspondent bank relationship" and that "I look on the use of the name Citizens and Southern [by the five-percent banks] as identity with the strong institution, *not with control* * * *" (GX 177, pp. 8–11; App. E–224—E–227). When asked what assurance C&S had that a five-percent bank using the C&S name would not engage in activities that would reflect adversely on the name, Lane acknowledged that "[t]hat is the gamble we have taken. The only misgiving I ever had about *our lack of control* is the use of this name" (*id.* at 15; emphasis supplied).

[14] Cook Dep., pp. 21–22; App. 771–772; Lane Dep., p. 23; App. 824–825; Connelly Dep., p. 17; App. 751; W. Berry Dep., p. 91; App. 732; Harris Dep., pp. 27–28; App. 792–793; Hazelrig Dep., pp. 16–17; App. 802–803; see App. 457–458.

[15] Cook Dep., pp. 21–22; App. 771–772; Lane Dep., p. 58; App. 846; Connelly Dep., p. 28; App. 758; W. Berry Dep., p. 90; App. 731–732; Harris Dep., pp. 21–22; App. 789–790; Hazelrig Dep., pp. 26–28; App. 809–810.

(see pp. 9–12, *supra*). As stated by the regional administrator of national banks, who testified as a defense witness, while the five-percent defendant banks "are under the aegis of the C&S National; yes, I must say that they are independent organizations" (App. 533).

These "independent organizations" nevertheless operate as C&S's branches—as though they are merely parts of a single economic enterprise—as appellees have consistently asserted and as the district court found (J.S. App. 42a–55a). The "relationship" between C&S and each of the five-percent defendant banks is based on their mutual agreement or understanding that the latter banks will "voluntarily" submit to C&S's direction and behave in all significant respects as if they are branches of C&S. The district court found this arrangement so pervasive—extending even to supervision of the banks by C&S's own branch department—that it concluded that the five-percent defendant banks were not significant independent competitive entities [16] (J.S. App. 66a). Although the five-percent defendant banks have the legal capacity and power to act as independent, competing entities, the district court found that, as a consequence of their relationship with C&S, "there is not presently existing substantial competition between the five-per-

[16] A C&S executive formerly in charge of branch supervision (App. 386), in stating his view of the "relationship" between C&S and the five-percent defendant banks C&S proposes to acquire, testified that "[t]here's no difference than between our relationship with the [C&S] branches and the five percenters because what we had to offer was solicited, invited, wanted, received, and our recommendations were readily accepted" (App. 397–398).

cent defendant banks and C&S National * * * " (J.S. App. 66a).

Implicit in the district court's acceptance of appellees' claim that the five-percent banks should be treated, for Sherman Act purposes, as if they were *de facto* branches of C&S, is the assumption that the separate and independent corporate identities of C&S and those banks should be disregarded and that they should all be treated as integral parts of a single business entity. Although courts sometimes "pierce the corporate veil" by ignoring formal distinctions between a corporation and its shareholders, (*e.g.*, between a parent corporation and its wholly-owned subsidiary), that is almost invariably done in order to impose liability on entities other than the corporation that took challenged action. It is quite another matter, however, to ignore the separate corporate identities of independent firms and permit them to evade a liability on the claim that they are a single entity. See generally Berle, *The Theory of Enterprise Entity,* 47 Colum. L. Rev. 343 (1947).[17]

[17] The results in cases raising the question whether corporate form should be disregarded in order to treat separate organizations as a single entity vary according to the context in which the question is raised. Many involve claims against a parent corporation by creditors of a subsidiary or by persons tortiously injured by it. The issue in such cases is whether the corporate form insulates the parent from its subsidiary's alleged liability. See, *e.g.*, *Anderson* v. *Abbott*, 321 U.S. 349, 361–363; *Berkey* v. *Third Ave. Ry.*, 244 N.Y. 84, 155 N.E. 58. Other cases involve priority relationships in corporate reorganizations between stockholders of the parent-controlled subsidiary. *E.g.*, *Taylor* v. *Standard Gas & Elec. Co.*, 306 U.S. 307, 322. See also *Pepper* v. *Litton*, 308 U.S. 295, 306–312; *Consolidated Rock Prods. Co.* v. *Du Bois*, 312 U.S. 510, 522–524. Still others involve the implementation of statutory policies. For

To the contrary, as this Court has stated, "[o]ne who has created a corporate arrangement, chosen as

---

example, separate corporate form may be disregarded for purposes of the labor laws if the facts show that several companies represented themselves to be one, the economic enterprise is in fact operated as a single entity, the separate corporate forms are simply paper arrangements, and other factors justify unitary treatment. See, *e.g.*, *National Labor Relations Board* v. *Deena Artware, Inc.*, 361 U.S. 398, 402–404. The contrary is true here. See also Stevens, *Corporations* §§ 17, 18 (2d ed. 1949); Douglas & Shanks, *Insulation from Liability through Subsidiary Corporations*, 39 Yale L.J. 193 (1929). The issue frequently turns on whether the subsidiary is the "mere instrumentality" of its parent. This will depend on factors defining the parent's degree of control over the subsidiary, as enumerated in *Steven* v. *Roscoe Turner Aeronautical Corp.*, 324 F. 2d 157, 160–161 (C.A. 7), quoting Powell, *Parent and Subsidiary Corporations* 94 (1931):

"(a) The parent corporation owns all or most of the capital stock of the subsidiary.

"(b) The parent and subsidiary corporations have common directors or officers.

"(c) The parent corporation finances the subsidiary.

"(d) The parent corporation subscribes to all the capital stock of the subsidiary or otherwise causes its incorporation.

"(e) The subsidiary has grossly inadequate capital.

"(f) The parent corporation pays the salaries and other expenses or losses of the subsidiary.

"(g) The subsidiary has substantially no business except with the parent corporation or no assets except those conveyed to it by the parent corporation.

"(h) In the papers of the parent corporation or in the statements of its officers, the subsidiary is described as a department or division of the parent corporation, or its business or financial responsibility is referred to as the parent corporation's own.

"(i) The parent corporation uses the property of the subsidiary as its own.

"(j) the directors or executives of the subsidiary do not act independently in the interest of the subsidiary but take their orders from the parent corporation in the latter's interest.

a means of carrying out his business purposes, does not have the choice of disregarding the corporate entity in order to avoid the obligations which the statute lays upon it for the protection of the public." *Schenley Distillers Corp.* v. *United States,* 326 U.S. 432, 437. The statutes involved here are aimed at preserving competition, and "[t]he corporate interrelationships of the conspirators * * * are not determinative of the applicability of the Sherman Act." *United States* v. *Yellow Cab Co.,* 332 U.S. 218, 227. In determining whether, for purposes of that Act, corporations are independent entities or mere corporate shells or divisions of the same entity, this Court has looked to the fundamental policies being vindicated as well as the indicia of corporate independence. See, *e.g., Northern Secs. Co.* v. *United States,* 193 U.S. 197, 325–328, 345–347, 355–359, 362–363; *United States* v. *Yellow Cab Co., supra,* 332 U.S. at 227–228; *Kiefer-Stewart Co.* v. *Joseph E. Seagram & Sons, Inc.,* 340 U.S. 211, 215; *Timken Roller Bearing Co.* v. *United States,* 341 U.S. 593, 598; *Perma Life Mufflers, Inc.* v. *International Parts Corp.,* 392 U.S. 134, 141–142. Under that approach, and on the record in this case, the five-percent banks are independent entities, any one of which, together with C&S, constituted the plurality of persons necessary to establish a Sherman Act "agreement." See, *e.g., Nelson Radio & Supply Co.* v. *Motorola, Inc.,* 200 F. 2d 911, 914 (C.A. 5).

In any event, the record here does not justify treating appellees as a single economic entity. Thus, ap-

"(k) The formal legal requirements of the subsidiary are not observed."

pellees concede that each of the five-percent banks is a separately-chartered and independent entity and that their directors owe fiduciary obligations to their respective shareholders and not to C&S. C&S denies that it has power to elect their directors or control their management at all; those banks, it claims, follow its suggestions only "voluntarily." It has no common officer with any of them. C&S has never represented that it is legally liable on the obligations of those banks, and it would no doubt be the first to protest if a creditor of one of the five-percent banks sought to hold C&S liable for the debt of its "*de facto*" subsidiary.

The total assets of the five-percent banks are not shown in C&S's balance sheet as an asset of C&S or treated as part of C&S's bank reserves, as would be done with subsidiaries. State and federal bank regulatory agencies do not view those assets as the property of C&S.[18] If one of those banks failed, C&S would presumably be subject to liability as a shareholder only to the extent of its five-percent interest. Cf. *And-*

[18] Sound accounting practice, which the Federal Reserve Board and other bank regulatory agencies follow, ordinarily requires that all wholly-owned subsidiaries should be included in consolidated financial statements, but that "all companies in which ownership is below 50% should, ordinarily, be excluded." Wixon, Kell, Bedford, *Accountants Handbooks* § 23.3 (5th ed. 1970). The Securities and Exchange Commission permits bank holding companies and their direct and indirect subsidiaries to file consolidated statements (17 C.F.R. 210.4–07), but prohibits consolidation of "any subsidiary which is not majority owned" (*i.e.*, whose parent owns less than 50 percent of outstanding stock). 17 C.F.R. 210.1–02(l), 210.4–02(a)(1). The Internal Revenue Code, which permits affiliated groups of corporations to file consolidated returns (26 U.S.C. 1501), requires 80 percent ownership. 26 U.S.C. 1504.

crson v. *Abbott,* 321 U.S. 349, 368–369. Finally, the claim that the banks are *de facto* subsidiaries of C&S conflicts directly with the provisions and policy of Georgia law as authoritatively interpreted by the Georgia courts (see Statement, *supra,* p. 20.).

The sole basis for C&S's claim that the banks are its "*de facto*" branches is that they have submitted to its direction and, with its agreement, hold themselves out and are operated as part of its system. But these are the very ingredients of the offense with which appellees are charged. Thus, the combination of factors that might, for some purposes, justify disregarding the separate corporate identities of the five-percent banks and the C&S System are not present here.

2. *The challenged arrangement constitutes an agreement to eliminate price and service competition between C&S and the five-percent banks*

In dismissing the Sherman Act claims on the merits, the district court did not disagree that the five-percent defendant banks are legally independent entities. It found that C&S routinely furnishes them information and advice regarding past, present and future competitive policies, methods of operation, and such specific matters as rates, hours of operation, and types of loans to be discouraged (J.S. App. 24a); that the five-percent defendant banks generally followed C&S's "advice and suggestions" (*ibid.*); and that the overall relationship between C&S and the five percent defendant banks, which was designed to and did combine these independent entities into a single economic enterprise, has eliminated competition between C&S and each of them (*id.* at 66a).

Notwithstanding these findings, the district court held that C&S's furnishing of pricing information to the five-percent defendant banks—which they generally followed—"do[es] not amount to collusive price fixing" (*id.* at 24a). According to the court, it was not "a result of any tacit or explicit combinations * * *" (*id.* at 29a), so that these practices did not *per se* violate the Sherman Act and did not unreasonably restrain trade because they do not adversely affect customers or competitors (*id.* at 27a). In so ruling, however, the district court misapplied this Court's decisions establishing standards for proof of an agreement under the Sherman Act.[19]

The entire relationship and course of conduct between C&S and the five-percent defendant banks reflects in each case a mutual understanding that the latter banks would act jointly and interdependently with C&S as its branches. There is no other explanation for: their acquiescence in a relationship that permitted an advisory C&S director to sit with their boards of directors; C&S's branch department's supervision of them and review of their goals, objectives and performance (*id.* at 52a–53a); their successful effort to identify themselves to the public through C&S's name and logo as merely interchangeable parts of the C&S System; C&S's supplying them with the

[19] *Interstate Circuit, Inc* v. *United States*, 306 U.S. 208, 226–227; *United States* v. *Masonite Corp.*, 316 U.S. 265, 275–276; *United States* v. *Bausch & Lomb Optical Co.*, 321 U.S. 707, 722–723; *United States* v. *Singer Mfg. Co.*, 374 U.S. 174, 193–195; *United States* v. *General Motors Corp.*, 384 U.S. 127, 141–145; *United States* v. *Container Corp. of America*, 393 U.S. 333, 335.

same guides, manuals, and pricing information it supplies to its *de jure* branches; or their adoption of uniform service charges in 1970 (see p. 11, *supra,* n. 2). The arrangement eliminated, or precluded the development of, any substantial competition among the appellee banks (J.S. App. 66a), and constituted a system of price fixing designed to achieve uniformity among them.

Thus, this case involves not merely the exchange of past price information which affects current pricing practices, as in *United States* v. *Container Corp. of America, supra.*[20] It shows a mutual understanding to fix actual current prices, which constitutes a classic *per se* offense. *United States* v. *Socony-Vacuum Oil Co.,* 310 U.S. 150, 221–226, n. 59; *United States* v. *Parke, Davis & Co.,* 362 U.S. 29, 47.

Two independent business entities cannot achieve a relationship by which one voluntarily undertakes to operate as a "branch" of the other, and jointly to determine prices, service and general business policy, without an agreement or understanding between them to do so. If C&S arranged voluntarily to operate its Atlanta banks as "*de facto*" branches of its largest competitor (Trust Company of Georgia), to use the name, logo, and business methods and follow the ad-

[20] In *Container* the Court held that a reciprocal arrangement among competitors to exchange information, albeit infrequently and irregularly, about past price quotations to specific customers, constituted a combination or conspiracy in violation of Section 1 of the Sherman Act, because it "chill[ed] the vigor of price competition" (393 U.S. at 337), even though the information was often otherwise available. *Id.* at 335. In the present case, price competition was not just chilled, it was eliminated.

vice of Trust Company, and if Trust Company actively furthered that plan by supervising the C&S banks and providing price information and advice, C&S and Trust Company would indubitably have entered into an agreement or understanding that violates Section 1.

The present arrangement between C&S and the independent five-percent banks accomplished the same anti-competitive objective and equally violates Section 1. Although there is no formal agreement contractually committing the appellees to the course of operation they have pursued, their informal or tacit agreement, as evidenced by their business behavior, is sufficient proof of the offense. See *Interstate Circuit, Inc.* v. *United States,* 306 U.S. 208, 227; *United States* v. *Masonite Corp.,* 316 U.S. 265, 275–276; *United States* v. *Bausch & Lomb Optical Co.,* 321 U.S. 707, 723; *United States* v. *General Motors Corp.,* 384 U.S. 127, 142–143.

The district court appears to have been influenced by the "voluntariness" of the arrangements, for it concluded that C&S's practice of providing price information to the five-percent defendant banks merely furnished an "expert appraisal" of the market to which the recipient "would naturally be expected to pay great attention" (J.S. App. 24a), and that its use resulted from the "natural deference" of the recipient rather than from an express or tacit agreement (*id.* at 29a).

Insofar as the district court concluded that the challenged relationships do not offend Section 1 because they were voluntarily entered into and maintained, it committed clear legal error. "It is of no

consequence, for purposes of determining whether there has been a combination or conspiracy under § 1 of the Sherman Act, that each party acted in its own lawful interest. Nor is it of consequence for this purpose whether * * * [the objects of the collaborative action] are lawful or economically desirable." *United States* v. *General Motors Corp., supra,* 384 U.S. at 142. Joint restraints of trade are normally motivated by self-interest, because they can be highly profitable if successful.

All understood, moreover, that the *de facto* branch arrangements are voluntary, so that "[t]here was of course freedom to withdraw from [them] * * *," as in *United States* v. *Container Corp. of America, supra,* 393 U.S. at 335, and as is true in any case in which an agreement short of an enforceable contract is sufficient to carry out a common program. In fact, the five-percent bank at Stone Mountain did withdraw from the arrangement (see pp. 11–12, *supra*).

As in *Container, General Motors,* and other cases (see p. 33, *supra,* n. 19), the necessary agreement or combination inheres in, and may be inferred from, the appellees' course of conduct. The district court's ruling that their conduct is not the result of a tacit agreement or combination is thus contrary to the decisions of this Court.

B. THE *DE FACTO* BRANCH ARRANGEMENT CHALLENGED HERE IS MATERIALLY DIFFERENT FROM AN ORDINARY CORRESPONDENT BANK RELATIONSHIP

As we have noted (see pp. 17–18, *supra*), in discussing the Sherman Act claim (but not the Clayton Act

claim), the district court characterized the difference between a correspondent relationship and the relationships or arrangements at issue here as "merely one of degree" with no significant variance between them (J.S. App. 28a). Since the government has "condoned" correspondent relationships, the district court reasoned, the incidents of that relationship cannot violate the Sherman Act (*id.* at 28a–29a). The district court's conclusion that the challenged *de facto* branch arrangements do not violate the Sherman Act is based, however, on an apparent misconception of the nature of a correspondent relationship.

There is in fact little similarity between the ordinary correspondent bank relationship and the *de facto* branch relationship involved here. A correspondent relationship is essentially a vertical relationship between banks in which a large bank furnishes services to a smaller bank,[21] and the smaller bank agrees either to maintain a "correspondent balance" with the larger bank or to pay it an agreed fee (App. 51–72, 99–113, 136–141; GX 193; App. E–251—E–267; GX 194; App. E–268). The correspondent services might include a

[21] Correspondent services may include clearing checks and transit items, loan participations, reports on money market developments, security safekeeping, international transactions, credit information, and many other matters. See generally Knight, *Correspondent Banking, Pt. I; Balances & Services*, Monthly Review of The Federal Reserve Bank of Kansas City (November 1970), p. 3; *Correspondent Relations: A Survey of Banker Opinion*, Subcommittee on Domestic Finance of the House Committee on Banking and Currency, 88th Cong., 2d Sess.; see also Austin and Solomon, *A New Antitrust Problem: Vertical Integration in Correspondent Banking*, 122 U. Pa. L. Rev. 366, 367–371 (1974).

number of the kinds of services made available by C&S to the five-percent banks.[22]

But an ordinary correspondent bank would not subject itself to C&S's direction, would not regularly interchange officers and employees with C&S, would not use the C&S name or hold itself out as part of the C&S System, and would not be so linked with C&S as to act as though it were in fact a branch belonging to C&S. Indeed, C&S does not have the kind of relationship it has with the five-percent banks with any of the independent banks with which it has a "correspondent" relationship (App. 438–440). In short, it is simply not an aspect of a "normal" correspondent relationship for the smaller purchasing bank to relinquish its independence by agreement with its larger supplier and to operate, as the appellee banks did in this case, as if both banks comprised a single banking organization.

C. C&S'S ROLE IN ORGANIZING THE FIVE-PERCENT BANKS DOES NOT MAKE THE ARRANGEMENT LAWFUL

The district court noted that the practices complained of existed from the time each bank except Tucker began operating (a time when C&S could not branch *de novo* into their localities) and that in *United States* v. *Marine Bancorp.*, No. 73–38, decided June 26, 1974, the government had encouraged the sponsorship of new banks as part of a procedure for geographic

[22] As C&S's former branch supervisor testified with respect to the relationship between C&S and the five-percent defendant banks, "there is a great deal of interdependence to a great degree not present in a correspondent bank [relationship]" (App. 415–416).

market expansion (J.S. App. 22a–23a, 29a). The court thus indicated that it held the challenged arrangements lawful at least in part because C&S assisted the organization of the five-percent defendant banks (except Tucker), and, from their inception, they have voluntarily operated as C&S's branches. The district court's reasoning is erroneous.[23]

From their inception the five-percent defendant banks were legally-independent business entities which C&S did not have the power to control, and the expectations of the parties involved in the banks' creation are legally immaterial to the question whether the *de facto* branching arrangements offend the Sherman Act.[24]

---

[23] There is no evidence in the record that C&S or the five-percent banks relied upon business review procedures or other advice from the government concerning the legality of their arrangements. Although there is some suggestion in the district court's opinion that the government was aware of the arrangements at the time the Federal Reserve Board investigated them in 1968 (J.S. App. 27a), the government's failure to challenge them at that time creates no estoppel. Cf. *United States* v. *New Orleans Chapter, Assoc'd Gen'l Contractors*, 382 U.S. 17, reversing *per curiam* 238 F. Supp. 273 (E.D.La.); *Times-Picayune Publishing Co.* v. *United States*, 345 U.S. 594, 623, 624; *United States* v. *Socony-Vacuum Oil Co.*, *supra*, 310 U.S. at 225–228. We have set forth in the Jurisdictional Statement (pp. 29–32) the reasons why there is no inconsistency between the government's position in this case and its position in *Marine Bancorp.*

[24] In any event, C&S's branch arrangement with Tucker Bank could not be justified as valid under Section 1 because of C&S's participation in the organization of Tucker Bank. Tucker was organized without C&S's assistance long before it agreed in 1965 to operate as C&S's *de facto* branch, but in 1970 C&S stressed the non-competitive relationship that had developed between them in unsuccessfully seeking the FDIC's approval

Although appellees contended that (except for Tucker Bank) C&S was so intimately involved in assisting the organization of the five-percent defendant banks that their organization and operation should be treated as internal expansion by C&S, the district court declined to decide who initiated the organization of the banks, *i.e.*, "[w]hether the organization of these banks was the 'brain child' of C&S National, or of local leaders * * *" (J.S. App. 10a). It found only that C&S's assistance was a result of its inability to expand directly into the localities involved, and of its "hope that [such assistance or participation] * * * would be the forerunner of much larger interests in the future" (*id.* at 11a). But the legality of the voluntary decision of the five-percent defendant banks to act as C&S's branches and C&S's decision to treat them as such does not depend upon whether the initial impetus for the organization of the banks came from C&S or from local businessmen, or whether C&S's assistance was motivated by a desire to establish branches indirectly where state law prohibited it from branching directly.

---

of its acquisition of Tucker Bank. Yet the district court held C&S's relationships with Tucker Bank legal. Under the district court's standard, then, an agreement between separate and independent firms that they will not compete with each other may be lawful. (This would be contrary to *Citizen Publishing Co.* v. *United States*, 394 U.S. 131, 135–136, where this Court held illegal *per se* a joint arrangement whereby two separate and independent newspapers eliminated all significant commercial competition between themselves but continued separate editorial competition.) Under the district court's rationale, the resulting lack of competition between such separate firms could then be asserted as a defense to an amalgamation of the firms that would otherwise violate Section 7 of the Clayton Act.

To assist in the organization of a new bank to be operated as a *bona fide* independent institution, in the hope of acquiring it in the future, is materially different from assisting in the organization of a new bank, as was done here, that is to be operated as a branch office of its sponsor despite its legal and factual independence.

Organizers of new banks often look to existing banks for organizational assistance, and existing banks may be willing to provide such assistance for a number of valid business reasons. New banks usually require substantial financial and technical assistance in order to become established (App. 76–78, 115–116; see App. 581–582),[25] and it is most readily available from existing banks. Such assistance includes helping in preparing the charter application, finding a chief executive officer, acquiring and training personnel, locating a site, advertising and promoting the venture, helping with pension and profit sharing plans, participating in loans with the new bank, and providing general counseling (App. 77–83, 115–116).

A large bank's usual motive for such organizational assistance is to obtain the new bank's correspondent business, since the sponsoring or assisting bank has a substantial advantage in this respect (App. 77–78, 116). A bank may also sponsor a new bank in the hope of acquiring it at a later time as a means of entering a new market (App. 121–122, 125–126; GX 106, 106A; App. E–113—E–120). Thus, sponsoring or assisting a new bank may be lawful and pro-competitive, pro-

[25] The availability of this kind of assistance is a factor relied upon by bank regulatory authorities (see J.S. App. 46a–49a).

vided that the new bank is operated as a *bona fide* independent institution in conformity with its legal status and does not determine its competitive conduct jointly with its sponsor or other competitors.

In this case, however, these conditions were not met. Instead, the five-percent defendant banks whose organization C&S assisted, as well as Tucker Bank, voluntarily became C&S's vassals, pursuant to agreements or understandings between them. Legally-independent banks which otherwise would have been competitively independent of C&S have operated as though they are part of a single economic enterprise—the C&S System. Whether termed "*de facto* branching," "voluntary control," or "elaborate and effective, although informal, linkages" (Mo. to Aff. 10), these arrangements eliminate horizontal competition between C&S and the five-percent banks and thus constitute combinations or agreements proscribed by Section 1. See *Citizen Publishing Co.* v. *United States*, 394 U.S. 131, 135–136.

Moreover, the application of the Sherman Act to banking relationships cannot feasibly depend upon which of several possible motives led an existing bank to sponsor a new bank; the problems of proof and the ambiguities inherent in such a standard would create great uncertainty for the banking community, the government and the courts. Rather, the standard must be the same as it is for firms in other industries: legally-independent business entities may not agree, tacitly or otherwise, to forego competing with each other. *E.g., Citizen Publishing Co.* v. *United States*, *supra*. Under that standard, the agreements between

C&S and the five-percent defendant banks to operate substantially as a single economic enterprise are unlawful.[26]

D. C&S'S PURPOSE OF AVOIDING THE LIMITATIONS OF STATE LAW DOES NOT JUSTIFY ITS ARRANGEMENTS WITH THE FIVE-PERCENT BANKS

Appellees apparently contend that the agreements between C&S and the five-percent banks do not violate Section 1 of the Sherman Act because, but for the restrictions of Georgia law, the five-percent defendant banks (other than Tucker Bank) would have been

[26] Where one bank assists in the organization of a new bank, it is to be expected that the "sponsoring" bank may initially play a relatively significant role in determining the new bank's retail banking practices. As the new bank becomes established, however, it is also expected to make its own competitive decisions. Thus, the testimony of a former Georgia Superintendent of Banking indicates that it is expected that a new bank will rely on its usually larger correspondent bank for advice in its early stages, but that the new bank or its directors should not make it "a habit of relying on someone else to make the decisions for you continuously. I think you should acquaint yourself as far as possible with banking transactions and matters and act upon your own judgment" (App. 585–586; see also GX 216, pp. 13–15; App. E–282—E–284). Similarly, an official of Trust Company, a competitor of C&S in Atlanta which has sponsored new banks (App. 76–78), testified that "in the beginning * * * [Trust Company is] a little closer in contact [with the new bank] because of the day-to-day problems. Everything is new and different, they get hit with an awful lot at one time. So, the older they are and more experienced they have had, really, probably the less contact you would have with them in that respect" (App. 81–82). The assistance a sponsoring bank offers a fledgling bank in establishing sound banking practices is, of course, not involved in this case. The "new" banks here had been in operation for from two to twelve years at the time of suit and are substantial institutions with assets of from $5 million to $22 million (Tucker Bank has been in existence for more than 50 years and its assets exceed $26 million).

established as C&S branches rather than as legally-independent entities. As authoritatively construed by the Georgia Supreme Court, however, Georgia law required that the five-percent banks be legally-independent institutions separate from C&S, and prohibited appellees' circumvention of this requirement through the *de facto* branch arrangements challenged here (see p. 20, *supra*). Thus, the Georgia Supreme Court's conclusion that C&S was indirectly controlling more than five percent of the banks' stock in violation of state law was based in part on the fact that C&S was "treating such banks as [its] branch banks * * *." *Citizens & So. Nat'l Bank* v. *Independent Bankers Ass'n of Ga., Inc., supra,* 202 S.E. 2d at 80.

Conduct that violates the Sherman Act cannot be justified on the claim that the purpose of the challenged agreement or combination was to try, albeit unsuccessfully, to avoid the limitations of state law.

II

THE BANK HOLDING COMPANY ACT DOES NOT GIVE THE FEDERAL RESERVE BOARD EXCLUSIVE PRIMARY JURISDICTION OVER THE CONDUCT CHALLENGED IN THE SHERMAN ACT CLAIM

The district court erred in concluding that the Bank Holding Company Act of 1956, 70 Stat. 133, as amended, 12 U.S.C. 1841, *et seq.,* vests in the Federal Reserve Board "exclusive primary jurisdiction" over the conduct challenged in the Sherman Act count of the complaint (J.S. App. 26a). The Bank Holding Company Act gives the Federal Reserve Board no authority, express or implied, to immunize

that conduct from the operation of the antitrust laws. Intended to regulate the formation and external expansion of bank holding companies, the Act is concerned with the structure of banking markets and entry by banks into non-banking activities, but not with the current competitive behavior of banks in their banking activities.[27]

[27] As the Senate Committee on Banking and Currency noted in its report on the bill substantially enacted as the Bank Holding Company Act of 1956 (S. Rep. No. 1095, 84th Cong., 1st Sess., p. 2):

"Chairman Martin [of the Board of Governors of the Federal Reserve System] noted that the principal problems in the bank holding company field arise from two circumstances: (1) The unrestricted ability of a bank holding company group to add to the number of its banking units, making possible the concentration of commercial bank facilities in a particular area under a single control and management; and (2) The combination under single control of both banking and nonbanking enterprises, permitting departure from the principle that banking institutions should not engage in business wholly unrelated to banking. Such a combination involves the lending of depositors' money, whereas other types of business enterprise, not connected with banking, do not involve this element of trusteeship. Your committee is of the opinion that this bill [S. 2577, 84th Cong., 1st Sess.] will enable the Federal Government to cope more adequately with both of these problems. Like H.R. 6227 [84th Cong., 1st Sess.], the bank holding bill passed by the House of Representatives, this bill empowers a regulatory agency to pass upon the application of a bank holding company for the acquisition of a substantial number of voting shares in one or more additional banks. The bill also follows the principle laid down in H.R. 6227 that bank holding companies must divest themselves, within a specified period, of nonbanking assets not closely related to banking activities. Thus, under the bill, the growth of bank holding companies in the banking field would be regulated but not prohibited. However, bank holding companies would no longer be authorized to manage or control nonbanking assets unrelated to the banking business."

The Act provides that both the formation of bank holding companies and certain specified external expansion by such holding companies or their subsidiaries must be approved by the Federal Reserve Board. 12 U.S.C. 1842. As enacted in 1956, the Act made the legality of an unapproved relationship between a bank holding company and an existing bank depend solely upon whether the holding company had "control" over the bank. 12 U.S.C. 1841(a)(1). Section 2(a) of the Act, 70 Stat. 133, defined control as direct or indirect power to vote 25 percent or more of the bank's stock, or the control, directly or indirectly, of election of a majority of the bank's directors. See 12 U.S.C. 1841(a)(2)(A), (B). As amended in 1970, the Act also provides that a company has "control" over a bank if it directly or indirectly exercises a controlling influence over the management or policies of the bank. 84 Stat. 1761, 12 U.S.C. 1841(a)(2)(C).[28]

The Act provides for Board action only if there is an "acquisition, merger, or consolidation" or an issue of "control"; no other Board review is provided, even for conduct that may violate the Sherman Act. For example, the Act does not authorize the Board to review price fixing, boycotts, or allocations of customers or territories, engaged in by banks or bank holding companies, or any other anticompetitive activity that might violate the antitrust laws.[29]

---

[28] A bank holding company "subsidiary" is defined by the same three criteria. 12 U.S.C. 1841(d)(1)-(3).

[29] The Bank Holding Company Act Amendments of 1970 (84 Stat. 1766), added a prohibition of certain tying arrange-

Furthermore, the Act confers immunity from the antitrust laws only in one limited, carefully-defined circumstance. If an "acquisition, merger, or consolidation transaction" is approved by the Board pursuant to 12 U.S.C. 1842 and is not challenged in a suit filed by the United States within 30 days, that approved transaction may not thereafter be attacked in any judicial proceeding on the ground that it "alone and of itself" violates any antitrust laws, except Section 2 of the Sherman Act, 15 U.S.C. 2, concerning monopolies. 12 U.S.C. 1849(b). In all other cases Section 11(a) of the Act, 12 U.S.C. 1849(a), expressly preserves antitrust remedies:

> Nothing herein contained shall be interpreted or construed as approving any act, action, or conduct which is or has been or may be in violation of existing law, nor shall anything herein contained constitute a defense to any action, suit, or proceeding pending or hereafter instituted on account of any prohibited antitrust or monopolistic act, action, or conduct * * *.

The conduct challenged by the government's Sherman Act claim does not constitute an "acquisition, merger, or consolidation transaction" of the kind described in 12 U.S.C. 1842(a) under any reasonable

---

ments by banks or bank holding companies. 12 U.S.C. 1971, *et seq.* While the Amendments authorize the Federal Reserve Board to create exceptions—consistent with the purpose of the statute—to these prohibitions, 12 U.S.C. 1972, they also make clear that the anti-tying provisions do not affect actions under other federal laws or state laws. 12 U.S.C. 1978.

definition of those terms.[30] Accordingly, even if the Board of Governors had authorized the challenged conduct, the antitrust immunity provision in 12 U.S.C. 1849(b) would be inapplicable. In fact, of course, the Board has not done so and has never asserted power to do so.

In 1968, the Board's staff investigated the relationship between C&S and the five-percent banks and determined that it did not violate the Act, because, while the Board had not approved it, the relation-

[30] The complaint is directed, not at C&S's initial "acquisition" of a five-percent stock interest in the five-percent banks, but rather at their respective activities since then, including their continuing agreement and understanding to act noncompetitively, as if the five-percent banks were legally-controlled branches of C&S. This course of conduct does not constitute a "merger" or "consolidation" in any sense. Nor does it constitute an "acquisition." If C&S had "acquired" the other banks it would have gained legal control of them. See *United States* v. *Philadelphia Nat'l Bank*, 374 U.S. 321, 332, n. 7, 336, n. 13. Yet, C&S has repeatedly disavowed having control of those banks (see, *e.g.*, p. 26, *supra*, n. 13).

Because the challenged arrangements do not constitute an "acquisition, merger, or consolidation transaction" within the meaning of Section 1842(a), there is also no merit to appellees' arguments, not reached by the district court, (1) that the three five-percent relationships antedating the Bank Holding Company Act of 1956 (Tucker, Sandy Springs and Chamblee) are protected by the "grandfather" provision conclusively presuming that an "acquisition, merger, or consolidation" of the kind described in 12 U.S.C. 1842(a) consummated prior to July 1, 1966, did not violate the antitrust laws (12 U.S.C. 1849(d)), and (2) that the Sherman Act is inapplicable to anticompetitive conduct of bank holding companies after that date because, under 12 U.S.C. 1849(e), a court having before it a government antitrust action with respect to an "acquisition, merger, or consolidation transaction" of the kind described in 12 U.S.C. 1842(a) is required to apply the substantive rule of law set forth in Section 1842.

ship did not involve the elements of "control" then specified in the Act (see p. 46, *supra*). The Board took no formal action on this matter, however;[31] moreover, as previously shown, even if it had approved the relationship, that action would not have conferred antitrust immunity.

The district court's ruling that the Bank Holding Company Act precludes an antitrust court from entertaining the government's Sherman Act claim not only ignores the Holding Company Act's express language to the contrary, it also fails to heed this Court's often repeated admonition that repeal of the antitrust laws by implication is not favored. See, *e.g.*, *United States* v. *Philadelphia Nat'l Bank*, 374 U.S. 321, 350–351; *United States* v. *Borden Co.*, 308 U.S. 188, 198.

When faced with regulatory schemes even broader and more intrusive into company affairs than the Bank Holding Company Act, this Court has refused to hold that they were so pervasive as to preclude entirely the application of the antitrust laws to the regulated firms.[32] Rather, the Court has carefully examined the specific conduct in question in order

[31] See letter from Tynan Smith, Secretary of the Federal Reserve Board, to Donald I. Baker, Director of Policy Planning, Antitrust Division, Department of Justice, dated March 15, 1972 (GX 177 B; App. E–232—E–234; J.S. App. 18a–20a).

[32] See *Otter Tail Power Co.* v. *United States*, 410 U.S. 366; *United States* v. *Philadelphia Nat'l Bank*, *supra*, 374 U.S. at 350–355; *Silver* v. *New York Stock Exch.*, 373 U.S. 341, 357; *Pan American World Airways, Inc.* v. *United States*, 371 U.S. 296, 311–312; *California* v. *Federal Power Commission*, 369 U.S. 482, 485; *United States* v. *Radio Corp. of America*, 358 U.S. 334, 351; *United States* v. *Borden Co.*, *supra*, 308 U.S. at 198;

to determine whether subjecting that conduct to antitrust liability would create a basic and irreconcilable conflict with the authority of the regulatory agency. Such a conflict will justify finding a limited repeal of the antitrust laws only where three factors are present: (1) the precise conduct challenged in the antitrust action must be subject to the regulatory agency's remedial powers; (2) the regulatory scheme must require the agency to focus upon competitive considerations in exercising those powers; and (3) the agency must have express statutory authority to immunize the conduct from the antitrust laws. *Hughes Tool Co.* v. *Trans World Airlines, Inc.*, 409 U.S. 363, 385–389; *United States* v. *Philadelphia Nat'l Bank, supra*, 374 U.S. at 351; *Pan American World Airways, Inc.* v. *United States*, 371 U.S. 296, 305–309.[33]

United States v. *Trans-Missouri Freight Ass'n*, 166 U.S. 290, 314–325; cf. *Merrill Lynch, Pierce, Fenner & Smith, Inc.* v. *Ware*, 414 U.S. 117.

[33] For example, in *Otter Tail Power Co.* v. *United States*, 410 U.S. 366, a power company contended that its refusal to sell wholesale power was immune from antitrust challenge by reason of the Federal Power Act, which authorized the Federal Power Commission to order interconnections to its distribution system. This Court disagreed, reasoning that Congress had not created a pervasive regulatory scheme for the interstate distribution of power, that the legislative history of the Federal Power Act revealed no intention to insulate the challenged conduct from antitrust attack, and, finally, that the Commission's authority to order interconnection is limited and not focused on the antitrust issues.

However, in *Hughes Tool Co.* v. *Trans World Airlines, Inc.*, *supra*, the Court held that an antitrust suit challenging the manner in which Toolco had exercised its controlling interest in TWA should have been dismissed because (1) the Civil Aeronautics Board had investigated and approved their rela-

These criteria are not satisfied here. The Bank Holding Company Act calls for no determination by the Board relevant to any issue in the government's Sherman Act claim. That Act authorizes the Board to determine whether or not the relationship between a bank holding company and a bank amounts to "control" so as to invoke the other provisions of the Act. But the Board's determination on this jurisdictional issue does not determine any aspect of the Sherman Act claim.

Even if the Board had held that C&S controls the five-percent banks and had approved that control, that ruling would not have immunized from challenge under the Sherman Act the anticompetitive agreements such control produced. Congress, moreover, has expressly provided that the Board's decisions on the control issue do not create an antitrust defense (see p. 47, *supra*).

The district court's reliance upon *Whitney Nat'l Bank* v. *Bank of New Orleans & Trust Co.*, 379 U.S. 411, was misplaced. That case did not involve relationships between existing banks claimed to violate the antitrust laws, but rather a question of the proper forum in which to litigate the legality, under state branching law, of the organization of a new bank by a bank holding company. Opponents of the new bank

---

tionship pursuant to its express statutory mandate to approve acquisitions that are consistent with the public interest and do not result in monopoly, and (2) such decisions of the Board were expressly immunized from antitrust attack by Section 414 of the Federal Aviation Act of 1958, 49 U.S.C. 1384. 409 U.S. at 386.

sought to litigate their claims in a suit to enjoin the Comptroller from issuing a charter for the bank, without waiting for the Federal Reserve Board to determine whether the holding company acquisition would violate state branching restrictions. See *id.* at 418–419; cf. 12 U.S.C. (1958 ed.) 1842(c)(4), 1846.

In those circumstances this Court held that, since the issues raised were "cognizable by the Federal Reserve Board," proceedings before the Board were "the sole means by which questions as to the organization or operation of a new bank by a bank holding company may be tested" (*id.* at 419). This ruling obviously referred to the type of "questions" raised in that case. The Court did not suggest that *all* questions concerning relationships among existing banks must automatically be referred to the Board, even when, as here, the questions do not involve issues cognizable by the Board.

III

SECTION 7 OF THE CLAYTON ACT PROHIBITS C&S'S ACQUISITION OF THE FIVE-PERCENT BANKS

C&S's proposed acquisitions of the five-percent defendant banks would give it legal control of an undue share of concentrated markets and would significantly increase concentration in those markets. Accordingly, the acquisitions would presumptively violate Section 7 of the Clayton Act, under established standards for judging the legality of mergers or acquisitions of banks operating in the same market. *United States* v. *Philadelphia Nat'l Bank, supra,* 374

U.S. at 362–366; *United States* v. *Phillipsburg Nat'l Bank & Trust Co.*, 399 U.S. 350, 365–367.[34]

The district court declined to apply this well-established structural analysis because the parties to the proposed acquisitions are currently operating as though they are already merely parts of the same economic enterprise. Instead, it termed the absence of existing competition between the parties the "crucial factor" in a Section 7 case, and held it legally irrelevant whether that absence results from "legally effective stock ownership control" or a voluntary arrangement of the parties (J.S. App. 66a).

Section 7 of the Clayton Act was intended to "arrest apprehended consequences of intercorporate relationships before those relationships could work their evil" and to block anticompetitive relationships "in their

[34] "[F]or purposes of discussion" (J.S. App. 31a), the district court looked to the sections of the country that the government considered to be the relevant markets, *i.e.*, DeKalb County, North Fulton County, Fulton County, and the Atlanta metropolitan area. It found, for this purpose, a high degree of concentration in each (J.S. App. 31a–42a) which would be increased. In the Atlanta area, where the top two banks have 53.2 percent of total deposits and the top four 84.2 percent, the merger would raise C&S's share as market leader from 30 to 32 percent, and reduce the total of area banking organizations by 16 percent, *i.e.*, from 31 to 26. In DeKalb County, where C&S had 24.1 percent of deposits, the top two banks have 38.3 percent and the top three 51.8 percent, the merger would increase C&S's share by almost 40 percent to 34.5 percent. In North Fulton County, where C&S had 1.7 percent of deposits, the top two banks have 57.8 percent and the top four, 80.3 percent, the acquisition would increase C&S's share to 48.3 percent, twice the share of the second largest organization. In Fulton County, which is also highly concentrated, the increase would be 1.1 percent (*ibid.*).

incipiency," before they could develop into full-blown violations of the Sherman Act. *United States* v. *E. I. du Pont de Nemours & Co.*, 353 U.S. 586, 597; cf. *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 318, n. 32. It would turn Section 7 on its head to permit the appellees to justify these acquisitions, which *prima facie* violate that Section because of the significant increases in concentration they would produce, on the ground that, as a result of their prior violations of Section 1 of the Sherman Act, they have already eliminated the competition that Section 7 is designed to protect. Yet that is the basic thrust of their argument and the district court's decision: that since the appellees' agreements and understandings have eliminated competition between C&S and the five-percent banks, the effect of C&S's acquisition of those banks necessarily cannot be substantially to lessen competition. Appellees cannot justify their violation of Section 7 by relying upon their prior violation of Section 1.

The district court apparently believed its analysis compelled by this Court's summary affirmance of the district court's decision in *United States* v. *Trans Texas Bancorp., supra,* a case it regarded as "almost squarely in point" (J.S. App. 60a). In that case Sam Young, the founder, principal stockholder and chief executive of El Paso National Bank, had earlier been instrumental, along with other stockholders of that bank and a close group of their business associates and relatives, in establishing three other, smaller banks in El Paso, which El Paso National proposed

to acquire. Young, his son, and this group had voting control of all four banks.

On the basis of its finding that a closely-knit group of stockholders always had the power to control the banks' competitive behavior, the district court concluded that the four combining banks could not be viewed as independent competitive entities. The existence of this "control group," its ability to impose its will on each of the combining banks, and the consequent lack of power in each of the combining banks to make its competitive decisions independently, led the court to conclude that there was no competition among them and that their formal union thus would have no adverse competitive effects. If, as the district court found in *Trans Texas,* control of the combining banks by a single group of stockholders which owned a majority of each bank's stock existed, then the banks "lacked competitive capabilities and there was no actual competition among them." 1972 Trade Cases at p. 93,213.

Trans Texas does not hold, however, that bank mergers are not to be tested by traditional Section 7 standards in situations like the present one, where legally-independent banks have voluntarily chosen to operate as though they are commonly-owned.[35]

---

[35] No claim has been made here that C&S or a C&S "control group" has the power to determine the competitive behavior of the banks C&S proposes to acquire. Indeed, the district court specifically found that even the elimination of any common ownership by complete stock divestiture would not affect the banks' competitive behavior (J.S. App. 65a–66a, 67a–68a)—their *de facto* branch arrangements would remain unchanged.

The fact that legally-independent competitive entities have in the past behaved, and may be inclined in the future to behave, in a non-competitive manner, is ordinarily irrelevant in assessing under Section 7 the legality of their formal, permanent union. Section 7 is designed to foster competitively-structured industries. Its rationale is that the greater the number of independent decision-making entities in a particular market, the less likely it is that they will adopt parallel competitive policies of mutual advantage.

This Court has held to be particularly important to this end the preservation of independent entities in markets that are already highly concentrated, as are most local banking markets, including those involved here. See *United States* v. *Marine Bancorp., supra,* slip op. 28; *United States* v. *Philadelphia Nat'l Bank, supra,* 374 U.S. at 365, n. 42; *United States* v. *Aluminum Co. of America,* 377 U.S. 271, 279–280. It is for this reason, as this Court recently observed, that "the Government * * * [may] rest its case on a showing of even small increases of market share or market concentration in those industries or markets where concentration is already great or has been recently increasing * * *." *United States* v. *General Dynamics Corp.,* 415 U.S. 486, 497. See also *Elko Prods. Co.* v. *Federal Trade Commission,* 347 F. 2d 745 (C.A. 7).

Appellees will presumably seek to support the district court's ruling that "disassociation" of the five-percent banks from C&S is unlikely even if they are not acquired (J.S. App. 65a) by arguing that the five-percent defendant banks would not "forfeit" the benefits of the existing *de facto* branch arrangements by

voluntarily separating themselves from C&S, and that C&S would not "expel" them from its system and thereby compel them to operate as independent competitors.[36] But the legality under Section 7 of the permanent union of the independent banks involved in this case does not depend upon a judgment whether, if the acquisitions are prohibited, the five-percent banks are likely to continue the existing relationship. To accept appellees' arguments that the *de facto* branch arrangement was merely "a method of creating new suburban branches" and that C&S would not now "expel" them from its system lest it find itself wholly-excluded from the suburban market, would be to treat the five-percent banks as *de facto* subsidiaries and to disregard fundamental concepts of ownership and control upon which corporate law depends (pp. 28–31, *supra*).[37] It would also require that state law

[36] While the likelihood of a "breakaway" by a five-percent bank from C&S was referred to by the Department of Justice in its second competitive report to FDIC (GX 38; App. E–38—E–56), as well as in the district court, it was not suggested that the sole test under Section 7 was whether the five-percent banks would ultimately break away.

[37] Since the firms in this case are independent entities, the case does not present the question whether less-than-majority stock control could ever result, for antitrust purposes, in loss of a firm's legal status as an independent entity. Even wholly-owned corporate subsidiaries, however, may be treated as separate entities if they so represent themselves to the public. See, *e.g.*, *Kiefer-Stewart Co.* v. *Joseph E. Seagram & Sons, Inc.*, *supra*, 340 U.S. at 215. Here, conversely, independent firms have held themselves out as branches of another firm. But this does "not save them from any of the obligations that the law imposes on separate entities." *Perma Life*, *supra*, 392 U.S. at 141–142.

restrictions against *de novo* expansion be disregarded (see pp. 20–21, *supra*).[38]

Moreover, acceptance of that approach would be tantamount to accepting the legality, under Section 1 of the Sherman Act, of arrangements between independent entities pursuant to which they operate jointly. As we have shown in part I above, those arrangements are unlawful and cannot provide the basis for approving, under Section 7, the permanent combination of such independent entities.

If predictions of appellees' future competitive behavior are to be considered in assessing the legality of the union of the five-percent defendant banks with C&S,[39] such predictions cannot properly be premised on past behavior resulting from unlawful agreements

[38] In *Independent Bankers Ass'n* v. *Dunn*, *supra*, the Georgia Supreme Court noted "two conflicting philosophies concerning the banking business. There are those who believe that the control of additional banks by large financial interests will ultimately destroy independent banks and result in the domination of the economy by too few persons. There are those who believe that larger financial interests can offer a wider variety of services and can better provide the capital to meet the needs of borrowers." 197 S.E. 2d at 138. Recognizing that resolution of the conflict is a legislative determination, the court found "[t]he legislative intent * * * expressed clearly in the banking laws" (*ibid.*). "'It is the intent of this Act to prevent the extension of statewide banking by any institution and to encourage the normal growth of banking units in the local communities . . . It is the intent of this Act to keep banking units from expanding into territories beyond their municipal corporate limits.'" 197 S.E. 2d at 138 (quoting from Section 1 of the 1960 amendments to the Georgia Banking Law (Ga. L. 1960, pp. 67–68)).

[39] Recently, the Court has indicated that a *prima facie* case under Section 7, based on the market shares of the merging firms in a concentrated market, may be rebutted by evidence that

whose continuation should be enjoined. If the five-percent defendant banks can no longer determine their competitive strategy jointly with C&S and thus behave as its *de facto* branches, they will, as a matter of business survival, have to become independent competitors in fact. Accordingly, their acquisition by C&S must be tested on that assumption, rather than on the district court's assumption that the existing unlawful arrangements will continue unchanged.

No weight should be given, moreover, to the suggestion that it would be economically disadvantageous—and therefore unlikely [40]—for C&S and the

---

the market in fact performs competitively. *United States* v. *Marine Bancorp.*, *supra*, slip op. 27–28. Here, however, the district court has held that such a *prima facie* case is rebutted by evidence of a pre-existing voluntary arrangement among the merging firms that they will *not* perform competitively. Thus, the court elevated the very non-competitive behavior Section 7 is intended to forestall into a dispositive defense. That result inverts the policy and purposes of Section 7.

[40] The prospect that the five-percent defendant banks will sever their existing arrangements with C&S if these acquisitions are enjoined is not as remote as appellees seek to portray it, as the experience of Trust Company of Georgia ("Trust Company") and Peachtree Bank and Trust Company ("Peachtree Bank") demonstrates. In 1960 Trust Company assisted in the organization of Peachtree Bank, located in the Atlanta suburbs (see GX 106A, pp. 4–5; App. E–114—E–115), at which time Trust Company purchased five percent of its stock (App. 199–200). Until recently, the Trust Company-Peachtree Bank relationship was similar in many respects to the relationship between C&S and the five-percent defendant banks, and was so close that Peachtree Bank's president described it as a member of the Trust Company "family" (App. 215). In approving the proposed merger of Trust Company and Peachtree Bank in 1971, the Federal Reserve Board concluded that "there is no reason to expect that either Trust Company or Peachtree Bank would voluntarily discontinue [their relationship] * * * if their

five-percent defendant banks to sever their existing *de facto* branch relationships. Operation of all the appellee banks as a single economic enterprise has no doubt been financially beneficial for both C&S and the five-percent defendant banks; otherwise they presumably would not have continued to operate in that fashion. But they are not required to do so. They operate pursuant to their *de facto* branch arrangements for "obvious reasons of business advantage" (Mo. to Aff., p. 4), as is true of all cartel arrangements. But even if the five-percent defendant banks should independently "follow" C&S's competitive practices so far as legally possible, they could not continue as C&S's *de facto* branches.

Moreover, a firm's expressed intention to adopt the practices of its competitor, so far as the law permits, cannot justify their merger. Otherwise, independent firms, particularly in oligopolistic industries, might have a complete defense to a Section 7 challenge to their merger. They, too, could argue that prior to their proposed merger they behaved non-competitively and even if their merger is barred they will continue to do so. Such a defense would effectively defeat the fundamental purpose of Section 7 to preserve competition by preventing horizontal mergers that in-

---

merger were to be prohibited" (GX 35, p. 6; App. E–20). However, when the United States sued to enjoin the merger, Peachtree Bank decided to abandon it and severed all but regular correspondent relationships with Trust Company (App. 199–201). Since its disaffiliation from Trust Company, Peachtree Bank has enjoyed excellent growth in deposits, assets and earnings, has opened two branches, and is seeking approval for another (App. 215–218).

crease concentration. See, *e.g.*, *Brown Shoe Co.* v. *United States, supra,* 370 U.S. at 331–334; *United States* v. *Philadelphia Nat'l Bank, supra,* 374 U.S. at 362–363; *United States* v. *Penn-Olin Chem. Co.,* 378 U.S. 158, 170–171; *United States* v. *General Dynamics Corp., supra,* 415 U.S. at 496–497.

The decision of the district court could have particularly serious anticompetitive effects in the banking industry. It will encourage small banks operating in the same markets as large ones to adopt similar "*de facto* branch" relationships in order to profit from mutual determination of competitive strategy. Recent decisions of the Federal Reserve Board indicate that some banks have already attempted to pursue this course,[41] and there is no reason to think that this trend will not continue and increase.

---

[41] See, *e.g.*, *First City Bancorp. of Texas—Meyerland Bank,* 60 F.R.B. 506; *Florida Bancorp.—Lighthouse Point Bank,* 59 F.R.B. 816; *Michigan Nat'l Corp.—First Nat'l Bank of East Lansing,* 59 F.R.B. 819; *First Int'l Bancshares, Inc.—University State Bank,* 59 F.R.B. 813; *First Tulsa Bancorp.—Southeastern State Bank,* 58 F.R.B. 289.

CONCLUSION

For the reasons stated, the judgment of the district court should be reversed.

Respectfully submitted.

ROBERT H. BORK,
Solicitor General.
THOMAS E. KAUPER,
Assistant Attorney General.
GERALD P. NORTON,
Assistant to the Solicitor General.
HOWARD E. SHAPIRO,
GEORGE EDELSTEIN,
MICHAEL R. MCQUINN,
Attorneys.

DECEMBER 1974.

U.S. GOVERNMENT PRINTING OFFICE: 1974

In the Supreme Court of the United States

OCTOBER TERM, 1974

No. 73-1933

UNITED STATES OF AMERICA, APPELLANT

v.

CITIZENS AND SOUTHERN NATIONAL BANK, ET AL.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA

REPLY BRIEF FOR THE UNITED STATES

---

1. Appellees have mischaracterized the Sherman Act issues in this case. The government's claim that the relationships between C&S and the five percent banks constitute a *per se* violation is not based solely on exchanges of information between C&S and those banks, but on an agreement between C&S and the five percent banks which eliminates all competition between them.

Appellees argue that no such agreement has been shown; that even if proved, its legality under the Sherman Act must be tested by the rule of reason; and that since C&S's purpose in participating in this arrangement was procompetitive, any agreement is therefore reasonable and does not violate the Sherman Act. Yet appellees concede that there never has been any real competition between C&S and the five percent banks (Br., p. 72, n. 64), and that this condition resulted from the banks' course of conduct, which included voluminous exchanges of information and reviews of past, present and future prices and marketing practices (Br., pp. 11-13).

These concessions confirm the government's contention, which it has consistently maintained throughout this litigation, that the elaborate arrangement sponsored by C&S was a cartel—a horizontal agreement among direct competitors—that eliminated all meaningful competition among these legally independent banks. In view of the other evidence showing the banks' voluntary submission to C&S's plan (United States Br., pp. 9-11, 32-36), the government established the allegation in the complaint (App. 17-18) that C&S and the five percent banks "jointly determined the competitive strategy" of the latter. This arrangement depended in significant part on the exchange of information, including information about future price moves, between and among the defendant banks. But, contrary to appellees' assertions, the exchange of information is only one aspect of the Sherman Act violation charged and proved: the elimination by agreement of all meaningful competition between what otherwise would be independent competitive entities.

The record refutes appellees' allegations that "[w]ith respect to the Sherman Act, the government offered no evidence except communications between C&S and the five percent banks" (Br., p. 21), and that there was no proof of any agreement not to compete or to charge the same prices. In addition to the specific examples we have previously described (United States Br., p. 11, n.2), there is other evidence showing price-fixing. For example, in 1969 the President of C&S Chamblee wrote to C&S asking if it had any objection to C&S Chamblee raising its interest rate on regular savings accounts from 3½ percent to 4 percent in order to meet competition and prevent loss of deposits (GX 149, not printed). Chamblee's President, Mr. Harris, discussed this matter with C&S, and Chamblee did not raise its rate to meet the competition (GX 206; DX 302,

App. E-840, E-855).[1] Since an independent firm ordinarily would not refrain from taking action it deems necessary to protect its competitive position, the inference is compelling that it did not raise its rate in this instance because of C&S's objection.

Appellees' discussion of intra-enterprise conspiracy (Br., pp. 50-53) is wide of the mark. Since the defendants are legally separate and independent corporate entities, they

---

[1]GX 206, which is Harris' deposition, is not printed in the appendix. The pertinent portions are as follows:

> Q. Do you recall sending this particular letter to Mr. Ingram?
> A. (Nods head affirmatively.)
> Q. Did Mr. Ingram reply to the letter?
> A. We had some meetings downtown about it. We discussed what we really were looking at. Whatever the letter said, we discussed it in detail, and we made some changes resulting from that.
> Q. Did you at that time increase your interest rate on regular savings accounts from 3 1/2 to 4?
> A. No sir. We put a heavy selling program on 5 percenters and made the regular savings easier. [GX 206, p. 44.]
>
> * * * * *
>
> Q. You felt pretty strongly at this time about going from 3 1/2 to 4 percent on regular savings accounts, didn't you?
> A. (Nods head affirmatively.) [*Id.* at p. 45.]
>
> * * * * *
>
> So I'm butt-headed, but if somebody can show me a reason to change my mind, I'll change it. I changed my mind.
> Q. Why did you ask Mr. Ingram if he had any objection to your going to 4 percent?
> A. Because they do all the computation work down here on savings. The computer work on savings is done downtown.
> Q. In what way would the going from 3 1/2 to 4 affect the computer operation?
> A. Well, I think in asking him and talking with him like this it goes back to this original basis that I believe that C&S has the best thoughtout banking system, and I wanted to put my thoughts forward in as forceful a way as possible. And if after consultation they can show me where they've got a better method of operation, I'm willing to adopt it. And that's what occurred. [*Id.* at pp. 46-47.]

resemble a unified enterprise only to the extent that members of any illegal cartel do. The five percent banks are required to price independently precisely because they are *not* legally sub-parts of a single economic enterprise. For this reason, appellees' reliance on statements by Department of Justice officials concerning the application of the intra-enterprise conspiracy doctrine to bank holding companies is misplaced.[2]

Appellees' contention that because their arrangement eliminates *all* competition, it must be tested under the Sherman Act's rule of reason, is anomalous. In effect, they are arguing that because the anticompetitive arrangement among C&S and the five percent banks was so complete, its very scope puts it beyond the *per se* rules, since the banks' cartel arrangement is a kind of *de facto* merger. Thus, even though the five percent banks retain legal independence, appellees contend that their arrangement with C&S eliminating all competition should not be tested under the traditional standards governing such anticompetitive actions.

This claim stands the *per se* doctrine on its head. Under appellees' theory, particular forms of elimination of competition, such as price fixing and division of markets, would be *per se* illegal, but the broader elimination of all competition would be tested by the less stringent rule of reason. No decision of this Court supports such an anal-

---

[2]The letter described in n. 42, p. 52, of appellees' brief confined its analysis to subsidiary banks in the normal corporate sense of the word. Thus, the textual reference to which the quoted footnote was attached states: "This [conclusion] is true, of course, only where the holding company owns a substantial majority of the stock in all banks involved." Contrary to appellees' statements, the Department has never taken the position that where a single bank holding company does not hold a majority of the stock of banks that fix prices, such price-fixing is not *per se* illegal.

ysis.[3] It is inconsistent with the basic assumption of the Sherman Act—that legally independent business entities must function in the economy as independent decision makers, in order to preserve the diversity of firms necessary to make the competitive system work.

Appellees contend (Br., pp. 35-42) that their arrangements with the five percent banks were pro rather than anti-competitive because they enabled C&S to bring necessary and important banking services to the suburban areas that the five percent banks serve. There is nothing to indicate, however, that the five percent banks would not have been organized and would not have grown if, instead of operating them as *de facto* branches, C&S had merely assisted in their organization and permitted them to develop as fully independent competitive entities. Nor is there any reason to conclude that, if C&S had not itself "sponsored" these new banks, the demand for banking services in the suburbs would and could not have been met by the organization by people in those communities of local banks that would not be affiliated with C&S. In short, C&S's operation of the independent five percent banks as *de facto* branches was neither necessary or appropriate as a method of increasing bank competition in the areas those banks served—although it undoubtedly was highly beneficial to C&S itself.

2. Appellees also misconceive the Clayton Act issues in this case. As shown in our main brief (pp. 52-53), the proposed mergers are presumptively illegal under the government's definition of the relevant geographic markets,

---

[3]A similar contention was urged in *Citizens Publishing Company* v. *United States*, 394 U.S. 131, which held an arrangement eliminating all commercial competition between two newspapers to be illegal *per se* under the Sherman Act. Brief for Appellants, No. 243, O.T. 1968, pp. 38-41.

which the district court accepted for discussion. If the government prevails on this appeal, then appellees' challenge to those markets should be disposed of by the district court, which made no findings resolving the market dispute.[4]

---

[4]In any event, the government's evidence, we submit, established the markets claimed. The testimony of the government's economic expert was based on, *inter alia*, a study of the location, by zip code, of every demand deposit account with balances of $1,000 or less in every office of every bank in Fulton and DeKalb Counties. Statement of Samuel Skogstad submitted in lieu of direct testimony, App. E-57 to E-88. Dr. Skogstad's conclusion was that considering the competitive interaction of the banking markets involved, the government's market areas were "reasonable geographic areas within which it is appropriate to analyze the competitive effects of the proposed mergers." App. E-83. In contrast, appellees' expert witness, Dr. Nevins Baxter, testified only that the five percent banks did not compete with each other or with any other bank outside a small service area of each bank, and that therefore there were no banking markets larger than the individual service area of any one bank. He reached this conclusion despite the fact that Dr. Baxter never considered non-C&S banks that compete with the defendants in determining the markets in which they operate (App. 658, 664-665) and under the erroneous assumption that the defendant banks did not compete with each other because of the pre-existing relationships (Economic Report, App. 862-863, 868).

This Court has never held that relevant markets in bank merger cases can or should be established merely by determining the service areas of a few of the banks operating in an area. The competitive interaction that occurs between spatially separated banks, ignored by Dr. Baxter, has been recognized by this Court in every bank merger case as essential to a proper market analysis. See, *e.g.*, *United States* v. *Connecticut National Bank*, No. 73-767, decided June 26, 1974, slip op., pp. 12-15.

Appellees' assertion that this is a potential competition case is also mistaken. Since the banks do not now compete, they argue, the mergers could affect only the potential for future competition. In fact, as the district court assumed "for purposes of discussion" and as the record shows, the five percent banks and C&S sell similar or identical services in the same geographic areas, a characteristic which ordinarily results in a merger case being denominated "horizontal" (GXs 104-105, App. E-57 to E-112; GXs 42-75, not printed).[5] Here, but for the combination in restraint of trade, C&S and the five percent banks would be legally and factually independent actual competitors.

Under appellees' analysis every acquisition consolidating a pre-existing cartel arrangement among direct competitors would have to be treated as a potential competition case, since by definition the parties' violation of the Sherman Act has eliminated actual competition. Although such a violation of the Sherman Act does not establish a violation of Section 7 of the Clayton Act, illegal agreements to eliminate competition among direct competitors are not a defense under the Clayton Act. Appellees concede as much when they state (Br., p. 77, n. 73) that "[a] refusal to compete is not a proper defense to a challenge to a merger * * *." Yet, inconsistently, they also claim (Br., p. 71) that even if their past conduct violated Section 1 and is enjoined, the freezing of their cartel arrangement into permanent form through merger does not violate Section 7, because barring the merger will not "result in substantial competition between C&S and the sponsored banks."

---

[5]GXs 42-75 are a statistical analysis, based on the zip codes of demand account customers with deposits under $1,000, showing the areas from which the banks draw the bulk of their business.

Whether the individual banks will emerge as substantial strong competitors after their illegal cartel has been enjoined, however, is not the question under Section 7. That statute protects competition, not competitors. *Brown Shoe Corp.* v. *United States*, 370 U.S. 294, 320. Section 7 is intended to preserve a competitive market structure which leaves to the economics of the free market the determination of the quality and the level of competition by individual firms. *Ibid.*

Appellees contend that because the five percent banks do not now make independent business decisions, there is no possibility that their merger with C&S will lessen competition (Br., pp. 71-72). In this view, the fact that competition has been previously eliminated by an agreement which violates Section 1 of the Sherman Act is irrelevant. Section 7, however, is intended to foreclose anticompetitive relationships in their incipiency, before they amount to actual Sherman Act violations. See *e.g.*, *United States* v. *E.I. duPont de Nemours & Co.*, 353 U.S. 586, 597; cf. *Brown Shoe Co.* v. *United States, supra*, 370 U.S. at 318. It is unsound, therefore, to suggest that because competition among legally independent entities has been previously eliminated by a fullblown agreement in restraint of trade, the violators may rely on this restraint to escape the prohibitions of Section 7.

United States v. *TransTexas Bancorp.*, CCH 1972 Trade Cases, par. 74, 257 (W.D. Tex), affirmed, 412 U.S. 946, is not to the contrary. Despite appellees' description of the district court's decision in that case, the court's actual holding was that there was a single entity, described as a "control group," which owned a majority of the stock in each bank. Thus, the district court there found that the banks separately "lacked competitive capabilities" (1972 Trade Cases at p. 93,213). In this case, however, it is undisputed that each five percent bank has the competitive capability, both legally and factually, to make its own independent, business decisions.

3. There is no merit to the appellees' claims that the relationships of three of the five percent banks with C&S have been validated by the "grandfather" provision in Section 11(d) of the Bank Holding Company Act, 80 Stat. 240, 12 U.S.C. 1849(d), and that the five percent banks are "subsidiaries" within the meaning of the third paragraph of Section 7 of the Clayton Act, 15 U.S.C. 18.

A. Section 1849(d) provides that "[a]ny acquisition, merger, or consolidation of the kind described in section 1842(a) of this title," with respect to which the Attorney General had not initiated litigation prior to July 1, 1966 "shall be conclusively presumed not to have been in violation of any antitrust laws" other than Section 2 of the Sherman Act. Section 1842(a)(3) makes it unlawful, without prior approval of the Federal Reserve Board, for any bank holding company, *inter alia*, "to acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, such company will directly or indirectly own or control more than 5 per centum of the voting shares of such bank."[6] The purpose of the grandfather

---

[6] 12 U.S.C. 1842(a) provides in pertinent part:

> It shall be unlawful, except with the prior approval of the Board, (1) for any action to be taken that causes any company to become a bank holding company; (2) for any action to be taken that causes a bank to become a subsidiary of a bank holding company; (3) for any bank holding company to acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, such company will directly or indirectly own or control more than 5 per centum of the voting shares of such bank; (4) for any bank holding company or subsidiary thereof, other than a bank, to acquire all or substantially all of the assets of a bank; or (5) for any bank holding company to merge or consolidate with any other bank holding company.

provision is to bar an antitrust attack upon such acquisitions if the Attorney General had not challenged them prior to July 1, 1966.

The government in this suit is not alleging that C&S's acquisition of a 5 percent stock interest in the suburban banks itself violated either Section 1 of the Sherman Act or Section 7 of the Clayton Act. Rather, its contention is that the relationships between C&S and the 5 percent banks, by which all competition between them was eliminated, violated Section 1 of the Sherman Act and that the acquisition by C&S of the remaining stock in those banks would violate Section 7 of the Clayton Act.

Since Section 1849(d) bars antitrust challenges only to an "acquisition * * * of the kind described in section 1842(a)," Section 1849(d) is inapplicable to this case. Indeed, if appellees are correct in their argument that the "grandfather" provision of the Bank Holding Company Act immunizes the relationships between C&S and three of the 5 percent banks, this would be tantamount to a confession that they had violated Section 1842(a). For that section makes it "unlawful, except with the prior approval of the Board," to make any of the acquisitions there covered, and C&S never sought or obtained from the Board its prior approval before acquiring 5 percent of the stock of those banks.

B. The five percent banks are not "subsidiaries" of C&S within the meaning of the third paragraph of Section 7,[7] which makes that section inapplicable to the formation

---

[7] That paragraph provides (15 U.S.C. 18):

> This section shall not apply to corporations purchasing such stock solely for investment and not using the same by voting or otherwise to bring about, or in attempting to bring about, the substantial lessening of competition. Nor shall anything contained in this section prevent a corporation engaged in commerce from causing the formation of subsidiary corporations for the actual carrying on of their immediate lawful business, or the natural and legitimate branches or extensions thereof, or from owning and holding all or a part of the stock of such subsidiary corporations, when the effect of such formation is not to substantially lessen competition.

of or holding of stock in "subsidiary corporations." Appellees correctly state that neither court decisions nor the legislative history of the Clayton Act are helpful in determining the meaning of this provision. The normal meaning of "subsidiary" is a company in which another company owns at least a majority of its voting stock,[8] and there is nothing to indicate that Congress used the word here in other than its usual sense.

Indeed, in view of the purpose of the Clayton Act of barring mergers that may substantially lessen competition, the obvious purpose of the "subsidiary" exemption was to cover the situation where, because of the legal control that one corporation has over another, the acquisition of the latter by the former would not basically alter the existing competitive situation. Normally, a corporation and its majority-owned subsidiary are not expected to and do not compete with each other.

If Congress had intended to exempt from the prohibition of Section 7 of the Clayton Act any acquisition in which the acquiring firm had practical "control" over the ac-

---

[8] *Webster's Third New International Dictionary* (1959) defines a subsidiary company as a "company wholly controlled by another that owns more than half of its voting stock." *Black's Law Dictionary* (rev. 4th ed. 1968), defines a subsidiary corporation as "[o]ne in which another corporation owns at least a majority of the shares, and thus, has control."

quired firm by something other than majority stock control, it presumably would have so provided, as it has done in other federal statutes.[9]

CONCLUSION

For the reasons stated in the government's main brief and this reply brief, the judgment of the district court should be reversed.

Respectfully submitted.

ROBERT H. BORK,
Solicitor General.

MARCH 1975.

---

[9]See *e.g.*, Section 2(d) of the Bank Holding Company Act, as amended, 12 U.S.C. U.S.C. 1841(d), (direct or indirect control of 25 percent of the stock of the bank); Section 2(a)(8)(A) of the Public Utility Holding Company Act, 15 U.S.C. 79b(a)(8)(A), (direct or indirect control of 10 percent or more of the outstanding voting securities of a public utility company); Sections 2(a)(1)(H) and 2(a)(1)(J)(2), of the 1968 Amendments to the Savings and Loan Holding Company Act, 82 Stat. 6-7, 12 U.S.C. 1730a(a)(1)(H) and (J)(2) (25 percent of voting stock of insured savings and loan company).

(Slip Opinion)

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Lumber Co.*, 200 U.S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

UNITED STATES *v.* CITIZENS & SOUTHERN NATIONAL BANK ET AL.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA

No. 73-1933. Argued March 19, 1975—Decided June 17, 1975

To circumvent Georgia's longstanding stringent restrictions on city banks' opening branches in suburban areas, appellee Citizens & Southern National Bank (C&S National) formed a holding company, which then embarked on a program of forming *de facto* branch banks in Atlanta's suburbs. This program included the holding company's ownership of 5 percent of the stock of each of the suburban banks, ownership of much of the remaining stock by parties friendly to the C&S system of banking entities (hereafter C&S), the suburban banks' use of the C&S logogram and of all C&S' banking services, and close C&S oversight of the suburban banks' operation and governance. In 1970, Georgia amended its banking statutes so as to allow *de jure* branching upon a countywide basis. This meant that C&S could now absorb the 5-percent banks as true branches, because Atlanta is contained within the two counties encompassing the suburbs in which the 5-percent banks operated. Consequently C&S applied to the Federal Deposit Insurance Corporation (FDIC) under the Bank Merger Act of 1966 for permission to acquire all the stock of six of the 5-percent banks historically operated as *de facto* branches or "correspondent associate" banks within the C&S system. The FDIC authorized five of the proposed acquisitions. The Government then brought suit in District Court for injunctive relief, alleging that the five acquisitions would lessen competition in relevant banking markets in violation of § 7 of the Clayton Act, and that the historic, *de facto* branch relations between C&S and the six 5-percent banks constituted unreasonable restraints of trade in violation of § 1 of the Sherman Act. The

Syllabus

court rendered judgment for C&S. Three of the 5-percent banks were formed prior to, and three after, July 1, 1966. The "grandfather" provision of the Bank Holding Company Act, 12 U. S. C. § 1849 (d), as added by the 1966 amendments, provides that "[a]ny acquisition, merger, or consolidation of the kind described in [12 U. S. C. §] 1842 (a) . . . which was consummated at any time prior or subsequent to May 9, 1956, and as to which no litigation was initiated by the Attorney General prior to July 1, 1966, shall be conclusively presumed not to have been in violation of any antitrust laws other than" § 2 of the Sherman Act. Title 12 U. S. C. § 1842 (a) makes it unlawful, absent the Federal Reserve Board's prior approval, for bank holding companies to engage in certain transactions, including those tending to create or enlarge holding company control of independent banks. *Held:*

1. Since the Attorney General took no action by July 1966 against the three 5-percent banks that were formed prior to that date, the transactions by which these banks became 5-percent banks fall within the terms of the grandfather provision of the Bank Holding Company Act, and therefore the correspondent associate programs in force at these banks are immune from attack under § 1 of the Sherman Act. While C&S' formation of a *de facto* branch was a unique type of transaction, it may fairly be characterized as an "acquisition, merger, or consolidation of the kind described in [12 U. S. C. §] 1842 (a)," and clearly falls within the class of dealings by bank holding companies that Congress intended, in the grandfather provision, to shield from retroactive challenge under the antitrust laws. Pp. 14–23.

2. In the face of the stringent state restrictions on branching, C&S' program of founding new *de facto* branches, and maintaining them as such, did not infringe § 1 of the Sherman Act. Pp. 23–31.

(a) Though the Government contends that the correspondent associate programs encompassed at least a tacit agreement to fix interest rates and service charges so as to make the interrelationships—to that extent at least—illegal *per se*, it cannot be held, in view of the mixed evidence in the record, and of the fact that such programs, as such, were permissible under the Sherman Act, that the District Court clearly erred in finding that the lack of significant price competition flowed, not from a tacit agreement, but as an indirect, unintentional, and formally discouraged result of the sharing of expertise and information that was at the heart of the correspondent associate program. Pp. 24–26.

Syllabus

(b) The Government's alternative contention that the correspondent associate programs transcending conventional "correspondent" relationships "unreasonably" restrained competition among the 5-percent banks and between these banks and C&S National, is not persuasive, since even if the Government had proved that such programs restrained competition among the defendant banks more thoroughly or effectively than would have a conventional correspondent program (which the District Court found not to be the case), that alone would not make out a Sherman Act violation. Pp. 26–28.

(c) Where C&S has operated the 5-percent banks as *de facto* branches in direct response to Georgia's historic restrictions on *de jure* branching, restraints of trade integral to this particular, unusual function are not unreasonable. To characterize the relationships at issue as an unreasonable restraint of trade is to forget that their whole purpose and effect were to *defeat* a restraint of trade, and by providing new banking options to suburban Atlanta customers, while eliminating no existing options, C&S' *de facto* branching program has plainly been procompetitive. Pp. 28–31.

3. The proposed acquisitions will not violate § 7 of the Clayton Act. Pp. 31–34.

(a) Since C&S' program of founding and maintaining new *de facto* branches in the face of Georgia's antibranching law did not violate the Sherman Act, and since the *de facto* branches that C&S proposes to acquire were all founded *ab initio* with C&S sponsorship, it follows that the proposed acquisitions will extinguish no present competitive conduct or relationships. P. 33.

(b) As for future competition, there is no evidence of any realistic prospect that denial of the acquisitions would lead the defendant banks to compete against each other, the Clayton Act being concerned with "probable" effects on competition, not with "ephemeral possibilities." Pp. 33–34.

372 F. Supp. 616, affirmed.

STEWART, J., delivered the opinion of the Court, in which BURGER, C. J., and MARSHALL, BLACKMUN, POWELL, and REHNQUIST, JJ., joined. BRENNAN, J., filed a dissenting opinion, in which DOUGLAS and WHITE, JJ., joined.

NOTICE: This opinion is subject to formal revision before publication in the preliminary print of the United States Reports. Readers are requested to notify the Reporter of Decisions, Supreme Court of the United States, Washington, D.C. 20543, of any typographical or other formal errors, in order that corrections may be made before the preliminary print goes to press.

SUPREME COURT OF THE UNITED STATES

No. 73–1933

United States, Appellant, *v.* Citizens and Southern National Bank et al.	On Appeal from the United States District Court for the Northern District of Georgia.

[June 17, 1975]

MR. JUSTICE STEWART delivered the opinion of the Court.

For many years the State of Georgia restricted banks located in cities from opening branches in suburban areas. To circumvent these restrictions in the Atlanta area, the Citizens & Southern National Bank (C&S National) formed the Citizens & Southern Holding Company (C&S Holding), and the latter company embarked on a program of forming *de facto* branch banks in the suburbs of Atlanta. This program involved, among other features, ownership by C&S Holding of 5 percent of the stock of each of the suburban banks (the maximum allowed by state law), ownership of much of the remaining stock by parties friendly to C&S,[1] use by the suburban banks of the C&S logogram and of all of C&S's banking services, and close C&S oversight of the operation and governance of the suburban banks. The expectation on all sides—by

[1] Unless otherwise indicated, the term "C&S" refers generically to the C&S system of banking entities, including C&S National and its majority owned affiliates and C&S Holding, but excluding the 5-percent banks. The defendants in this suit—appellees here—are C&S National, C&S Holding, six of the 5-percent banks, and two banks in the Atlanta area, C&S Emory and C&S East Point, which are subsidiaries of C&S Holding. Taken together, these will sometimes be called the "defendant banks."

C&S, by the suburban banks, and by state and federal bank regulators—was that C&S would acquire these "5-percent banks" outright, and convert them into *de jure* branches, as soon as state law, or the Atlanta city limits, were altered so as to permit the accomplishment of this end.

In 1970, Georgia amended its banking statutes to allow *de jure* branching on a countywide basis. Because the city of Atlanta is contained within two counties, DeKalb and Fulton, which encompass the Atlanta suburbs in which the 5-percent banks operated, this change in the law meant that C&S National could now absorb the 5-percent banks as true branches. C&S consequently applied to the Federal Deposit Insurance Corporation (FDIC), under the Bank Merger Act of 1966, for permission to acquire all of the stock of six of the 5-percent banks historically operated by C&S as *de facto* branches. The FDIC authorized all but one of the proposed acquisitions.

The Justice Department immediately commenced this litigation in a federal district court for injunctive relief, alleging that the five acquisitions authorized by the FDIC would lessen competition in relevant banking markets, and thus violate § 7 of the Clayton Act, 15 U. S. C. § 18, and that the historic, "de facto branch" relations between C&S and the six 5-percent banks constituted unreasonable restraints of trade in violation of § 1 of the Sherman Act, 15 U. S. C. § 1. After a trial, the court rendered judgment for C&S on all the issues. 372 F. Supp. 616. The Government appealed under § 2 of the Expediting Act, 32 Stat. 823, as amended, 15 U. S. C. § 29, and we noted probable jurisdiction.[2]

[2] — U. S. —. Notice of appeal was filed prior to the effective date of the Antitrust Procedures and Penalties Act, Pub. L. No. 93-528, § 7, 88 Stat. 1709. The proposed acquisitions were stayed automatically by the filing of the suit, 12 U. S. C. § 1828

I. *The Background of this Litigation*

In applying the antitrust laws to banking, careful account must be taken of the pervasive federal and state regulation characteristic of the industry, "particularly the legal restraints on entry unique to this line of commerce." *United States* v. *Marine Bancorporation*, 418 U. S. 602, 606. This admonition has special force in the present case, for the *de facto* branch arrangements and the proposed acquisitions involved here were a direct response to Georgia's historic restrictions on branch banking.

Before 1927 Georgia permitted statewide branching, and C&S National, then as now headquartered in Savannah, established three branches in the city of Atlanta. In 1927, state law was changed to prohibit all branching.[3] C&S therefore decided to expand through the formation of a bank holding company. C&S Holding was founded in 1927, and between 1946 and 1954 this company purchased two banks, and founded a third, in the Atlanta area. But in 1956 Georgia again altered its statutes to prohibit a bank holding company from acquiring more than 15 percent of a bank's stock. Georgia Bank Holding Company Act, Ga. L. 1956, pp. 309–312. A 1960 amendment, still in force, reduced the maximum ownership level to 5 percent. Ga. Code Ann. 13–207 (a)(2) (Cumm. Supp. 1974).

By the 1950s, C&S National was interested primarily in suburban expansion. The Atlanta city limits had been frozen since 1952, and the area's economic and population growth consequently occurred primarily outside the city's boundaries. Between 1959 and 1969,

(c)(7)(A). The District Court continued the stay, and it has remained in force pending this decision.

[3] A 1929 amendment allowed branching within the home-office city of a bank, but this was of no aid to the ambitions of C&S National outside Savannah.

C&S Holding accordingly established in the Atlanta suburbs (in DeKalb and Fulton Counties) the six 5-percent banks at issue in this case. Five of these banks were founded under the sponsorship of C&S; the sixth, the Tucker Bank, had long been an independent suburban bank when, in 1965, C&S converted it into a 5-percent bank.[4]

Each of these six banks was made a "correspondent associate" bank within the C&S system. This status involved many different relationships between the 5-percent bank and C&S: In addition to the 5 percent stock held by C&S Holding, substantial shares were also held by officers, shareholders, and friendly customers of other C&S banks, and by their family members. It was understood from the outset that the 5-percent banks would be acquired outright by C&S as soon as the law permitted. From at least 1965 on, the 5-percent banks used the C&S logogram on their buildings, papers, and correspondence.

[4] Founded with C&S sponsorship were: (1) The Sandy Springs Bank, Fulton County (two offices). Founded in 1959 and operational in 1960 as the Citizens National Bank of Sandy Springs, it was converted in 1969 from a national to a state-chartered bank and adopted the name Citizens and Southern Bank of Sandy Springs. (2) The Chamblee Bank, DeKalb County. Founded in 1960 as the Chamblee National Bank, it was converted to a state-chartered bank in 1969 and adopted the name Citizens and Southern Bank of Chamblee. (3) The North Fulton Bank, Fulton County. It was founded in 1967 as the Citizens and Southern Bank of North Fulton, a state-chartered institution. (4) The Park National Bank, DeKalb County. It was founded in 1967 as the Citizens and Southern Park National Bank. (5) The South DeKalb Bank, DeKalb County (two offices). It was founded as the Citizens and Southern South DeKalb Bank, a state-chartered institution, in 1969.

The Citizens and Southern Bank of Tucker (two offices), in DeKalb County, was independently founded in 1919, as the Bank of Tucker. C&S Holding acquired 5-percent ownership in 1965, and the bank then adopted its present name. This bank is involved in only the Sherman Act phase of this case. Its proposed acquisition by C&S was forbidden by the FDIC.

C&S filed the charter applications of the 5-percent banks and openly assured the banks of full financial support, assurances which were often instrumental in securing regulatory approval of their creation. C&S chose the principal executive officer for each 5-percent bank. The employees of these banks were accorded the same pension and promotion rights in the C&S system as possessed by their colleagues at C&S National and its *de jure* affiliates. C&S selected the location of, and oversaw the selection of directors, for the suburban banks. A C&S executive served as an "advisory director" to each suburban bank. C&S conducted surprise audits and credit checks at the suburban banks. Each of the suburban banks provided the full panoply of C&S banking services, and customers of any 5-percent bank could avail themselves of these services at any of the other 5-percent banks, or at C&S National and its *de jure* branches. C&S supplied to each 5-percent bank, through manuals and memoranda, a large quantity of information concerning every conceivable banking procedure and problem. Included were data—stamped "for information only"—concerning interest rates and service charges employed by C&S National and its *de jure* branches, but each 5-percent bank was cautioned to use its own judgment in setting interest rates and service charges. In sum, it is fair to say—and the parties agree—that in almost every respect save corporate form, each of the 5-percent banks was a *de facto* branch of C&S National.

Between 1966 and 1968, the Federal Reserve Board investigated C&S's network of correspondent associate banks. The purpose of the investigation was to determine whether C&S was exerting such control over the 5-percent banks as to require special "approval" of the Federal Reserve Board pursuant to § 3 of the Bank Holding Act of 1956, as amended. The investigation ended in an "understanding" between the Board's staff

and C&S that the "correspondent associate" program, as the staff understood it, did not require formal approval.[5] The Justice Department participated in this investigation, and took no action of any kind inconsistent with this "undertaking."

In 1970 Georgia amended its banking statutes to permit *de facto* branching within any county in which a bank already had an office. Ga. Code Ann. 13–203.1 (a) (Cum. Supp. 1974). This allowed C&S National to branch into those Atlanta suburbs which—like the city of Atlanta—are within the confines of DeKalb and Fulton counties. C&S decided to convert the six 5-percent banks at issue here into *de jure* branches. C&S applied to the FDIC for permission to acquire all of the stock and assets, and to assume all of the liabilities, of the 5-percent banks.[6] On October 4, 1971, after reviewing reports on the proposed acquisitions from the Federal Reserve Board, the Comptroller of the Currency, and the Justice Department, the FDIC approved C&S's acquisition of the five suburban banks which C&S had helped to found, but disapproved acquisition of the Tucker Bank. Because the Tucker Bank had enjoyed an independent existence before being converted into a 5-percent bank, the FDIC concluded that the correspondent associ-

---

[5] See n. 17, *infra*. The investigation was concerned with § 3 of the Bank Holding Act of 1956, 70 Stat. 134, as amended on July 1, 1966, by Pub. L. 89–485, § 7, 80 Stat. 237, and on December 31, 1970, by Pub. L. 91–607, Tit. I, § 102, 84 Stat. 1763. 12 U. S. C. § 1842.

[6] The acquisitions were to be made by bank subsidiaries of C&S Holding: C&S East Point, which proposed to acquire the Sandy Springs and North Fulton Banks, and C&S Emory, which proposed to acquire the Chamblee, Park National, South DeKalb, and Tucker Banks. The FDIC was the responsible federal agency because each of the acquiring banks is a "nonmember [of the Federal Reserve System] insured bank." 12 U. S. C. § 1828 (c) (2) (C).

ate affiliation there had been "anticompetitive in its origins" and should not be "ratified" by approval of outright acquisition.[7] As for the five banks which C&S had helped to found, however, the FDIC stated:

> "[T]he opening of these . . . de novo banks served the convenience and needs of their respective communities and enhanced competition . . . ."

The FDIC noted that the C&S system was the largest commercial banking institution in Fulton County and in DeKalb County.[8] For this reason, it observed, "new acquisitions of nonaffiliated banks in the same market [by C&S] would raise the most serious competitive problems under the Bank Merger Act as amended and under Section 7 of the Clayton Act." But the FDIC reasoned that the acquisitions proposed by C&S did not raise such problems "because the banks involved in the proposed mergers do not compete today and never have competed"; further, there existed "no reasonable probability" that any of the five percent banks would break their ties with the C&S system even if the proposed acquisitions were disapproved. Thus, "[s]uch mergers would not alter the existing competitive structure . . . in any way or add to the concentration of banking resources now held by the C&S system."

---

[7] The FDIC noted that the independent Tucker Bank had not been in unsound financial condition when C&S assumed *de facto* control in 1965, and that it would have been better for competition if C&S had instead sponsored a new bank in the community "just as it did in other growing sections of DeKalb County prior to the recent change in Georgia's branching laws."

[8] See the Appendix to this opinion for the District Court's statistical summary of the Atlanta area's banking markets, C&S's place in these markets, and the effect of the proposed acquisitions on the market share statistics.

II. *The Suit in the District Court*

On November 2, 1971, within the 30-day period prescribed for such suits, 12 U. S. C. §§ 1828 (c)(6) and (7), the United States filed a complaint in the District Court for the Northern District of Georgia alleging that the five acquisitions approved by the FDIC would violate § 7 of the Clayton Act and that the ongoing correspondent associate relationships between C&S and the six 5-percent banks which it had originally sought to acquire constituted unreasonable restraints of trade, in violation of § 1 of the Sherman Act. The Government sought injunctive relief prohibiting the proposed acquisitions and terminating the alleged violations of the Sherman Act. On January 24, 1974, after an extensive trial, the District Court entered a judgment for the defendants. 372 F. Supp., at 643.

As to the Sherman Act allegations, the District Court based its judgment upon two separate and independent grounds. First it held that the 1968 "understanding" between the staff of the Federal Reserve Board and C&S insulated the correspondent associate relationship between C&S and the 5-percent banks from attack under the antitrust laws. *Id.*, at 627. The court based this conclusion on the following statement in *Whitney National Bank* v. *Bank of New Orleans & Trust Co.*, 379 U. S. 411, at 419:

> "We believe Congress intended the statutory proceedings before the [Federal Reserve] Board to be the sole means by which questions as to the organization or operation of a new bank by a bank holding company may be tested."

Alternatively, assuming the Sherman Act applied, the District Court found that the United States had failed to prove that the correspondent associate relationships involved "collusive price fixing" or "any agreements not

to compete or for market division."[9] The Court held "that the matters complained of are subject to the 'rule of reason,' [and] the Government has not sustained its burden of proof as to the unreasonableness of the practices involved or with respect to any adverse impact upon competition." *Id.*, at 627–628.

---

[9] The court stated:

"The Government contends that the following aspects of the relationships between the defendants have restrained interstate trade and commerce:

"1. The routine and systematic practice of furnishing to one another comprehensive information as to past, present and future competitive practices and policies with a purpose of achieving uniformity among the defendants;

"2. The provision by C&S National to the five percent defendants of various manuals and memoranda;

"3. The provision by C&S National to the five percent defendants of suggestions and advice on such matters as rates, hours of operation, types of loan to discourage and minimum loan rates . . . .

"The Government also asserts, and the record shows, that the advice and suggestions offered by C&S National are generally followed.

"These activities, however, do not amount to collusive price fixing. For example, there is no suggestion that any advice as to rates amounts to more than an expert appraisal of a market situation from the point of view of a lending institution—a type of opinion to which a lending institution would naturally be expected to pay great attention . . . .

"The practices involved here do not conform to the accepted definition or description of per se antitrust violations where no resort to context or circumstances is required (or permitted).

. . . . . .

"There is no evidence of record to conclude that the utilization by the five percent defendant banks of the services or information received by them from C&S Holding was a result of any tacit or explicit combination rather than the natural deference of the recipient to information from one with greater expertise or better sources. In either case there is the flow of information as to rates, practices, etc., which the Government apparently applauds or at least condones in a correspondent banking relationship."

372 F. Supp., at 626, 627, and 628.

The Government had conceded that it was no violation of the Sherman Act for a large city bank to arrange a traditional "correspondent" relationship with a smaller, outlying bank—a "mutually beneficient arrangement, whereby the small bank receives needed services and the larger bank obtains both the benefit of the correspondent bank balance kept with it and the income from the sale of its services to the smaller bank's customers." *Id.*, at 628. Noting this concession, the District Court observed:

> "[S]uch assistance to, or sponsorship of, a smaller bank is desirable and necessary and not anti-competitive. The difference between a pure correspondent relationship and a correspondent associate relationship as set forth in the evidence is merely one of degree, a fine line of demarcation almost impossible for the Court to perceive. . . .
>
> "[T]he Court finds as a fact that the relationship between C&S National, C&S Holding, and the five percent defendant banks, and the interchange of information between them, have been reasonable under the circumstances and not in violation of Section 1 of the Sherman Act." *Ibid.*

Turning to the claim under § 7 of the Clayton Act, the court found that the various defendant banks were each "engaged in commerce" and that the relevant "line of commerce" was "commercial banking." The Court declined, however, to define the appropriate geographic markets, stating that its "disposition of the case is based upon factors which make a precise delineation of the market area unnecessary." *Id.*, at 629. Simply assuming the correctness of the Government's position that the appropriate markets were DeKalb County, Fulton County, north Fulton County, or the Atlanta area generally, the Court made detailed findings as to the effect

of the proposed acquisitions on C&S's nominal market shares. *Id.*, at 629–633.[10] But, just as had the FDIC before it, the court saw these increases in nominal shares as of no competitive significance because the 5-percent banks had always been *de facto* branches within the C&S system. *Id.*, at 633–638.[11]

---

[10] See Appendix to this opinion.

[11] The court noted "that no witness (for either the Government or the defendants) testified that the proposed mergers would have any adverse economic or competitive implications whatever. . . ." *Id.*, at 638. Competitors of the suburban 5-percent banks "expressed the view that the proposed mergers would have no effect whatsoever on competition as it relates to third parties." *Ibid.* The court found "as a fact that there is no presently existing substantial competition between the five percent defendant banks and C&S National, or *inter sese*, or with third parties, which would be affected by the proposed merger." *Id.*, at 642.

In the interval between the trial and the announcement of the District Court's opinion, the Supreme Court of Georgia had ruled in a separate suit brought by a group of independent suburban banks that C&S was in technical violation of the state bank holding company law with respect to the 5-percent banks in the Atlanta suburbs. Its judgment was grounded on the fact that, in addition to the 5-percent stock interest directly owned by C&S Holding, substantial numbers of shares were owned by C&S officers and directors. The state court accordingly directed the Georgia Banking Commissioner to file suit to force divestiture of excess stock holdings by these shareholders. *Independent Bankers Assn.* v. *Dunn*, 230 Ga. 345, 197 S. E. 2d 129 (1973), modified *sub nom. Citizens and Southern National Bank* v. *Independent Bankers Assn.*, 231 Ga. 421, 202 S. E. 2d 78 (1973). The District Court's opinion took notice of this state court judgment and concluded that it would not lead to genuine competition among the 5-percent banks or between them and C&S. 372 F. Supp., at 643. After the District Court's opinion was announced, the state Banking Commissioner, acting pursuant to the state court judgment, ordered C&S Holding to limit its direct and indirect interest in the stock of correspondent associate banks to 5 percent and ordered C&S to "terminate any direct or indirect supervision of the . . . five percent banks beyond that which is available from the Citizens and Southern National

III. *The Issues under the Sherman and Clayton Acts*

It is common ground in this case that the 5-percent banks have been operated from the outset substantially as *de facto* branches of C&S, even though they are and have always been separate corporate entities. From these agreed-upon facts, the parties draw sharply divergent conclusions under the Sherman and Clayton Acts.

Section 1 of the Sherman Act, 26 Stat. 209, as amended, 15 U. S. C. § 1, provides:

> "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states . . . is hereby declared to be illegal . . . ."

The Government contends that the relationships between C&S and the six 5-percent banks constituted unreasonable restraints of trade on two alternate theories: (1) The relationships encompassed an agreement to fix interest rates and service charges among the 5-percent banks, and between these banks and C&S-owned banks, resulting in a "per se" violation of the Sherman Act. (2) The programs unreasonably restrained interbank competition, as to prices and services, by extending interbank cooperation far beyond the conventional "correspondent" arrangements which large city banks traditionally make with small banks in outlying markets. C&S denies that its relationships with the 5-percent banks encompassed any agreements to fix prices and contends that the process of *de facto* branching was a

---

Bank or the Citizens and Southern Holding Company to any bank that wishes to enter into a correspondent relationship with such bank or holding company." On June 3, 1974, the District Court amended its opinion *nunc pro tunc* to find that the Banking Commissioner's "order does not change the underlying basis of the Court's decision that the proposed mergers will not substantially lessen competition." 372 F. Supp., at 643 n. 8.

procompetitive response to Georgia's anticompetitive ban on *de jure* branching, and thus legal under the Sherman Act's "rule of reason." In the alternate, C&S contends that its relationships with the 5-percent banks were subject to the "exclusive primary jurisdiction" of the Federal Reserve Board and thus immune from attack under § 1 of the Sherman Act.

Section 7 of the Clayton Act, 38 Stat. 731 as amended, 64 Stat. 1125, 15 U. S. C. § 18, provides:

> "No corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly." [12]

The Government argues that the acquisitions of the five suburban banks approved by the FDIC would

---

[12] Pursuant to 12 U. S. C. § 1828 (c) (7) (B), referring to 12 U. S. C. § 1828 (c) (5) (B), bank mergers are made subject to Clayton Act standards unless "the anticipated effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." Hence, in bank merger cases brought under the Clayton Act, there is a "convenience and needs defense" that "comes into play only after a district court has made a *de novo* determination of the status of a bank merger under the Clayton Act." *United States* v. *Marine Bancorporation*, 418 U. S. 602, 626. See also *United States* v. *Third National Bank*, 390 U. S. 171 (1968); *United States* v. *First City National Bank*, 386 U. S. 361 (1967). Because of its disposition of the case, the District Court did not reach this additional defense which had been asserted by C&S.

"lessen" competition when compared to what the situation would be if the defendant banks ceased their alleged violations of the Sherman Act. The Government further contends that, even if the present relationships between C&S and the 5-percent banks do not offend the Sherman Act, since the relationships might nevertheless change and the whole situation become more competitive for business or state law reasons, the proposed acquisitions violate § 7 by foreclosing this possibility. C&S argues that the acquisitions would merely convert *de facto* into *de jure* branches, with no perceptible effect on competition compared with the present situation, which is asserted by C&S to be lawful under the Sherman Act. C&S urges that there is no realistic possibility of future competition among the defendant banks. In the alternate, C&S contends that each of the 5-percent banks operates in a distinct and segregable market, so that the proposed acquisitions would not lessen competition in any relevant "section of the country"; and that any anticompetitive effects of the acquisitions are "outweighed in the public interest" because the acquisitions meet "the convenience and needs" of banking customers in the Atlanta area.[13] The District Court did not reach these alternative contentions.

A. *The Sherman Act Issues*

1. *The Question of Immunity*

The District Court thought the correspondent associate programs immune from Sherman Act scrutiny because they were subject to the "exclusive primary jurisdiction" of the Federal Reserve Board under the Bank Holding Act of 1956, as amended. We do not so understand the law. The Court relied on *Whitney National Bank* v.

[13] See n. 12, *supra*.

Bank of New Orleans & Trust Co., 379 U. S. 411, but the question in that case was the wholly different one of whether it is the Comptroller of the Currency or the Federal Reserve Board that has jurisdiction to determine whether transactions by a bank holding company conform with applicable state banking law. For guidance as to antitrust immunities, recourse must be had directly to the provisions of the Bank Holding Company Act, 12 U. S. C. § 1841 *et seq.*

The statutory scheme requires the "prior approval" of the Federal Reserve Board for certain transactions by bank holding companies—including transactions tending to create or enlarge holding company control of independent banks. 12 U. S. C. § 1842 (a).[14] The types of transactions requiring Board approval were expanded by amendments to the Act in 1966 and 1970.[15] Prior to

---

[14] "It shall be unlawful, except with the prior approval of the Board, (1) for any action to be taken that causes any company to become a bank holding company; (2) for any action to be taken that causes a bank to become a subsidiary of a bank holding company; (3) for any bank holding company to acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, such company will directly or indirectly own or control more than 5 per centum of the voting shares of such bank; (4) for any bank holding company or subsidiary thereof, other than a bank, to acquire all or substantially all of the assets of a bank; or (5) for any bank holding company to merge or consolidate with any other bank holding company. . . ." 12 U. S. C. § 1842 (a).

[15] Prior to the amendments of July 1, 1966, Pub. L. 89-485, § 7, 80 Stat. 237, prior approval of the Board was not required for causing a bank to become a subsidiary of a bank holding company. In addition to adding this requirement, the 1966 amendments broadened the definition of a subsidiary—from a company in which a bank holding company "own[s]" 25 percent of the voting shares to a company in which a bank holding company "directly or indirectly own[s] or control[s]" this percentage share. Compare § 4 of the 1966 amendments, 80 Stat. 236, with § 2 (d) of the Bank

1966, it appeared that Board approval of a transaction provided no immunity from antitrust action, for a note then set out under § 1841 of Title 12 stated that nothing in the act was to be construed as a "defense" to an antitrust suit. The 1966 Amendments to the Act formalized this provision, but also blunted its force by establishing an intricate procedure for accommodating the jurisdictions of the Board and the Justice Department.[16] Under

---

Holding Company Act of 1956, 70 Stat. 133. The provision is now at 12 U. S. C. § 1841 (d)(1). The definition of subsidiary has also included, from the outset of the Act, "any company the election of a majority of whose directors is controlled in any manner" by a bank holding company. 12 U. S. C. § 1841 (d)(2). The amendments of December 31, 1970, Pub. L. 91-607, § 101 (d), 84 Stat. 1760, further enlarged the definition of subsidiary to include "any company with respect to the management or policies of which such bank holding company has the power, directly or indirectly, to exercise a controlling influence, as determined by the Board, after notice and opportunity for hearing." 12 U. S. C. § 1841 (d)(3).

[16] Section 11 of the 1966 amendments, Pub. L. 89-485, 80 Stat. 240. As presently in force, 12 U. S. C. § 1849, the provision reads:

"(a) Nothing herein contained shall be interpreted or construed as approving any act, action, or conduct which is or has been or may be in violation of existing law, nor shall anything herein contained constitute a defense to any action, suit, or proceeding pending or hereafter instituted on account of any prohibited antitrust or monopolistic act, action, or conduct, except as specifically provided in this section.

"(b) The Board shall immediately notify the Attorney General of any approval by it pursuant to section 1842 of this title of a proposed acquisition, merger, or consolidation transaction, and such transaction may not be consummated before the thirtieth calendar day after the date of approval by the Board. Any action brought under the antitrust laws arising out of an acquisition, merger, or consolidation transaction approved under section 1842 of this title shall be commenced within such thirty-day period. The commencement of such an action shall stay the effectiveness of the Board's approval unless the court shall otherwise specifically order. In any such action, the court shall review de novo the issues presented. In any judicial proceeding attacking any acquisition,

the Act as amended, the Board "shall not approve" an otherwise forbidden transaction unless it meets certain antitrust standards derived from, but not everywhere

---

merger, or consolidation transaction approved pursuant to section 1842 of this title on the ground that such transaction alone and of itself constituted a violation of any antitrust laws other than section 2 of Title 15, the standards applied by the court shall be identical with those that the Board is directed to apply under section 1842 of this title. Upon the consummation of an acquisition, merger, or consolidation transaction approved under section 1842 of this title in compliance with this chapter and after the termination of any antitrust litigation commenced within the period prescribed in this section, or upon the termination of such period if no such litigation is commenced therein, the transaction may not thereafter be attacked in any judicial proceeding on the ground that it alone and of itself constituted a violation of any antitrust laws other than section 2 of Title 15, but nothing in this chapter shall exempt any bank holding company involved in such a transaction from complying with the antitrust laws after the consummation of such transaction.

"(c) In any action brought under the antitrust laws arising out of any acquisition, merger, or consolidation transaction approved by the Board under section 1842 of this title, the Board and any State banking supervisory agency having jurisdiction within the State involved, may appear as a party of its own motion and as of right, and be represented by its counsel.

"(d) Any acquisition, merger, or consolidation of the kind described in section 1842 (a) of this title which was consummated at any time prior or subsequent to May 9, 1956, and as to which no litigation was initiated by the Attorney General prior to July 1, 1966, shall be conclusively presumed not to have been in violation of any antitrust laws other than section 2 of Title 15.

"(e) Any court having pending before it on or after July 1, 1966, any litigation initiated under the antitrust laws by the Attorney General with respect to any acquisition, merger, or consolidation of the kind described in section 1842 (a) of this title shall apply the substantive rule of law set forth in section 1842 of this title.

"(f) For the purposes of this section, the term 'antitrust laws' means the Act of July 2, 1890 (the Sherman Antitrust Act), the Act of October 15, 1914 (the Clayton Act), and any other Acts in pari materia."

identical to, the standards of the Sherman Act and of § 7 of the Clayton Act. 12 U. S. C. § 1842 (c). The Board's order granting or denying an application for prior approval is subject to review in the Courts of Appeals. 12 U. S. C. § 1848. Furthermore, an approved transaction is stayed automatically for 30 days, during which time an antitrust suit challenging the transaction may be brought in the District Court. 12 U. S. C. § 1849 (b). Such a suit is governed by the modified antitrust standards set out in § 1842 (c). If the antitrust suit is not brought within 30 days, and the transaction is consummated,

> "the transaction may not thereafter be attacked in any judicial proceeding on the ground that it alone and of itself constituted a violation of any antitrust laws other than section 2 of Title 15 [§ 2 of the Sherman Act], but nothing in this chapter shall exempt any bank holding company involved in such a transaction from complying with the antitrust laws after the consummation of such a transaction." 12 U. S. C. § 1849 (b).

C&S can draw no consolation from these provisions. It is true that the *staff* of the Federal Reserve Board, in 1968, came to an "understanding" with C&S that the correspondent associate programs then in effect did not offend § 1842 (a) of the Bank Holding Act and thus did not require formal Board "approval." [17] But this did not

---

[17] The Secretary to the Federal Reserve Board described the investigation and the 1968 "understanding" in a 1972 letter to the Justice Department:

"The fact finding inquiry undertaken by Board staff into the relationship between Citizens & Southern and the other banking institutions referred to was begun in 1966 and continued into 1968. The principal focus of the inquiry concerned essentially two questions: (1) whether Citizens & Southern had unlawfully acquired a direct or indirect stock ownership in these banking institutions in excess of 5 percent without first having secured the requisite prior

give rise to any antitrust immunity. A consummated transaction acquires immunity under § 1849 (b) only when no antitrust action has been commenced within 30

Board approval; and (2) whether the banking institutions had unlawfully become subsidiaries of Citizens & Southern by virtue of the election of directors without first having received the requisite prior Board approval. The inquiry arose in 1966 out of information contained in Citizens & Southern's registration statement filed with the Board and in 1968 as a result of information supplied by the Comptroller of the Currency in connection with the merger of the Citizens and Southern National Bank and the Citizens and Southern Bank of Augusta. The inquiry referred to was not initiated as a result of any application filed with the Board for approval of an acquisition, merger, or consolidation transaction under section 3 of the Bank Holding Company Act.

. . . . .

"The Board of Governors did not issue any order approving the relationships between Citizens & Southern and the other banking institutions under section 3 of the Bank Holding Company Act.

. . . . .

"There was no determination made that approval of the Board under section 3 of the Bank Holding Company Act was required for Citizens & Southern to retain an ownership interest of 5 per cent or less in the banking institutions referred to or to maintain the relationships with those banks in circumstances where Citizens & Southern did not elect a majority of the directors of any such bank. There was an understanding reached between members of the Board's staff and representatives of Citizens & Southern that in those cases where Citizens & Southern purchased 5 per cent or less of the stock of a bank, in some instances furnishing a principal operating officer for such bank, as well as other employee benefits, Citizens & Southern would not be deemed to have control of a majority of the directors of such bank on these facts alone. Further, where the foregoing circumstances existed and where control of additional shares was purchased by the bank's executive officer, control of such shares purchased would not be attributed to Citizens & Southern so long as Citizens & Southern did not finance the purchase of such shares, directly or indirectly. Finally, it was understood that even though Citizens & Southern was responsible, directly or indirectly, in placing one or two directors on the boards of such banks, if that number did not constitute a majority of directors of

days after the transaction has received the "approval" of the *Board*, in an order which is subject to judicial review and which reflects application by the Board of the special antitrust standards of § 1842 (c). The immunity applies only to "an acquisition, merger, or consolidation transaction approved under Section 1842 of this title in compliance with this chapter." 12 U. S. C. § 1849 (b). The obvious purpose of the complex machinery in § 1849 (b) is to accord finality to formal actions of the Board not subjected to timely challenge under the antitrust laws. There is no indication that Congress wished to accord a similar finality to the informal views of the Board's staff.

We note, however, that the 1966 Amendments also added a "grandfather" provision to the Bank Holding Company Act, 12 U. S. C. § 1849 (d):

> "Any acquisition, merger, or consolidation of the kind described in section 1842 (a) of this title which was consummated at any time prior or subsequent to May 9, 1956, and as to which no litigation was initiated by the Attorney General prior to July 1, 1966, shall be conclusively presumed not to have been in violation of any antitrust laws other than section 2 of Title 15 [§ 2 of the Sherman Act]."

Unlike § 1849 (b), this provision does not state or imply that the covered transactions must have received the formal approval of the Federal Reserve Board. This grandfather provision is not, like § 1849 (b) an attempt to accommodate the competing jurisdictions of the Federal Reserve Board under § 1842 and the Justice Department under the antitrust laws. Rather, the grandfather provision is a simple conferral of legislative amnesty for

---

such bank, the Board's staff would not consider that Citizens & Southern could reasonably be held to have control of a majority of the directors of such bank."

theretofore unchallenged transactions completed before Congress had clarified the nature of that accommodation.

The transactions by which C&S created a correspondent associate relationship with three of the 5-percent banks—the Sandy Springs, Chamblee, and Tucker banks—were consummated prior to July 1966, and the Attorney General had taken no action against those transactions by that date. Those transactions thus fall within the terms of the grandfather provision, and the correspondent associate programs in force at those three banks are, therefore, immune from attack under § 1 of the Sherman Act.

While the formation by C&S of a *de facto* branch was a unique type of transaction, it may fairly be characterized as an "acquisition, merger, or consolidation of the kind described in § 1842 (a)." Forming a *de facto* branch was a multifaceted operation—involving a multiplicity of purchases of stock by a number of parties, the adoption of the C&S logo by the *de facto* branch, the connection of the *de facto* branch with C&S personnel and information programs, the structuring of the bank to receive and administer all C&S banking services, and the establishment of formal C&S influence over the board of directors at the *de facto* branch. But even before its scope was expanded in 1970, § 1842 (a) was concerned with more than the literal "acquisition" of stock: It took broad account of the "indirect" control of stock, and the control of boards of directors "in any manner," by bank holding companies.[18] The grandfather provision creates immunity under § 1 of the Sherman Act, not simply under § 7 of the Clayton Act, an indication that its protection extends not merely to literal acquisitions, mergers, and consolidations, but also to "restraints of trade" simultaneous with and function-

[18] See n. 15, *supra*.

ally integral to such transactions. Though multifaceted, the formation by C&S of a *de facto* branch was a unitary and cohesive undertaking in the sense that all the facets were closely coordinated, simultaneously instituted, and designed to serve the single purpose of fitting the new bank into the "C&S system." There is virtually nothing about the present correspondent associate programs that was not fully evident and in place from the moment the programs were launched. There has been no increase in C&S control, nor any change in the way it has been exercised.

Whether these programs violated § 1842 (a)—as it applies today or as it applied when the programs began—is not relevant to our inquiry.[19] By its terms, the grandfather provision applies to transactions *of the kind* described in § 1842 (a). We cannot believe that Congress wished to grant the benefits of the provision only to transactions that plainly *transgressed* § 1842 (a). Such a construction would make application of the grandfather provision not only cumbersome and time-consuming,[20] but also flagrantly inequitable. The formation of a *de facto* C&S branch involved the direct and

---

[19] The grandfather provision creates a conclusive presumption of compliance with the antitrust laws, but not necessarily of compliance with the provisions of the Bank Holding Company Act. See 12 U. S. C. § 1849 (f).

[20] If the correspondent associate program had received formal Board approval, any antitrust immunity created by the machinery in § 1849 (b) could of course have extended only to those features of the program clearly and expressly encompassed by the approval order. But § 1849 (d) applies even where, as here, there has been no approval order. If the provision were construed to cover only transactions actually violative of § 1842 (a), a court applying the provision would face the daunting—and quite senseless—task of dissecting a complicated, integrated transaction, such as the formation of a *de facto* branch, into those components which did and those which did not require prior approval of the Board.

indirect acquisition of bank stock, and the direct and indirect assertion of control over the governance and operations of a bank, by a bank holding company. Though unusual in form, such a transaction quite clearly falls within the class of dealings by bank holding companies which Congress intended, in § 1849 (d), to shield from retroactive challenge under the antitrust laws.

2. *De Facto Branching Under the Sherman Act*

Three of the 5-percent banks—the Park National, South DeKalb, and North Fulton banks—were formed after July 1, 1966, and their correspondent associate relationships with C&S are therefore beyond the reach of the grandfather provision of the Bank Holding Company Act and subject to scrutiny under the Sherman Act.

Each of these banks was founded *ab initio* through the sponsorship of C&S. Except for that sponsorship, they would very probably not exist. The record shows that other banking organizations had been unsuccessful in attempting to launch new banks in the area, and C&S affiliation and financial backing were instrumental in convincing state and federal banking authorities to charter these new banks. In short, these banks represented a policy by C&S of *de facto* branching through the formation of new banking units, rather than through the acquisition, and consequent elimination, of pre-existing, independent banks.[21]

Of necessity, the Government's attack on this process

[21] The Tucker Bank, which was not founded as a new bank by C&S, comes within the coverage of the grandfather provision, as explained in the previous section. *De facto* branching through the *de facto* "acquisition" of pre-existing banks might raise questions under the Sherman Act considerably different from those presented by the C&S practice of *de facto* branching through founding *new* banks.

is highly technical. Had the new banks been *de jure* branches of C&S, the whole process would have been beyond reproach. Branching allows established banks to extend their services to new markets, thereby broadening the choices available to consumers in those markets.[22] Having access to parent-bank financial support, expert advice, and proven banking services, branches of several city banks can often enter a market not yet large or developed enough to support a variety of independent, unit banks. Branching thus offers competitive choice to markets where monopoly or oligopoly might otherwise prevail. Furthermore, the branching process gives to outlying customers the benefit of sophisticated services which local unit banks might have little ability or incentive to deliver. The Government denies none of this, nor that C&S's program of *de facto* branching was, until 1970, the closest substitute to *de jure* branching allowed under Georgia law. Yet the Government insists that this *de facto* branching violated the Sherman Act because the parent bank and its *de facto* branches were legally distinct corporate entities and were obligated, therefore, to compete vigorously against each other.

It is, of course, conceded that C&S's *de facto* branches have not behaved as active competitors with respect either to each other or to C&S National and its majority-owned affiliates. But the Government goes further and contends that the correspondent associate programs have actually encompassed at least a tacit agreement to fix interest rates and service charges, see *Interstate Circuit, Inc.* v. *United States*, 306 U. S. 208, 227; *United States* v. *Masonite Corp.*, 316 U. S. 265, 275–276; *United States* v. *Bausch & Lomb Optical Co.*, 321 U. S. 707, 723; *United States* v. *General Motors Corp.*, 384 U. S. 127, 142–143, so as to make the interrelationships—to that

[22]. See generally M. Mayer, The Bankers 83–91 (1974).

extent at least—illegal "per se." See *United States* v. *Socony-Vacuum Oil Co.*, 310 U. S. 150, 221–226, n. 59; *United States* v. *Parke, Davis & Co.*, 362 U. S. 29, 47. C&S vigorously denies the existence of any agreement to fix prices. The evidence in the record is mixed.

C&S did regularly notify the 5-percent banks—as it did its *de jure* branches—of the interest rates and service charges in force at C&S National and its affiliates. But the dissemination of price information is not itself a *per se* violation of the Sherman Act. See *Maple Flooring Manufacturers Protective Assn.* v. *United States*, 268 U. S. 588; *United States* v. *Container Corp.*, 393 U. S. 333, 338 (concurring opinion). A few of the memoranda distributed by C&S could be construed as advocating price uniformity; on the other hand, the memoranda were almost without exception stamped "for information only," and the 5-percent banks were admonished by C&S, several times and very clearly, to use their own judgment in setting prices; indeed, the banks were warned that the antitrust laws required no less. The District Court observed that in fact prices did not often vary significantly among the 5-percent banks or between these banks and C&S National, but the court attributed this to the "natural deference of the recipient to information from one with greater expertise or better services." 372 F. Supp., at 628. And the court found as a fact that there was no "collusive price fixing." *Id.*, at 626.

Were we dealing with independent competitors having no permissible reason for intimate and continuous cooperation and consultation as to almost every facet of doing business, the evidence adduced here might well preclude a finding that the parties were not engaged in a conspiracy to affect prices. But, as we indicate below, the correspondent associate program, as such, was permissible under the Sherman Act. In this unusual light,

we cannot hold clearly erroneous the District Court's finding that the lack of significant price competition did not flow from a tacit agreement but instead was an indirect, unintentional, and formally discouraged result of the sharing of expertise and information which was at the heart of the correspondent associate program. Fed. Rule Civ. Proc. 52 (a); *United States* v. *General Dynamics Corp.*, 415 U. S. 486, 508.

The Government argues, alternatively, that the correspondent associate programs have gone far beyond conventional "correspondent" relationships, and that consequently these programs have "unreasonably" restrained competition among the 5-percent banks and between these banks and C&S National. The District Court was not persuaded by this theory:

> "The difference between a pure correspondent relationship and a correspondent associate relationship as set forth in the evidence is merely one of degree, a fine line of demarcation almost impossible for the Court to perceive . . . . In either case there is a flow of information as to rates, practices, etc., which the Government apparently applauds or at least condones in a correspondent banking relationship." 372 F. Supp., at 628.

The court's dilemma is understandable, for in neither law nor banking custom has there developed a clear, fixed definition of the correspondent relationship: [23]

> "Correspondent banking is an interbank practice whereby 'city' correspondent banks provide a cluster of services to smaller 'county' banks in exchange for interbank deposits. Dating back to colonial times, correspondent banking originally provided an

[23] Austin & Solomon, A New Antitrust Problem: Vertical Integration in Correspondent Banking, 122 U. Pa. L. Rev. 366, 367–368 (1973).

> extended network of independent unit banks with a link to financial centers, and at the same time furnished substitute central banking functions. Today, as a vital component of the era of electronic banking, it enables city correspondents to provide customers with a range of services that is varied, extensive and constantly expanding; one survey lists as many as fifty different categories."

Among the services typically provided within a conventional correspondent arrangement are check clearing, help with bill collections, participation in large loans, legal advice, help in building securities portfolios, counseling as to personnel policies, staff training, help in site selection, auditing, and the provision of electronic data processing. Furthermore, like C&S's program, the correspondent arrangement is often established as a prelude to a formal merger between the two banks.[24]

Nevertheless, C&S's program does appear to have gone several steps beyond conventional correspondent arrangements. C&S has closely advised the boards of directors of the 5-percent banks, supplied their chief executive officers, allowed full "branchlike" use of the C&S logogram, provided all the C&S services available at a *de jure* branch, dealt with the 5-percent banks through the C&S branch administration department, and provided con-

[24] *Id.*, at 367–371. On the varieties of "service packages" to be found in correspondent banking, see also Knight, Correspondent Banking, Balances and Services, Fed. Reserve Bank of Kansas City Monthly Review, November 1970, and Correspondent Banking, Loan Participation and Fund Flows, Fed. Reserve Bank of Kansas City Monthly, December 1970; House Comm. on Banking and Currency, Subcomm. on Domestic Finance, 88th Cong., 2d Sess., A Report on the Correspondent Banking System, and Correspondent Relations: A Survey of Banker Opinion (Comm. Prints, October 21, 1964); Nadler, Three Score Years of Correspondent Banking, Banking, July 1968, at 54–55; 1970 Correspondent Banking Survey, Am. Banker, December 18, 1970, at 8–71.

stant and detailed information on prices and on all banking procedures.[25] It is conceivable that these relationships, separately or taken together, have restrained competition among the defendant banks more thoroughly or effectively than would have a conventional correspondence program. But even if the Government had proven this, which the District Court found not to be the case, that alone would not make out a Sherman Act violation. C&S has operated the 5-percent banks as *de facto* branches as a direct response to Georgia's historic restrictions on *de jure* branching, and the question therefore remains whether restraints of trade integral to this particular, unusual function are unreasonable. See *Board of Trade of City of Chicago* v. *United States*, 246 U. S. 231, 238. We turn directly to that question.

The central message of the Sherman Act is that a business entity must find new customers and higher profits through internal expansion—that is, by competing successfully rather than by arranging treaties with its competitors. This Court has held that even commonly owned firms must compete against each other, if they hold themselves out as distinct entities. "The corporate interrelationships of the conspirators . . . are not determinative of the applicability of the Sherman Act." *United States* v. *Yellow Cab Co.*, 332 U. S. 218, 227. See also *Kiefer-Stewart Co.* v. *Joseph E. Seagram & Sons, Inc.*, 340 U. S. 211, 215; *Timken Roller Bearing Co.* v. *United States*, 341 U. S. 593, 598; *Perma Life Mufflers, Inc.* v. *International Parts Corp.*, 392 U. S. 134, 141–142. *A fortiori*, independently owned firms cannot escape competing merely by pretending to common ownership or control, for the pretence would simply perfect the cartel.

[25] Also, of course, C&S owns 5 percent of the stock in these banks—not a common facet of correspondent banking. But the Government neither challenges C&S's 5-percent ownership, as such, nor suggests that it aggravates the alleged antitrust problems.

We may also assume, though the question is a new one, that a business entity generally cannot justify restraining trade between itself and an independently owned entity merely on the ground that it helped launch that entity, by providing expert advice or seed capital. Otherwise the technique of sponsorship followed by restraint might displace internal growth as the normal and legitimate technique of business expansion, with unknowable consequences.

But these general principles do not dispose of the present case. C&S was absolutely restrained by state law from reaching the suburban market through the preferred process of internal expansion. *De facto* branching was the closest available substitute.[26] Just last Term, in a brief presented to this Court, the Justice Department told us that it was desirable and procompetitive for a bank to "[enter] *de novo* into areas foreclosed to branching by sponsoring the organization of an affiliate bank, and later acquiring the bank. This method of expansion is legal and a well-recognized practice used by large statewide banking organizations, and recognized by the federal banking authorities." [27] The Government acknowledged that such a sponsored bank could "be affiliated with its sponsor for purposes of correspondent relationships and other inter-bank services, including financial support," and that it could be "formed" by the parent bank's "officers, directors, or their associates" and could be "assisted" by the parent

[26] This case does not require us to explore the conceivable antitrust problems raised by correspondent banking in all circumstances and in all its many forms. We deal here solely with the founding and maintenance of new *de facto* branch banks in the context of a state ban on *de jure* branching.

[27] Brief for the United States 15–16, filed in *United States* v. *Marine Bancorporation, Inc.*, 418 U. S. 602 (citations to record omitted).

firm "until acquired and converted into a branch." [28] This is as good a curbstone description as any of precisely the relationships at issue in the present case.[29]

To characterize these relationships as an unreasonable restraint of trade is to forget that their whole purpose and effect were to *defeat* a restraint of trade. Georgia's antibranching law amounted to a compulsory market division. Accomplished through private agreement, market division is a *per se* offense under the Sherman Act:

> "[T]his Court has reiterated time and again that '[h]orizontal territorial limitations . . . are naked restraints of trade with no purpose except stifling of competition.'" *United States* v. *Topco Associates*, 405 U. S. 596, 608, quoting *White Motor Co.* v. *United States*, 372 U. S. 253, 263 (1963).

The obvious purpose and effect of a rigid antibranching law is to make the potential bank customers of suburban, small town, and rural areas a captive market for small unit banks.[30] C&S devised a strategy to cir-

---

[28] *Id.*, at 16 and 17.

[29] The brief noted with approval an example where the sponsored bank had, according to state banking authorities, become a "satellite" of the parent bank. *Id.*, at 16 n. 16.

[30] The banking business is, of course, riddled with state and federal regulatory barriers to entry. See *United States* v. *Marine Bancorporation*, *supra*, 418 U. S., at 628–629. But most of these barriers—*e. g.*, chartering requirements—at least arguably serve the overriding public interest in maintaining customer confidence in the industry as a whole by assuring adequate financial stability and responsible management for all banks. Anti-branching laws, on the other hand, are now widely recognized as a simple device to protect outlying unit banks from the rigors of regional competition. See Report, President's Commission on Financial Structure and Regulation 59–63, 113 (1971); Note, Bank Charter, Branching, Holding Company and Merger Laws; Competition Frustrated, 71 Yale L. J. 502, 515–516 (1962). Smith & Greenspun, Structural Limitations on Bank Competition, 32 Law Contemp. Problems, 4,

cumvent this statutory barrier. By providing new banking options to suburban Atlanta customers, while eliminating no existing options, the *de facto* branching program of C&S has plainly been procompetitive.

The Government suggests that a "conventional" correspondent relationship between C&S and the 5-percent banks would have been equally procompetitive and would have had the added virtue of facilitating competition among the 5-percent banks and between them and C&S National. This is mere speculation on the present record. Moreover, it is far from clear that a conventional correspondent relationship would have allowed C&S to put its full range of services into the suburban market which, in light of the antibranching law, was the very point of its policy and program. Putting to one side the total lack of realism in suggesting that C&S might have founded new banks that would have competed vigorously with it and with each other, cf. *United States* v. *Penn-Olin Chem. Co.*, 378 U. S. 158, 169 (1964), the Government's argument wholly disregards C&S's ultimate goal of acquiring the new banks outright as soon as legally possible, a goal which the Government last year thought wholly proper. We hold that, in the face of the stringent state restrictions on branching, C&S's program of founding new *de facto* branches, and maintaining them as such, did not infringe § 1 of the Sherman Act.

B. *The Clayton Act Claim*

In the light of the previous discussion, disposition of the Clayton Act claim becomes relatively straight-

---

45–46 (1967); Comment, Bank Branching in Washington: A Need for Reappraisal, 48 Wash. L. Rev. 611 (1973); Baker, State Branch Bank Barriers and Future Shock—Will the Walls Come Tumbling Down?, 91 Banking L. J. 119 (1974). See also *United States* v. *Marine Bancorporation, supra*, 418 U. S., at 162 n. 8.

forward. The issue under § 7 of the Clayton Act is whether the effect of the proposed acquisitions, approved by the FDIC, "may be substantially to lessen competition . . . in any line of commerce in any section of the country."

The Government established that C&S is the predominate banking institution in DeKalb County, Fulton County, north Fulton County, and the Atlanta area generally; that in these markets the commercial banking industry is quite highly concentrated in terms of market share statistics; and, of course, that the proposed acquisitions would increase C&S's nominal market shares.[31] The District Court did not decide whether the geographic markets proposed by the Government were the appropriate ones. But assuming *arguendo* that they were, the Government plainly made out a prima facie case of a violation of § 7 under several decisions of this Court. See *United States* v. *Philadelphia National Bank*, 374 U. S. 321, 362–366; *United States* v. *Phillipsburg National Bank & Trust Co.*, 399 U. S. 350, 365–367; *United States* v. *General Dynamics Corp.*, 415 U. S. 486, 497. It was thus incumbent upon C&S to show that the market share statistics gave an inaccurate account of the acquisitions' probable effects on competition. *United States* v. *General Dynamics Corp.*, *supra*, 415 U. S., at 497–498; *United States* v. *Marine Bancorporation*, 418 U. S. 602, 631. The District Court, like the FDIC before it, concluded that C&S had made the necessary showing that these proposed acquisitions would not "lessen" competition for the simple reason that under the correspondent associate program that had been continuously in effect, no real competition had developed or was likely to develop among the 5-percent banks, or between these and C&S National.

[31] See Appendix to this opinion.

As to present and past competition, the Government agrees there is and has been none. If this state of affairs were the result of violations of the Sherman Act, we agree with the Government that making the evil permanent through acquisition or merger would offend the Clayton Act. See *Citizen Publishing Co.* v. *United States*, 394 U. S. 131, 135. But we have already concluded that C&S's program of founding and maintaining new *de facto* branches in the face of Georgia's anti-branching law did not violate the Sherman Act, and the *de facto* branches which C&S proposes to acquire were all founded *ab initio* with C&S sponsorship. It thus indisputably follows that the proposed acquisitions will extinguish no present competitive conduct or relationships. See *United States* v. *Trans Texas Bancorporation*, 412 U. S. 946, affirming *per curiam* 1972 Trade Cases ¶ 74, 257 (WD Tex.).

As for future competition, neither the District Court nor the FDIC could find any realistic prospect that denial of these acquisitions would lead the defendant banks to compete against each other. The 5-percent banks theoretically *could* break their ties with C&S and its correspondent associate program, for these banks are each independently owned, but the record shows that none of the shareholders, directors, or officers of the 5-percent banks expressed any inclination to do so, and there was no evidence that the program has been other than beneficial and profitable for both C&S and the 5-percent banks.[32] The Clayton Act is concerned with

[32] In the entire history of C&S's 5-percent program, only the Stone Mountain Bank terminated its relationship with C&S. The record shows that that bank was not sponsored by C&S, that a large amount of the stock remained in the hands of a family hostile to C&S, that the bank's shareholders never intended to merge with C&S, and that the bank's board of directors resisted introduction

"probable" effects on competition, not with "ephemeral possibilities." *Brown Shoe Co.* v. *United States,* 370 U. S. 294, 323.

For the reasons set out in this opinion, the judgment of the District Court is affirmed.

It is so ordered.

---

of C&S banking methods. None of these factors exists with respect to the banks at issue in the present case.

It is true that C&S has recently been ordered by the state Banking Commissioner to trim back its percentage ownership of the suburban banks and to modify, in ways not yet fully clear, its "supervision" of those banks. See n. 11, *supra.* But the District Court considered this development and concluded that it would not lead to true competition among the defendant banks. The court explicitly found that the changes ordered would not affect the bonds of interbank consultation and cooperation which are at the heart of the correspondent associate program. 372 F. Supp., at 638, 643 & 643 n. 8.

APPENDIX

The District Court summarized the structure of various banking markets in the Atlanta area, and the statistical effects of the proposed acquisitions, in the following way. 372 F. Supp., at 629–632:

DeKalb County

Treating C&S National, C&S Emory and C&S DeKalb as one banking organization, there are 19 commercial banking organizations operating offices in DeKalb County. In terms of total deposits and total individual, partnership and corporation ("IPC") demand deposits held by all banking offices located in DeKalb County, the top four banks, respectively, are C&S (offices of C&S National in DeKalb County, C&S Emory and C&S DeKalb), First National Bank of Atlanta, Trust Company of Georgia, and Fulton National Bank. In terms of outstanding loans, the top four banks are C&S (offices of C&S National in DeKalb County, C&S Emory and C&S DeKalb), Trust Company of Georgia, Tucker and Fulton National Bank. The shares of total deposits, total loans and total IPC demand deposits accounted for by the four largest banks are as follows:

Banks	Total Deposits (12/31/71)	Total Loans (12/31/71)	IPC Demand Deposits (6/30/72)
Top 2	38.3%	42.7%	34.8%
Top 3	51.8%	52.4%	47.3%
Top 4	62.9%	61.8%	58.2%

C&S (offices of C&S National in DeKalb County, C&S Emory and C&S DeKalb) accounts for the following shares of total deposits, total loans and total IPC demand

deposits held by all banking offices located in DeKalb County.

Banks	Total Deposits (12/31/71)	Total Loans (12/31/71)	IPC Demand Deposits (6/30/72)
C&S	24.1%	28.5%	20.1%

Chamblee, Park National and South DeKalb, all of whose banking offices are located in DeKalb County, account for the following shares of total deposits, total loans and total IPC demand deposits held by all banking offices located in DeKalb County:

Banks	Total Deposits (12/31/71)	Total Loans (12/31/71)	IPC Demand Deposits (6/30/72)
Chamblee	5.7%	5.7%	5.9%
Park National.....	2.9%	1.5%	3.0%
South DeKalb.....	1.8%	2.5%	1.9%
	10.4%	9.7%	10.8%

Depending on the unit of measurement, Chamblee is the third or fourth largest bank headquartered in DeKalb County.

If the proposed mergers were approved, the C&S system (which would include offices of C&S National and South DeKalb) would account for 34.5% of the total deposits of all the banking offices located in DeKalb County, 38.2% of the total loans and 30.9% of the total IPC demand deposits. C&S would also be acquiring the third (or fourth) largest bank headquartered in DeKalb County.

If the proposed mergers were approved, the four largest banks would account for the following shares of the DeKalb County market:

Banks	Deposits	Total Loans	IPC Demand Deposits
Top 2 after mergers..	48.7%	52.4%	45.6%
Top 3 after mergers..	62.2%	62.1%	58.1%
Top 4 after mergers..	73.3%	71.5%	69.0%

Thus, if the proposed mergers were approved, the C&S system's share of total deposits, for example, would increase from about 24% to 34%, or an increase of about 40%. The share of total deposits accounted for by the top 4 banks would increase from about 63% to 73%, while that of the top 2 and top 3 banks would increase from 38% to 49% and from 52% to 62%, respectively.

North Fulton County

There are nine commercial banks operating offices in North Fulton County. In terms of total deposits and total IPC demand deposits held by all banking offices located in North Fulton County, the top 4 banks, respectively, are Sandy Springs, Roswell Bank, Fulton Exchange Bank and North Fulton. On June 30, 1970, however, there were only five banks operating offices in North Fulton County: the four banks just mentioned and Trust Company of Georgia Bank of Sandy Springs, which is now a branch of Trust Company of Georgia. The shares of total deposits and IPC demand deposits accounted for by the four largest banks are as follows:

Banks	IPC Demand Deposits (6/30/72)	IPC Demand Deposits (6/30/70)	Total Deposits (6/30/70)
Top 2.....	57.8%	66.4%	64.0%
Top 3.....	70.1%	78.9%	80.2%
Top 4.....	80.3%	90.7%	91.9%

As of June 30, 1972, the North Springs Office of C&S East Point accounted for 1.7% of total IPC demand deposits held by all banking offices located in North Fulton County.

As of June 30, 1972, Sandy Springs and North Fulton accounted for 36.4% and 10.2%, respectively, of total IPC demand deposits held by all banking offices located in North Fulton County. As of June 30, 1970, they accounted for 34.4% and 11.7%, respectively, of total deposits held by all commercial banking offices located in North Fulton County.

If the proposed mergers were approved, the C&S system (which would include C&S East Point's North Springs Office, North Fulton and Sandy Springs) would account for 48.3% of the total IPC demand deposits held by all commercial banking offices located in North Fulton County and the four largest banks would account for the following shares of IPC demand deposits in North Fulton County:

Banks	IPC Demand Deposits
Top 2 after mergers	69.7%
Top 3 after mergers	82.0%
Top 4 after mergers	92.0%

Thus, if the proposed mergers were approved, the C&S system's [33] share of total IPC demand deposits held by all banking offices located in North Fulton County would increase from 1.7% to 48.3%, and the C&S system's share in this area would be twice that of the second largest banking organization, the Roswell Bank. Two

[33] These computations consider the 5-percent defendant banks as completely separate entities (rather than as constituting a part of the C&S system as actually is the case), and of course, do not relate to competition as such but rather to the assignment of statistical proportions to the various entities involved.

of the four largest banks in the area would become part of the Atlanta area's largest banking organization. In addition, the share of total IPC demand deposits accounted for by the top 4 banks would increase from 80.3% to 92.0%, while the shares of the top 2 and top 3 banks would increase from 57.8% to 69.7% and from 70.1% to 82.0%, respectively.

Fulton County

Treating C&S National and C&S East Point as one banking organization, there are 18 commercial banking organizations operating offices in Fulton County. In terms of total loans, deposits and IPC demand deposits held by all banking offices located in Fulton County, the top 4 banks, respectively, are C&S (offices of C&S National in Fulton County and C&S East Point), First National Bank of Atlanta, Trust Company of Georgia and Fulton National Bank. The shares of total loans, deposits and IPC demand deposits accounted for by the four largest banks are as follows: [34]

Banks	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
Top 2	63.0%	55.2%	61.3%
Top 3	78.8%	73.9%	78.1%
Top 4	89.4%	87.0%	88.8%

C&S (offices of C&S National in Fulton County and C&S East Point) accounts for the following shares of total loans, deposits and IPC demand deposits held by all banking offices in Fulton County:

Bank	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
C&S	37.2%	30.8%	32.1%

[34] See n. 2, *supra*.

Sandy Springs and North Fulton, both of whose banking offices are located in Fulton County, account for the following shares of total loans, deposits and IPC demand deposits held by all banking offices located in Fulton County:

Banks	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
Sandy Springs.....	.7%	.8%	.9%
North Fulton.....	.3%	.3%	.3%
	1.0%	1.1%	1.2%

Depending on the unit of measurement, Sand Springs is the eighth or ninth largest banking organization in Fulton County.

If the proposed mergers were approved, the C&S system (which would include offices of C&S National in Fulton County, C&S East Point, Sandy Springs and North Fulton) would account for 38.2% of the total loans held by all banking offices in Fulton County, 31.9% of the total deposits and 33.3% of the total IPC demand deposits.

If the proposed mergers were approved, the four largest banks would account for the following shares in Fulton County:

Bank	Total Loans	Total Deposits	IPC Demand Deposits
Top 2 after mergers..	64.0%	56.3%	62.5%
Top 3 after mergers..	79.8%	75.0%	79.3%
Top 4 after mergers..	90.4%	88.1%	90.0%

Atlanta Area

Treating C&S National, C&S Emory, C&S DeKalb and C&S East Point as one banking organization, there are 31 commercial banking organizations operating offices in the Atlanta area, six of which operate offices in both Fulton and DeKalb Counties. In terms of total loans,

deposits, and IPC demand deposits held by all banking offices located in the Atlanta area, the top 4 banks, respectively, are C&S (offices of C&S National, C&S East Point, C&S Emory and C&S DeKalb), First National Bank of Atlanta, Trust Company of Georgia and Fulton National Bank. The shares of total loans, deposits and IPC demand deposits accounted for by the four largest banks are as follows:

Banks	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
Top 2	60.5%	53.2%	58.0%
Top 3	76.2%	71.3%	74.3%
Top 4	86.7%	84.2%	85.0%

C&S (offices of C&S National, C&S Emory, C&S East Point and C&S DeKalb) accounts for the following shares of total loans, deposits and IPC demand deposits held by all banking offices located in the Atlanta area:

Bank	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
C&S	36.4%	30.0%	30.6%

Chamblee, Park National, South DeKalb, Sandy Springs and North Fulton account for the following shares of total loans deposits and IPC demand deposits held by all banking offices located in the Atlanta area:

Banks	Total Loans (12/31/71)	Total Deposits (12/31/71)	IPC Demand Deposits (6/30/72)
Chamblee	.5%	.6%	.8%
Park National	.1%	.3%	.4%
South DeKalb	.2%	.2%	.3%
Sandy Springs	.6%	.7%	.8%
North Fulton	.3%	.2%	.2%
	1.7%	2.0%	2.5%

If their deposits (as of 12/31/71) were combined ($71,142,252), these five banks would be the equivalent of the sixth largest banking organization in the Atlanta area. Sandy Springs and Chamblee are alone, the tenth and eleventh largest banking organizations in the Atlanta area, respectively.

If the proposed mergers were approved, the C&S system (which would include the offices of C&S National in the Atlanta area, C&S Emory, C&S DeKalb, C&S East Point, Chamblee, Park National, South DeKalb, Sandy Springs and North Fulton) would account for 38.2% of the total loans held by all banking offices located in the Atlanta area, 32.0% of the total deposits and 33.0% of the total IPC demand deposits. C&S would also be acquiring the tenth and eleventh largest banks in the Atlanta area.

If the proposed mergers were approved, the four largest banks would account for the following shares in the Atlanta area:

Banks	Total Loans	Total Deposits	IPC Demand Deposits
Top 2 after mergers..	62.2%	55.2%	60.5%
Top 3 after mergers..	77.9%	73.3%	76.8%
Top 4 after mergers..	88.4%	86.2%	87.5%

SUPREME COURT OF THE UNITED STATES

No. 73–1933

United States, Appellant, v. Citizens and Southern National Bank et al.	On Appeal from the United States District Court for the Northern District of Georgia.

[June 17, 1975]

MR. JUSTICE BRENNAN, with whom MR. JUSTICE DOUGLAS and MR. JUSTICE WHITE join, dissenting.

I agree that the District Court erred in holding that the correspondent associate programs are immune from Sherman Act scrutiny because they are subject to the "exclusive primary jurisdiction" of the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended. The District Court also erred, however, in holding that the United States did not prove the violations of § 1 of the Sherman Act and § 7 of the Clayton Act alleged, and I therefore dissent from the affirmance of its judgment.

The issues under the Clayton and Sherman Acts, while logically independent, are related; both present the question whether a large commercial bank, already possessing a substantial share of the Atlanta market, may lawfully acquire other banks, rather than expand internally. Three banks now control more than 75% of the commercial banking business in Atlanta. Today's decision assures that their dominions will soon be extended as arrangements they have made with independent banks to operate as "*de facto* branches" are solidified through merger. I cannot agree with today's decision that the Government is powerless to prevent this result.

I *The Sherman Act*

The "five percent" banks in this litigation entered into a relationship with C&S far exceeding that of "cor-

respondent banking," the provision of check clearance, investment advice, personnel training or other specialized services in arms-length transactions.[1] From the very inception of these relationships, it was contemplated that the 5-percent banks would seek, and C&S would provide, advice and guidance with respect to virtually every business decision of significance. C&S provided advisory directors—treated by all parties as actual directors—made available operating manuals covering banking practices in minute detail,[2] and maintained a constant flow of bulletins whose contents ranged from admonitions about

---

[1] Relationships labelled "correspondent banking" may call for careful scrutiny as the sale of specialized services by the corresponding bank shades into "consultation" by the correspondent on every business decision of significance. Correspondent banking, like other intra-industry interaction among firms or their top management, provides an opportunity both for the kind of education and sharing of expertise that ultimately enhances consumer welfare and for "understandings" that inhibit, if not foreclose, the rivalry that antitrust laws seek to promote. As one commentator on commercial banking practices has observed:

"communication, especially when it comes from those at the top of a hierarchy, tends to facilitate conflict resolution. Perhaps a great deal should not be made of this but competition is a form of conflict and, in the present context, conflict resolution is a form of restraint on competition."

Phillips, Competition, Confusion, and Commercial Banking, 19 J. Finance 32, 42 (1964).

Since the relationship of C&S to the 5-percent banks goes well beyond ordinary "correspondent banking," this case does not present an occasion for further examination of the lawfulness of these more limited interconnections among firms.

[2] The Consumer Credit Operating Bulletin (DX–311, E–1024) is illustrative. It explains what bank records should be established, the methods for arranging a repayment plan, and the procedures to be followed in perfecting a security interest. In addition, the manual sets forth C&S practice with respect to charges for late payments, extensions of repayment deadlines, and the notification of a borrower's employer about repayment delinquency.

the antitrust laws to exhortations to "get the rates [on loans] up." C&S, through its Branch Supervision Department, monitored the performance of the management of the 5-percent banks and was instrumental in having replaced those who did not measure up. These arrangements had the desired effect. The elaborate fabric of "consultations," of seeking "advice and guidance," eliminated the opportunity for rivalry among the defendant banks. The District Court found "no presently existing substantial competition between the 5-percent banks and C&S National or *inter sese*."

A

The Court concludes that antitrust scrutiny of the affiliation of three 5-percent banks is foreclosed by the grandfather provision of § 11 (d) of the Bank Holding Company Act, 12 U. S. C. § 1849 (d). That holding is plainly a distorted expansion of § 11 (d) beyond its language and purpose.

The concept of an amnesty for unchallenged structural arrangements in commercial banking first appeared in the 1966 Amendments to the Bank Merger Act, 80 Stat. 7. In those Amendments, Congress, responding in part to this Court's decisions in *United States* v. *Philadelphia National Bank*, 374 U. S. 321 (1963), and *United States* v. *First National Bank & Trust Co. of Lexington*, 376 U. S. 665 (1964), attempted to mesh antitrust considerations with review of proposed bank mergers by the appropriate regulatory agency. The resulting provisions, which mandate Justice Department participation in the regulatory approval process as well as consideration by the regulatory agencies of "competitive factors," and permit antitrust suit within 30 days of regulatory approval, appear today in the Federal Deposit Insurance Act, 12 U. S. C. § 1828. See *United States* v. *First City National Bank of Houston*, 386 U. S. 361

(1967); *United States* v. *Third National Bank of Nashville*, 390 U. S. 171 (1968). The 1966 Amendments also included a grandfather provision, 80 Stat. 10, that conferred immunity from antitrust challenge (except under § 2 of the Sherman Act) upon any "merger, consolidation, acquisition of assets, or assumption of liabilities" consumated before June 17, 1963, the date of the decision in *Philadelphia National Bank*.

A few months after enactment of the Bank Merger Act amendments, the "antitrust" provisions were written almost verbatim into the Bank Holding Company Act. Unlike their Merger Act counterparts, the 1966 Amendments to the Bank Holding Company Act were not principally addressed to integrating antitrust standards with the regulatory process, but rather to expanding the Federal Reserve Board's jurisdiction and regulatory powers. The antitrust provisions of the Holding Company Act amendments received little legislative attention; the brief reference to them in the legislative history indicates that their purpose was to "apply to bank holding company cases the same procedures as are now provided in bank merger cases . . . ."[3] Among the provisions so borrowed from the earlier Bank Merger Act Amendments was the grandfather provision, § 11 (d).

Because of congressional preoccupation with the regulatory features of the 1966 Amendments to the Bank Holding Company Act, interpretation of the antitrust provisions may involve as much an attribution of congressional intent as a discerment of it. This is particularly the case with respect to § 11 (d), which was trans-

[3] As initially enacted by the House, the amendments contained no antitrust provisions. See generally H. R. Rep. No. 534, 89th Cong., 1st Sess. (1965). These were added later by the Senate Banking and Currency Committee and subsequently adopted by both Houses. See S. Rep. No. 1179, 89th Cong., 2d Sess., 10 (1969).

planted from one regulatory statute to another with seemingly scant attention to the differences in the regulatory environment. Objections that grandfathering holding company acquisitions posed policy questions different from the retroactive immunization of mergers were quickly brushed aside,[4] and § 11 (d) was swept into law along with the other antitrust provisions. Thus, despite whatever dissimilarity of underlying policy considerations may have been exposed, Congress indicated that it considered the grandfather provisions in both statutes to advance substantially similar purposes. Accordingly, however difficult may be the discernment of the congressional intent expressed in § 11 (d), we must look for assistance to its counterpart in the Bank Merger Act, the only guidepost Congress has left us.

The grandfather provision of the Bank Merger Act amendments most assuredly did not provide sanctuary for then-unchallenged price-fixing, market division, or other cartel activity by banks. Congressional concern was much more narrowly directed. *Philadelphia National Bank* rejected a literal interpretation of § 7 of the Clayton Act that would have limited its application to stock acquisitions by banks, an interpretation that nevertheless enjoyed some acceptance prior to the decision. Congress was concerned about the difficulty of unscrambling pre-*Philadelphia National Bank* mergers undertaken in reliance upon the literal interpretation of § 7 the Court ultimately rejected, and accordingly immunized them from suit under that section.[5] But a provision barring suit

---

[4] See letter from Deputy Attorney General Clark to Sen. Robertson, reprinted at 112 Cong. Rec. 12385 (1966), and accompanying remarks by Sen. Robertson, *ibid.*

[5] See S. Rep. No. 299, 89th Cong. 1st Sess., 1–7; H. R. Rep. No. 1221, 89th Cong., 2d Sess., 4; 111 Cong. Rec. 13304–13305 (remarks of Sen. Robertson); 112 Cong. Rec. 2454 (remarks of Rep. Celler).

under § 1 of the Sherman Act was also necessary to safeguard the same mergers because of our decision in *Lexington Bank, supra.* Thus although the resulting grandfather provision covered both the Clayton and Sherman Acts (except Sherman Act § 2), its purpose was to shield structural arrangements of the sort the Government challenged in *Philadelphia National Bank* and was continuing to challenge in the District Courts thereafter.[6]

Against the foregoing background, we confront the language of the counterpart in the Bank Holding Company Act. As enacted in 1966, § 11 (d) shielded an "acquisition, merger, or consolidation of the kind described in § 3 (a) of the Act." Section 3 (a) provided then, as today, that:

> "(a) It shall be unlawful, except with the prior approval of the Board, (1) for any action to be taken that causes any company to become a bank holding company; (2) for any action to be taken that causes a bank to become a subsidiary of a bank holding company; (3) for any bank holding company to acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, such company will directly or indirectly own or control more than 5 per centum of the voting shares of such bank; (4) for any bank holding company or subsidiary thereof, other than a bank, to acquire all or substanially all of the assets of a bank; or (5) for any bank holding company to merge or consolidate with any other bank holding company."[7]

---

[6] See *United States* v. *Crocker-Anglo National Bank,* 223 F. Supp. 849 (ND Cal. 1963); *United States* v. *Manufacturers Hanover Trust Co.,* 240 F. Supp. 867 (SDNY 1965), cited in Hearings before a Subcommittee of the Senate Committee on Banking and Currency on Amendments to the Bank Merger Act, 89th Cong., 1st Sess., 446, 463 (1965).

[7] Section 3 (a) had been in force since enactment of the Bank

Section 3 (a) is thus the operative provision of the statute permitting the Federal Reserve Board to regulate the events therein described.

By "grandfathering" an "acquisition, merger, or consolidation of the kind described in § 3 (a)," Congress obviously exempted from antitrust challenge only the events for which Board approval would have been required. None of the transactions defined by § 3 (a), however, includes those features of the "correspondent associate" relationship that the Government is challenging under Sherman Act § 1 in this case. Clauses (4) and (5) of § 3 (a) refer, respectively, to an acquisition of assets and a merger of two holding companies. Clause (3) refers to ownership of voting stock by a holding company; the stock ownership by C&S is not, however, the salient feature of the affiliative relationship and indeed is not challenged in this case. Clauses (1) and (2) address the creation of a holding company-subsidiary relationship. The definitional provisions of § 2 (d) have undergone recent expansion, but in 1966 they designated a bank as a "subsidiary" if a holding company either (1) directly or indirectly owned or controlled 25% or more of its voting stock, or (2) controlled in any manner the election of a majority of its directors. These two conditions would often be satisfied simultaneously, and indeed shortly after enactment of the forerunner of this provision in 1956 it was suggested that the second condition was redundant. See Note, The Bank Holding Company Act of 1956, 9 Stan. L. Rev. 333, 337 and n. 59 (1957). Congress, however, was apparently concerned that stock interests could be so structured that a holding company could elect a majority of directors without satisfying the 25% ownership requirement.[8] Whether or

Holding Company Act in 1956. The 1966 amendment added clause (2) to its provisions.

[8] See H. R. Rep. No. 609, 84th Cong., 1st Sess., 12–13 (1955);

not this fear was well-founded, it is clear that satisfaction of either condition required an arrangement whereby the holding company had the power to vote stock.

In establishing its "correspondent associates" C&S did not engage in the transactions described by § 3 (a) in 1966 and therefore sheltered by § 11 (d). Indeed, because of state law restrictions C&S could not resort to the methods described by § 3 (a) of the Holding Company Act and turned instead to more informal arrangements, including "understandings." While the functional equivalent of a holding company-subsidiary relationship could perhaps be created through informal affiliation, § 3 (a), at least until quite recently, has been triggered by the formality of control of voting stock. To be sure, § 2 (d) has always referred to a subsidiary as one whose stock is "directly *or indirectly*" owned or controlled or whose election of directors is controlled *"in any manner"* by the holding company.[9] But there has been no suggestion by Congress, nor by the Board, that this language would embrace the less formal arrangements by which the C&S banks operated in complete harmony with C&S. Indeed, the statutory clues suggest the contrary, that Congress was concerned with powers attached to stock, and that "in-

---

101 Cong. Rec. 8028 (remarks of Rep. Patman). In the form initially adopted by the House, the Act would have defined as a subsidiary a bank over which another company was found by the Federal Reserve Board to "exercise a controlling influence." The Senate amendment substituted the provision ultimately enacted, the requirement of control of the election of directors. See S. Rep. No. 1095, 84th Cong., 1st Sess., 5 (1955).

[9] The reference to indirect ownership, though contained in § 2 (a) of the 1956 Act (defining holding company) was inadvertently omitted from § 2 (d). See 70 Stat. 134. The 1966 amendments corrected the omission. See S. Rep. No. 1179, 89th Cong., 2d Sess., 8 (1966).

direct" ownership or control merely referred to their exercise derivatively, through an intermediary.[10]

In the 1970 amendments to the Holding Company Act, 80 Stat. 1760, Congress expanded the reach of § 3. The Act now defines "control" to include a relationship whereby a company "directly or indirectly exercises a controlling influence over the management and policies of the bank. . . ." § 2 (a)(2)(C), 12 U. S. C. § 1841 (a)(2)(C). Congressional preoccupation with stock is still evident since there is a statutory presumption that "any company which directly or indirectly owns, controls or has power to vote less than 5 per centum of any class of voting securities of a given bank or company does not have control over that bank or company." § 2 (a)(3).

---

[10] Section 2 (g) of the Act defined indirect control or ownership:

"For the purposes of this chapter—

"(1) shares owned or controlled by any subsidiary of a bank holding company shall be deemed to be indirecty owned or controlled by such bank holding company;

"(2) shares held or controlled directly or indirectly by trustees for the benefit of (A) a company, (B) the shareholders or members of a company, or (C) the employees (whether exclusively or not) of a company, shall be deemed to be controlled by such company; and

"(3) shares transferred after January 1, 1966, by any bank holding company (or by any company which, but for such transfer, would be a bank holding company) directly or indirectly to any transferee that it indebted to the transferor, or has one or more officers, directors, trustees, or beneficiaries in common with or subject to control by the transferor, shall be deemed to be indirectly owned or controlled by the transferor unless the Board, after opportunity for hearing, determines that the transferor is not in fact capable of controlling the transferee."

This provision was added by the 1966 amendments to adopt interpretations previously made by the Board. S. Rep. No. 1179, *supra*, at 8.

Nevertheless the Board has by regulation established a rebuttable presumption of control where a company

> "enters into any agreement or understanding with a bank . . . such as a management contract, pursuant to which the company or any of its subsidiaries exercises significant influence with respect to general management or over all operations of the bank. . . ." 12 CFR § 225.2 (b)(3) (1974).

Arguably, the Board's interpretation would now bring within § 3 the affiliation of the 5-percent banks with C&S. But the Board's interpretation is based upon recent legislation expanding the reach of the Board's regulatory authority.[11] Since I do not suppose Congress intended in 1966 to immunize transactions of the kind it had not yet brought within § 3, the 1970 amendment is relevant only because it demonstrates the limited character of the transactions previously embraced by § 3 and "grandfathered" under § 11 (d).

The conclusion that Congress had traditionally not brought informal arrangements within § 3 (a) is reinforced by the provisions of § 4 (a)(2) of the Act, which forbid a bank holding company to

> "engage in any business other than that of banking or of managing or controlling banks or of furnishing services to or performing services for any bank of which it owns or controls 25 per centum or more of the voting shares."

This provision was enacted in 1956, and as early as 1960 the Board by regulation interpreted "services" to in-

---

[11] Congress specifically noted the expansion. See S. Rep. No. 1084, 91st Cong., 2d Sess., 6 (1970); H. R. Rep. No. 1747, 91st Cong., 2d Sess., 12. See also Note, The Bank Holding Company Act Amendments of 1970, 39 Geo. Wash. L. Rev. 1200, 1213–1214 (1971).

clude many of the functions C&S has performed for the 5-percent banks. Included in the Board's interpretation are "(1) establishment and supervision of loaning policies; (2) direction of sale or purchase of investment securities; (3) selection and training of officer personnel; (4) establishment and enforcement of operating policies; and (5) general supervision of overall policies and practices." 12 CFR § 225.113 (1974). The differentiation of these activities from "control or management" and their inclusion in § 4 of the Act rather than in § 3 vividly exposes the fallacy of today's holding invoking § 11 (d) to foreclose scrutiny of the "correspondent associate" relationship of three of the 5-percent banks. Since § 11 (d) shielded only the events then described in § 3 (a), the conclusion is compelled that all the 5-percent banks are properly before us on the Sherman Act counts.[12] Accordingly, I turn to the merits.

B

The District Court found that there were no express agreements among the defendant banks to fix prices or divide markets that would call for application of the *per se* rule, *United States* v. *Socony Vacuum Oil Co.*, 310 U. S. 150, *United States* v. *Sealy, Inc.*, 388 U. S. 350,

[12] My conclusion that the affiliative relationships are not within the terms of § 3 (a), at least prior to the 1970 amendment, is further supported by the scope and outcome of the 1968 investigation of C&S undertaken by the Federal Reserve Board staff. The investigation was convened specifically to inquire into a possible violation of § 3. The staff was principally concerned with the pattern of ownership of the stock of the 5-percent banks, especially by C&S officers and employees. Ultimately the staff found this acceptable, so long as C&S did not finance the purchases. There is no indication, however, that the staff concerned itself with communications between C&S and the 5-percent banks with respect to such matters as interest rates, loan repayment policies, or other terms of business.

but it also found that the effect of the association was to eliminate all competition among the banks involved.

The Court finds the restraints embodied in the "correspondent associate" relationship reasonable because of state law restrictions that blocked, for a time, the avenue of internal expansion by C&S. If the question before us were the lawfulness of these arrangements at their inception, this solution might be satisfactory. The question would be a close one, however, calling for a delicate balancing of the immediate benefits of expanded banking services against the more distant, but nevertheless real, danger of permitting the restraints necessary to circumvent *de jure* barriers to expansion to continue longer than the conditions that justified them. The inquiry would, of course, have to take into account the possibility that expansion would occur under less restrictive conditions. New entry by an unaffiliated bank [13] or entry with a more limited form of sponsorship—a period of initial assistance, followed by a withdrawal of the sponsor's influence, at least to a conventional correspondent relationship [14]—might have sufficed to provide the ex-

not wholly supported by the record, since in his trial testimony

[13] There is little doubt that pent-up consumer demand for additional banks would sooner or later induce efforts to organize new ones. More questionable, however, is whether regulatory authorities would respond promptly to permit new entry. In general, regulatory policy has been thought to retard formation of new banking institutions. See Peltzman, Entry into Commercial Banking, 8 J. Law & Econ. 11 (1965).

[14] The record demonstrates that such a chain of events is possible. Citizens & Southern Bank of Stone Mountain, organized in 1957 with C&S assistance, functioned as a correspondent associate from 1959 until 1970. At that time it declined an offer of acquisition by C&S and became independent of the C&S system. Appellees have argued that Stone Mountain represents a unique case because a majority of voting stock remained in the hands of a single family not intimately tied to the C&S system. This contention is

pansion cited here as a justification for incidental restraints. The judicial resources consumed by such an inquiry in any particular case would not be insubstantial, and the very difficulty of making such judgments has in many cases led us to prefer *per se* rules. *United States* v. *Socony-Vacuum Co.*, 310 U. S. 150, 220–221 (1940); *Northern Pacific R. Co.* v. *United States*, 356 U. S. 1, 5 (1958); *United States* v. *Sealy, Inc.*, 388 U. S. 350 (1967); *United States* v. *Topco Assoc.*, 405 U. S. 596 (1972). See also *United States* v. *Philadelphia National Bank*, 374 U. S. 321, 362 (1963).

The issue in this case, however, is not whether the affiliation of the 5-percent banks was lawful at its inception, but whether it could lawfully continue, for the Government sought only an injunction. By the time the Government brought suit, Georgia law permitted C&S to branch freely in the Atlanta suburbs. Because the rule of reason requires us to assess the lawfulness of a restraint in light of all the circumstances, *Chicago Board of Trade* v. *United States*, 246 U. S. 231, 238, the lawfulness of the practices at their inception, even if assumed, could not be controlling, for changes in market conditions can deprive once-reasonable arrangements of their justification. *United States* v. *Jerrold Electronics*, 187 F. Supp. 545, 560–561, aff'd, 365 U. S. 567 (1961). See also *United States* v. *E. I. du Pont de Nemours & Co.*, 353 U. S. 586, 596–598 (1957). The claimed desirability of the challenged arrangements as a response to now-repealed restrictions of Georgia law is therefore relevant only insofar as it may also be claimed that con-

---

Mr. Mills Lane, President of C&S from 1946 to 1970, referred to three other banks having a similar structure of ownership. (App. 378–379, referring to Pelham, Fayetteville, Hogansville). The example of Stone Mountain does, in any event, demonstrate that sponsorship can occur under conditions ultimately leading to independence of the sponsored institution.

tinuation of such arrangements undisturbed by the Sherman Act would be vital to their creation were Georgia to reinstate its restrictions in the future. Put another way, we need concern ourselves with the lawfulness of "*de facto* branches" as a response to state law restrictions only if appellees make a convincing showing that no bank would engage in "*de facto* branching" without a guarantee of perpetual noninterference from the antitrust laws.

Certainly it is open to C&S to argue that no rational banker would sponsor a *de facto* branch unless assured that the resulting relationships could continue in perpetuity. But this sort of argument has seldom carried the day in this Court, see *United States* v. *Sealy, supra; United States* v. *Topco Assoc., supra,* and I do not find it persuasive in this case. A bank hemmed in by state antibranching restrictions will presumably find it profitable to take a small stock interest in an independent bank, to offer assistance and thereby attempt to win consumer loyalty through an expanded use of its own name. C&S presumably found these arrangements profitable at their inception. The record does not show whether C&S actually charged the 5-percent banks for such assistance as site selection, economic surveys, equipment procurement, and other promotional services; there is no suggestion, however, that C&S provided these services at an ultimate loss, and presumably gains ultimately accrued to the provider. True, C&S hoped to cement the relationships through merger, but it is not clear that these expectations were essential to the initial undertaking. Indeed, C&S continued to provide assistance to certain banks as to which there was little prospect of ultimate acquisition by C&S. (App. 378–379.) Our concern, in any event, lies not with protecting the expectations of C&S but with avoiding disincentives to the

provision of desirable services. Sponsorship will be profitable to a sponsor bank assuming that there is a demand for the services of the sponsored bank and that the sponsor can recoup in some fashion a return for its assistance. These conditions should be sufficient to induce a profit-seeking bank, chafing under antibranching restrictions, to sponsor a new entrant even if permanent arrangements are forbidden.

This case, therefore, does not present an occasion for consideration whether the restraints incident to "*de facto* branching" are lawful when undertaken in response to a prohibition of *de jure* branching, a position the Court says the Government took last Term in *United States* v. *Marine Bancorporation*, 418 U. S. 602 (1974). The restraints incident to the affiliation of the 5-percent banks with C&S must be examined in light of conditions prevailing at the time of suit, which include the ability of C&S to branch freely in the Atlanta suburbs.

The arrangements between C&S and the 5-percent banks resemble a "common brand" marketing agreement or a franchising arrangement in which the franchisor itself deals directly with consumers as well as providing entrepreneurial skill and other assistance to franchisees. Such combinations may, under certain circumstances, enhance competition. Common brand marketing may permit a group of small firms to exploit promotional economies and thereby compete with larger enterprises whose business spans several geographic submarkets. Franchising may facilitate entry by allowing an entering firm to save on promotional expenses and to purchase needed entrepreneurial assistance. Restraints invariably accompany these combinations for the purpose of promoting product uniformity, for some standardization of product is indispensible to the success of the scheme. Because notwithstanding

accompanying restraints such combinations may on balance enhance competition, it would be a mistake to regard them as *per se* or even presumptively unlawful, and lower courts have not done so. See, *e. g., United States* v. *Topco Associates, Inc.*, 319 F. Supp. 1031, 1038 (ND Ill. 1970), rev'd on other grounds 405 U. S. 596 (1972); *Siegel* v. *Chicken Delight, Inc.*, 448 F. 2d 43 (CA9 1971); *Susser* v. *Carvel Corp.*, 332 F. 2d 505 (CA2 1964). But the Sherman Act limits the scope of cooperation incident to such arrangements. The participants may not fix prices nor divide markets. *United States* v. *Topco Associates, Inc., supra; United States* v. *Sealy, Inc., supra; United States* v. *Arnold Schwinn & Co.*, 388 U. S. 365 (1967). Such combinations, moreover, warrant careful scrutiny when their participants collectively possess a dominant share of a common market, as to which there are substantial barriers to entry, for these conditions enhance the profitability of price collusion among participants and thus may tempt them to standarize price as well as other product attributes.

Despite the acceptability generally of common brand or franchising arrangements, they pose particular difficulty in the commercial banking context. Many features of a commercial bank's services are set by regulation, thus inhibiting competition by restricting the number of product features that individual firms are free to vary. With interest rates on loans fixed by law, for example, competition is confined to such "non-price" features as collateral requirements or repayment policies. With competition thus already delimited, few additional restraints incident to a cooperative scheme can be tolerated before competition is extinguished entirely. Moreover, the entry barriers posed by regulation enhance the danger that incidental cooperation will be extended to abolish all rivalry. These considerations suggest that co-

operative arrangements in commercial banking should be permitted only where their competitive benefits are clear, and where the combined market shares of the participants dispell the fear that price collusion will accompany them.

The situation here fails to satisfy the test. The combined shares of C&S and the 5-percent banks are substantial under any of the alternative definitions of the geographic market cited by the Court. *Ante*, pp. 35–42.[15] Furthermore, the cooperative arrangements involve not a group of small firms allied to challenge a larger rivals, *United States* v. *Topco Associates*, *supra*, but instead the dominant firm which thereby extends its hegemony. In a market so concentrated as is commercial banking in Atlanta, the most must be made of opportunity for rivalry among existing firms. Cf. *United States* v. *Philadelphia National Bank*, *supra*, at 372. The 5-percent banks are now substantial, thriving enterprises,[16] inhibited from competing with C&S only by the

---

[15] The District Court made no finding as to the relevant geographic market, accepting the Government's contentions *arguendo* in deciding the case. The Court apparently does the same. A report prepared by the Government's expert witness concluded that while the Atlanta SMSA was too large to be considered an integral geographic market, the constituent counties of DeKalb and Fulton were "reasonable geographic areas within which it is appropriate to analyze the competitive effects of the proposed mergers." (E–83). This is an approximation, of course, since the same report revealed that a number of DeKalb residents use Fulton County banks, thus suggesting that in certain respects DeKalb and Fulton County banks compete for the same business. Accordingly, it appears that defining the geographic market to include both DeKalb and Fulton Counties would be justified under our cases. See *United States* v. *Phillipsburg Bank*, 399 U. S. 350 (1970); *United States* v. *Philadelphia National Bank*, *supra*.

[16] Three of the 5-percent banks—Sandy Springs, Chamblee, and Tucker—had deposits exceeding $15 million as of January 1, 1970.

"correspondent associate" relationship. I would hold that the Government is entitled to an injunction, specifically against the continued use by the 5-percent banks of the C&S name, the continued use of advisory directors furnished by C&S, and continued "consultations" between the management of the 5-percent banks and C&S, including the flow of memoranda for "advice and guidance."

II *The Clayton Act*

The Court concedes that under our prior decisions the Government has established a prima facie case under § 7. *Ante*, p. 32. But the Court affirms the District Court's determination that the acquisitions add nothing of anticompetitive significance to the pre-existing "correspondent associate" relationship. Since I have concluded that the relationship itself violates the Sherman Act, I also disagree with the Court's affirmance of the District Court on the Clayton Act issue. Since, in my view, appellees can no longer rely upon the affiliation to rebut the Government's prima facie case, I would remand to the District Court for consideration of the "convenience and needs" defense of 12 U. S. C. § 1828 (c)(5)(B). But I also disagree with the Court's conclusion that the acquisitions add nothing of significance to the existing arrangements, and I would therefore reverse even if I accepted the Court's disposition of the Sherman Act counts. I state briefly my reasons for so concluding.

North Fulton, Park National, and South DeKalb were smaller and more recenty organized, but all have experienced vigorous growth. The average annual rate of deposit growth for the two years preceding January 1, 1970, was 102% for North Fulton and 50% for Park National, in contrast to a national average rate for all commercial bank deposits during the same period of slightly more than 10%. South DeKalb, organized in late 1969, had more than doubled its deposits from $1.5 to $3 million during the first half of 1970. (App. E–422, E–546.)

If not acquired, the 5-percent banks have the power to break their ties with C&S and the likelihood that any would do so may be expected to increase as the demand for their services grows and as their managements acquire additional business experience. However risky these ventures may have been at their inception, the recent performance of the 5-percent banks attests to their present viability.[17] Because of continuing population growth of the Atlanta area, the banks may anticipate an expanding demand for their services. These circumstances might well induct the management of a 5-percent bank to assume a more independent posture, at least to shop around among other large Atlanta banks for more conventional "correspondent" services.[18]

Quite apart from what the managements of the 5-percent banks might do, it is most improbable that C&S would long be happy with existing arrangements if acquisition were enjoined. The record demonstrates the aggressive, expansionist performance of C&S, having increased its Atlanta offices from three in 1946 to more than 100 by the time of trial. It is quite inconceivable

---

[17] See n. 16, *supra*.

[18] Officers of both C&S and the 5-percent banks testified that they had not contemplated a severance of relations, but this testimony does not establish what would happen if the acquisitions were enjoined. Had the managements testified that they would not consider severence under any circumstances, such declarations of an intention to eschew a course dictated by economic self-interest would have to be viewed with skepticism. See *United States* v. *Falstaff Brewing Co.*, 410 U. S. 523, 568–570 (1973) (concurring opinion).

Whether the 5-percent banks would have been formed at all had their principals expected the Clayton Act to bar ultimate acquisition by C&S is a different question. I am not troubled by it for essentially the same reasons that have led me to conclude above that enjoining continuation of correspondent associate relationships would not deter sponsorship of *de facto* branches under state law restrictions on *de jure* branching. See pp. 14–15, *supra*.

that such a firm would long be content to continue operations through *de facto* branches in which its interest was limited to 5%. The formation of *de jure* branches, ultimately in competition with former "correspondent associates," would be a plausible result.

The foregoing are not "ephemeral possibilities," *Brown Shoe Co.* v. *United States*, 370 U. S. 294, 323, that antitrust analysis should ignore. Section 7 was intended, as we have repeatedly said, to "arrest anticompetitive tendencies in their 'incipiency.'" *United States* v. *Philadelphia National Bank*, *supra*, at 362. In applying the § 7 standards, we are obliged to hold acquisitions unlawful if a reasonable likelihood of a substantial lessening of competition under future conditions is discernible. *E. g.*, *United States* v. *Continental Can Co.*, 378 U. S. 441, 458 (1964); *FTC* v. *Procter & Gamble Co.*, 386 U. S. 568, 577 (1967); *United States* v. *Falstaff Brewing Corp.*, 410 U. S. 526, 539 (1973) (concurring opinion). While inquiry as to future market conditions and performance inevitably involves speculation, fidelity to the congressional purpose requires us to resolve reasonable doubts in favor of the preservation of independent entities. This is perforce true where, as here, the market is highly concentrated and the acquiring firm is the dominant one.

My Brother WHITE reminded us in his dissent last Term in *United States* v. *Marine Bancorporation*, 418 U. S. 602, 653, that

> "In the last analysis, one's view of this case, and the rule one devises for assessing whether this merger should be barred, turns on the policy of Clayton § 7 to bar mergers which may contribute to further concentration in the structure of American business. . . . The dangers of concentration are particularly acute in the banking business, since 'if the costs of banking services and credit are al-

> lowed to become excessive by the absence of competitive pressure, virtually all costs, in our credit economy, will be affected. . . .'" (Citations omitted.)

Today's decision permits C&S, the dominant commercial bank in Atlanta, further to entrench its position. Two other rivals, which together with C&S control more than 75% of the banking business in Atlanta, may now be expected to follow suit, acquiring their own "*de facto* branches." [19] I believe these developments exemplify the "further concentration in the structure of American business" that § 7 was designed to prevent. Accordingly, I would reverse the judgment of the District Court.

---

[19] The record indicates that at the time C&S applied for regulatory approval of the acquisitions, its two largest competitors, First National Bank of Atlanta and Trust Company of Georgia, had sought and in some cases had obtained, approval for similar acquisitions of affiliated banks. App. E–39.